Broad Base. Best Solutions.

SGL GROUP
THE CARBON COMPANY

Changing. Improving. Earning.

Annual Report 2014

A broad base enables us to offer best solutions to our customers around the world, in line with our claim:

Broad Base. Best Solutions.

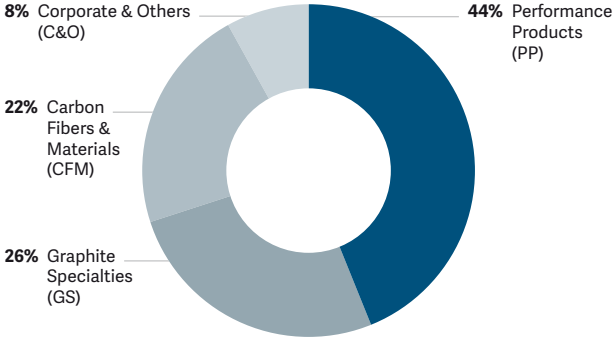
€1.3 billion	6,342	42
Sales revenue	Employees	Production sites worldwide

- Established customer network
- Broad understanding of raw materials
- Highly developed production processes
- Technology leadership
- Unique innovative expertise

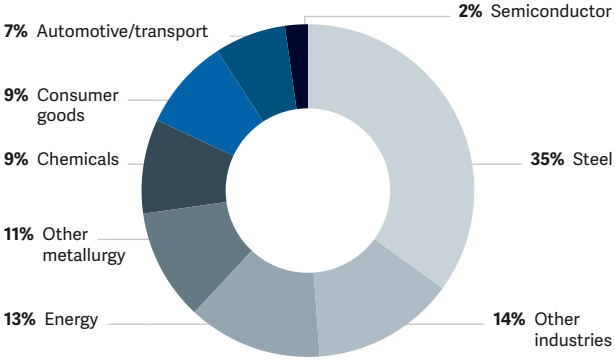
SGL Group is one of the world's leading manufacturers of carbon products.

We supply a wide spectrum of industries – from traditional industrial sectors to new, future high-growth areas.

Share of sales revenue by reporting segment



Sales revenue by customer industry



Committed to Carbon.

We focus on carbon, the material of the future.

Carbon is a material with a lot of potential. Its outstanding properties make it irreplaceable as a material of the future, particularly in light of megatrends such as energy supply, lightweight construction and resource conservation.

As a global leading manufacturer of high-performance carbon materials and products, we offer our customers a comprehensive product and service portfolio that can be tailored to individual requirements. With our innovation strength, we are setting standards in the development of modern carbon, graphite, and carbon fiber applications.

The industrialization of growth regions, particularly those in Asia, and the increasing substitution of traditional with new materials will further strengthen our position in the market. Our core competencies and our innovation know-how secure our long-term growth.

This, together with the rigorous continuation of the strategic realignment of the Group, will sustainably increase our earnings power.

Creating Value.

Carbon is a material of the future.

Products

Graphite electrodes
Cathodes

enable

Graphite specialties
Process technology

enable

Carbon fibers
Carbon fiber materials
CFRP components

enable

Products and processes that are vital for our customers are inconceivable without carbon.

Growth markets

Steel recycling

Aluminum production

Lithium ion batteries

Photovoltaics

Modern lighting technology (LED)

Chemical processes

Lightweight construction for automotive and engineering industries

Wind energy

Carbon ceramic brake discs

Creating Value.

Our sights are set firmly on sustainably increasing our earnings power and we are repositioning our company such that it can grow profitably from a sound base.

ROCE ≥ 15%

Positive free cash flow

Leverage < 2.5

Positive net income

Equity ratio > 30%

Gearing ~ 0.5

Our financial targets: road to success is paved with clearly defined milestones.

We will achieve our financial goals with the strategic realignment based on three cornerstones:

Changing.

We are aligning our asset and business portfolio more closely with the market and our core competencies.

Improving.

We have already achieved savings in excess of €150 million with our SGL2015 cost saving program.

Earning.

All future decisions are based on earning a minimum ROCE of 15%.

Financial flexibility for rapid strategic realignment

Our successful capital increase of €267 million has created the foundation for restructuring the Group. We are thus putting the Company in a position to make necessary changes and targeted growth investments.

Focusing the business to secure its future

Graphite, carbon, carbon fibers – we know our strengths and we are putting them at the heart of our business once again. At the same time, we are creating the conditions that will enable us to respond flexibly to developments and changes in the market. That is rarely possible without rationalization or even closing operations, but at SGL Group it is being conducted with foresight and a sense of proportion.

SGL2015 for increasing competitiveness

The group-wide SGL2015 cost savings program is already delivering results. We are well ahead of schedule and have actually increased the total expected savings in two steps by approximately €90 million to €240 million. Organizational restructuring and radical process improvements will enhance the profitability of the Group's remaining operations.

Selective capital spending to at least earn the cost of capital

More than ever, we will from now on manage our business much more tightly according to clearly defined key financial performance indicators – both in terms of new investments as well as in restructuring our portfolio. Taking into account our extensive cost savings and strong positions in key growth markets, we plan to generate ROCE of at least 15%, thereby creating value for all our stakeholders.

Changi

A focused business and asset portfolio will enable our Company to grow profitably.

We use intense heat to turn materials such as petroleum coke into synthetic graphite – one of our most important base materials.

Petroleum coke – our raw material for manufacturing graphite electrodes

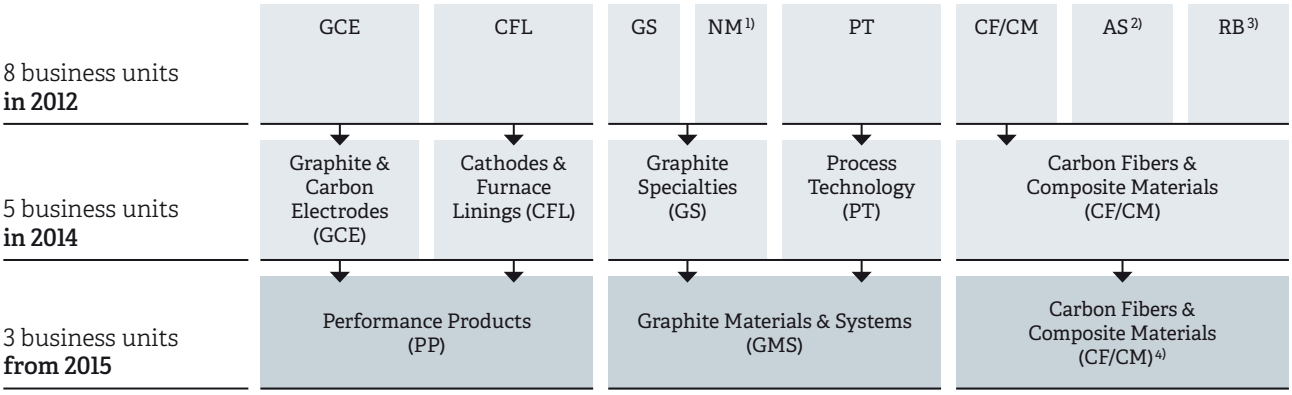
– We are optimizing our global production network with targeted production relocations, consolidation and closures.

– We are focusing on competitive assets and our materials competence.

– We constantly review our portfolio with respect to the minimum return on capital.

– We are disposing of businesses that do not meet these targets in the medium term.

Organization streamlined to three business units



1) New Markets (integrated into GS in Q2 2013)
2) Aerostructures (disposal process initiated in Q2 2014)
3) Rotor Blades (sold at end of 2013)
4) Reported in the CFM reporting segment with 51% SGL ACF

Improv

SGL2015 improves our cost structure with various efficiency measures.

We produce innovative, high-performance materials based on carbon fibers.

Sigrafil®C – carbon fibers based on PAN (polyacrylonitrile)

SGL2015 measure	Savings target	Status at Dec. 31, 2014
Operational improvements and SGL Excellence	~€115 million	~80%
Organizational restructuring	~€60 million	~90%
Disposals	~€15 million	~50%
Asset restructuring	~€50 million	~70%

Savings target raised twice from €150 million to €240 million

When an efficiency program is so successful that the savings target actually has to be revised upward on two occasions, this is really good news. The group-wide SGL2015 cost-cutting program had already achieved savings of €69 million in 2013, well above the scheduled €50 million. This trend continued in 2014 with savings of nearly €90 million. Accordingly, we were able to increase the total savings target from €150 million to more than €200 million in autumn 2014, and finally to €240 million in spring 2015.

Earning

Our optimized production network and selective investments will return us to profitable growth.

We have earned our strong reputation as a reliable supplier and partner for our customers over and over again – because of our wide range of high-purity specialty graphites offering, the high quality of our materials and products, and our wealth of expertise in applications and materials.

Heating element for the semiconductor and solar industries – made of high-purity specialty graphite

Selective growth investments

Increasing usage of lithium ion batteries, e.g. by the automotive industry, is boosting the demand for our anode material	Lightweight automotive construction requires more carbon fiber materials, such as those supplied by SGL ACF	Profitable growth in high-performance carbon fiber materials is safeguarded by proprietary precursor from Fisipe

Growth from existing assets

Rapid substitution of traditional with carbon fiber materials, e.g. in the wind energy sector, is increasing demand for carbon fibers	Structural growth in the solar, LED and semiconductor industries is resulting in greater consumption of isostatic graphite	Demand for graphite electrodes rises as scrap steel becomes more available	Demand for cathodes is increasing as new aluminum smelters are built

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Key Figures 2014

26.2%
Equity ratio

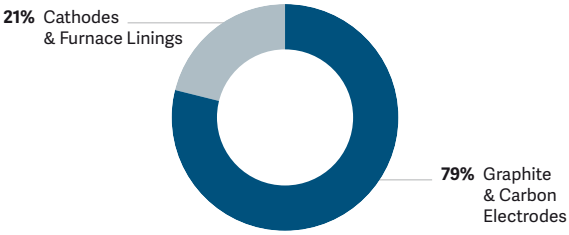
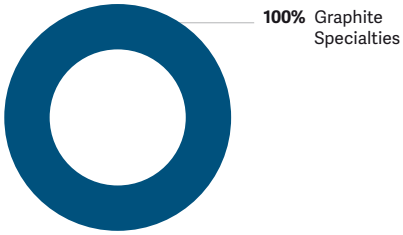
0.69
Gearing

5.9%
Return on capital employed (ROCE $_{EBIDTA}$)

€m	Footnote	2014	2013 [1]	Changes
Financial performance				
Sales revenue		1,335.6	1,422.6	–6.1%
thereof outside Germany		*80%*	*82%*	–
thereof in Germany		*20%*	*18%*	–
EBITDA before non-recurring charges	2	84.1	102.8	–18.2%
EBIT before non-recurring charges	2	2.7	22.8	–88.2%
Result before tax		–104.4	–161.1	35.2%
Consolidated net result	3	–247.0	–317.0	22.1%
Return on sales (ROS)	4	0.2%	1.6%	–1.4%-points
Return on capital employed (ROCE $_{EBITDA}$)	5, 6	5.9%	6.5%	–0.6%-points
Earnings per share, basic (in €)		–3.26	–4.47	27.1%
Net assets				
Equity attributable to shareholders of the parent company		567.6	607.7	–6.6%
Total assets		2,170.3	2,059.1	5.4%
Net debt		389.9	491.1	–20.6%
Equity ratio	7	26.2%	29.5%	–3.3%-points
Gearing	8	0.69	0.81	–15.0%
Number of employees (December 31)	9	6,342	6,387	–0.7%
Financial position				
Capital expenditure in property, plant and equipment and intangible assets		132.6	117.0	13.3%
Depreciation and amortization		81.4	80.0	1.8%
Working capital		462.4	476.2	–2.9%
Free cash flow	10	–121.3	41.9	> –100%

1) Adjusted by BaFin adjustments as well as classification of AS as a discontinued operation and proportional consolidation of SGL ACF
2) Before non-recurring charges of €51.2 million in 2014 and €122.8 million in 2013
3) Consolidated net result (attributable to shareholders of the parent company)
4) Ratio of EBIT before non-recurring charges to sales revenue
5) Ratio of EBITDA before non-recurring charges to average capital employed
6) Average capital employed (= the sum of goodwill, other intangible assets, property, plant and equipment and working capital, each at beginning of year and end of year)
7) Shareholders' equity to total assets
8) Net debt to shareholders' equity
9) Each as of Dec. 31, including discontinued operations
10) Net cash provided by operating activities (continuing operations) less net cash used in investing activities (continuing operations)

Our Reporting Segments at a Glance

Reporting segments	PP Performance Products	GS Graphite Specialties
Products	– Graphite and carbon electrodes – Cathodes – Furnace linings	– Graphite specialties (products based on coarse and fine-grain graphite) – Expanded graphite
Key industries	– Aluminum – Steel – Metallurgical and non-metallurgical applications	– Semiconductor/LED – Solar power/energy/battery – Chemicals – Automotive
Sales revenue by segment		
Strengths	– Leading competitive position in basic industries – Continued growth in emerging markets	– Sustainable growth potential in renewable energies, energy efficiency and energy storage – Broad product portfolio

Key figures		2014	2013	Change
Sales revenue	€m	588.2	755.9	–22.2%
EBITDA before non recurring charges [1]	€m	65.1	110.2	–40.9%
Operating profit/loss (EBIT) before non-recurring charges [1]	€m	26.0	69.4	–62.5%
Return on sales (ROS) [2]		4.4%	9.2%	–

[1] Non-recurring charges include restructuring expenses of €9.8 million and goodwill impairment of €10.6 million in 2014, and restructuring expenses of €59.5 million in 2013

[2] EBIT (before non-recurring charges)/sales revenue

Key figures		2014	2013	Change
Sales revenue	€m	345.5	296.7	16.4%
EBITDA before non recurring charges [1]	€m	49.7	32.6	52.0%
Operating profit/loss (EBIT) before non-recurring charges [1]	€m	29.9	15.9	88.1%
Return on sales (ROS) [2]		8.7%	5.4%	–

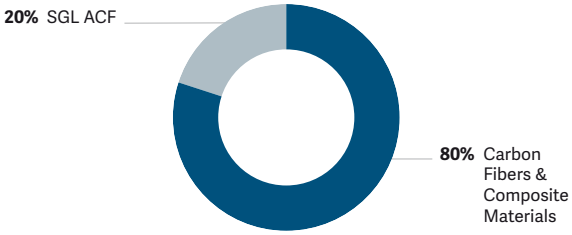
[1] Non-recurring charges include restructuring expenses of €10.5 million in 2014 and €4.6 million in 2013

[2] EBIT (before non-recurring charges)/sales revenue

CFM
Carbon Fibers & Materials

- Carbon fibers
- Prepregs/fabrics made of carbon fibers

- Automotive
- Energy
- General industry
- Medical
- Pressurized tanks



- New application possibilities for automotive, energy and general industry
- High potential for earnings improvement
- Complete value chain from a single source
- Only European carbon fiber company

Key figures		2014	2013	Change
Sales revenue	€m	296.4	251.5	17.9%
EBITDA before non recurring charges [1]	€m	–8.8	–14.7	40.1%
Operating profit/loss (EBIT) before non-recurring charges [1]	€m	–22.5	–27.5	18.2%
Return on sales (ROS) [2]		–7.6%	–10.9%	–

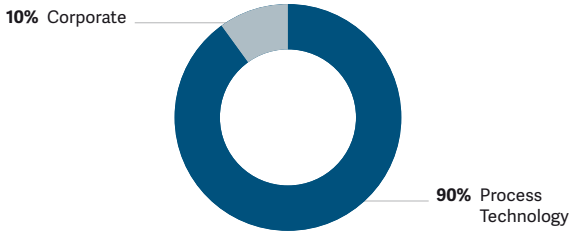
[1] Non-recurring charges include restructuring expenses of €10.5 million in 2014 and of €1.1 million in 2013 as well as impairment losses of €41.5 million in 2013

[2] EBIT (before non-recurring charges)/sales revenue

C&O
Corporate & Others

- Equipment for chemical processes (Process Technology)
- Corporate and service functions
- Research activities
- SGL Excellence

- Chemicals
- Environmental
- Pharmaceuticals



- Advanced materials, equipment and process solutions at PT
- Deep materials know how at PT
- Central research and development activities for continuous innovations at T&I

Key figures		2014	2013	Change
Sales revenue	€m	105.5	118.5	–11.0%
EBITDA before non recurring charges [1]	€m	–21.9	–25.3	13.4%
Operating profit/loss (EBIT) before non-recurring charges [1]	€m	–30.7	–35.0	12.3%
Return on sales (ROS) [2]		–29.1%	–29.5%	–

[1] Non-recurring charges include restructuring expenses and other non-recurring charges of €20.2 million in 2014 and €16.1 million in 2013

[2] EBIT (before non-recurring charges)/sales revenue

Board of Management

From the left:

Dr. Michael Majerus
Chief Financial Officer

Dr. Jürgen Köhler
Chief Executive Officer

Dr. Gerd Wingefeld
Chief Technology Officer

Letter from the Board of Management

Dear Shareholders,
Dear Employees and Friends of SGL Group,

In 2014, SGL Group saw significant organizational change and put in place key components to determine its future strategic direction. Central to these changes were the simplification of our structures and the development of the cornerstones of the strategic realignment of the Company, which will enable us to return to sustainable profitable growth. The new SGL Group is already leaner and more flexible; we are able to respond faster and with greater purpose to global economic conditions, which continue to change dynamically.

The first cornerstone of our realignment is the tighter focus of our business. We are concentrating on our materials expertise in carbon, graphite, carbon fibers, and their manifold applications as our main core competency. We are systematically restructuring – and if necessary disposing of – any parts of the business that generate losses. For example, we have closed down the production facilities in Narni and Lachute; we have sold SGL Rotec and have initiated the disposal process for our subsidiary Hitco.

The second cornerstone relates to increasing the profitability of the Group. The core element of this is our SGL2015 cost savings program, backed by our well-established SGL Excellence initiative. Nothing is off-limits in this approach with many departments and organizational processes streamlined, business units merged, and operating and staff costs reduced. A new highly developed cost consciousness prevails at all levels. The restructuring and reorganization efforts are already showing significant signs of success. In September 2014, we were initially able to raise our savings target from the existing level of €150 million to more than €200 million by the end of 2015. By the end of 2014, we had already achieved savings of €157 million. Based on the huge progress already made and identification of further efficiency potential, we have raised the savings target again in the first quarter 2015: we are now targeting total savings of €240 million.

The third cornerstone is to specify selected areas for growth in the Group. This is being done in conjunction with determining the level of necessary and affordable investments for these areas.

Adjusted key financials defined as part of the strategic realignment

In connection with the realignment, we have also specified differentiated targets for the Company as a whole, against which the performance of the Board of Management and all managers are measured. Among other things, remuneration models have been adjusted in this regard so that they are closely linked to the specified targets for the Group. Top down, the Group is aiming for a return on capital employed (ROCE) of at least 15%, profitability on net income level and positive free cash flow, and a reduction of the leverage ratio to below 2.5. It is also targeting gearing (ratio of net debt to equity) at approximately 0.5 and an equity ratio of at least 30%.

Initial significant improvements in the balance sheet were achieved in October 2014 following the successful capital increase generating gross proceeds of €267 million. The very high subscription rate of 99.7% and the participation of our major shareholders SKion, BMW, and VW in proportion to their shareholdings highlight the huge amount of support for the strategic realignment of SGL Group. The capital increase also created the basis for an accelerated restructuring of the Group.

Operational development had highs and lows

Operationally, 2014 was again a difficult year. Sales revenue in the reporting segment Performance Products continued to be adversely impacted by the strong price pressure in its core graphite electrodes business. Overcapacity in the graphite electrodes market remains the reason behind this problem. As this trend could only be partially offset by the increased sales revenue in our other businesses, consolidated sales revenue for the reporting year was down by 6% to €1,336 million. However, it should be noted that the final quarter of the year saw a significant increase compared to the corresponding quarter in 2013.

Given the fall in sales revenue, the Group also reported a decline in operating profit (EBIT before non-recurring charges) to €3 million for 2014. The non-recurring charges amounted to minus €51 million. As forecast, free cash flow was negative primarily as a consequence of restructuring cash outflow and the significant capital investment in our joint ventures with BMW (SGL ACF), which are proportionally consolidated. The Group also reported an after-tax loss for the year of €247 million, in particular as a result of the additional impairment charges at Hitco.

Nevertheless, there were also many positive developments within SGL Group in 2014, driven by the successful positioning of our products and innovations in the market and by the wide variety of activities to improve our cost position. For example, sales revenue in Graphite Specialties (GS) increased by 16% to just under €350 million. As for EBIT, this practically doubled to €30 million. The EBIT margin at GS therefore rose from 5% to 9%. The reporting segment Carbon Fibers & Materials (CFM) also generated a significant upturn in sales revenue of 18% to €296 million, driven by a number of factors, including the sharp increase in the sales revenue contribution from our joint venture with the BMW Group, which benefited from the successful market launch of the BMW i3, the first serially produced vehicle in the world with a passenger cell made of carbon-fiber-reinforced components. Despite the production start-up costs at SGL ACF, which remained considerable in the year under review, CFM was able to achieve a significant reduction in losses to €22.5 million for the year.

Foundation for future success and return to profitable growth

The developments described above, the actions taken to improve the balance sheet, and the rapid and decisive implementation of the realignment demonstrate that we are systematically tidying up and working hard on the turnaround with renewed improvement initiatives and the continuous further development of our business and market positioning. The target we have set ourselves for 2015 is to achieve stable sales revenue and a substantial improvement in EBIT (before non-recurring charges). The increase in operating profit and the lower restructuring expenses will also lead to a substantially improved, yet still negative, net income in 2015. We then plan to be profitable in subsequent years. Furthermore, we will also achieve a return on capital employed of at least 15% in the medium term.

In summary, we can say that in 2014 we laid the foundation for our future success and the return to profitable growth.

We would like to express our sincere gratitude to all our employees, customers, suppliers, partners, and to our shareholders for their support, their enormous commitment, and the strong solidarity they have shown with our Company.

Yours sincerely,

The Board of Management of SGL Group

Dr. Jürgen Köhler **Dr. Michael Majerus** **Dr. Gerd Wingefeld**

Report of the Supervisory Board

Dear Shareholders,

The process of implementing the strategic realignment of SGL Group began in 2014. The Supervisory Board and the Board of Management are confident that the operational and personnel-related measures implemented as part of the SGL2015 cost savings program will increase SGL Group's competitiveness and profitability. In doing so we have created the foundation for the successful continuation of the Company's realignment already under way.

Focus of the Supervisory Board's Advisory and Monitoring Activities

The work of the Supervisory Board over the past year was shaped to a large degree by the challenging economic conditions faced by SGL Carbon SE and its affiliated companies (SGL Group). As Chairwoman of the Supervisory Board, I myself maintained a regular and close dialog with the CEO to discuss specific developments and issues, especially in relation to strategic questions and implementation of the SGL2015 cost savings program.

At four meetings in March, April, September, and December 2014, the Supervisory Board provided the Board of Management with advice as well as closely and continuously monitoring the management of the business. The Board of Management kept us informed in a regular, timely, and comprehensive manner. Where legislation and the Articles of Incorporation required the Supervisory Board to make decisions concerning individual transactions or actions by the Board of Management, we were consulted at an early stage and adopted the necessary resolutions.

Prior to these meetings the Board of Management held discussions with the shareholder and employee representatives on the Supervisory Board. The chairmen of the Supervisory Board committees also coordinated with their Supervisory Board colleagues and with members of the Board of Management in preparation for the relevant committee meetings. When the Supervisory Board meetings were held, the Board of Management provided us with timely and comprehensive information – both verbally and in documented form – on the agenda items being discussed. Any cases where operating performance had deviated from budgets and targets were explained in detail, which enabled us to discuss with the Board of Management the reasons for these discrepancies and the appropriate action to take. In addition, the Board of Management provided regular reports on material transactions, the quarterly financial statements, and how SGL Group was perceived in the financial markets.

The Company's financial situation and the outlook for both the following quarter and the rest of the year were discussed at all Supervisory Board meetings. These deliberations covered, in particular, trends in the Company's operational and financial key performance indicators, the associated opportunities and risks, and its risk management methods. The cost savings measures introduced by the Board of Management as well as the tough competitive and market environment constituted key issues for deliberation and were the subject of regular and intensive Supervisory Board discussions, which also covered the production ramp-up at the new graphite plant in Banting (Malaysia) as well as the portfolio adjustment projects.

At the meeting of the Supervisory Board in March 2014, we discussed with the Board of Management the persistently weak level of business and adverse economic trends prevailing in several of SGL Group's key customer industries. In particular, we reviewed in detail the downturn in the performance of the graphite electrodes business and possible corrective action.

At the subsequent meeting in April, the Supervisory Board was presented with information on the current position of the business and on the Board of Management's forecast of performance over the rest of 2014 as well as on the planned expansion of production capacity at the Moses Lake carbon fiber facility, the joint venture with the BMW Group.

After it became clear in the middle of the year that there would be no improvement in economic conditions and no brighter outlook for the year as a whole, the September meeting of the Supervisory Board discussed the need for a capital increase from the Company's authorized capital. The members of the Supervisory Board were fundamentally in favor of a capital increase of this nature but delegated the final decision as to whether to go ahead with the capital increase to the Audit Committee. The capital increase was successfully carried out in October 2014, resulting in a significant improvement in key balance sheet metrics and the creation of additional liquidity.

The December meeting focused on the progress made on the cost savings and restructuring program, the Company's operational planning for 2015, and its medium-term budgets and planning. The Supervisory Board was also given an overview on the status of individual projects.

Attendance at the four Supervisory Board meetings averaged 96%. None of the members of the Supervisory Board participated in fewer than half of the meetings. All meetings of the Supervisory Board's committees were fully attended with just two exceptions (one meeting of the Nominating Committee and one meeting of the Strategy and Technology Committee). In the reporting period, there were no indications of conflicts of interest among the members of the Board of Management or the Supervisory Board that would have required immediate disclosure to the Supervisory Board.

Parent Company and Consolidated Financial Statements for 2014

Both at the Audit Committee meeting and at the Supervisory Board meeting held in March 2015, the Supervisory Board verified that the books and records, the financial statements of the parent company SGL Carbon SE prepared in accordance with the German Commercial Code (HGB) and the consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, for the period ended December 31, 2014, and the management report of SGL Carbon SE and the consolidated management report of SGL Group had been audited by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, and had been issued with an unqualified auditors' opinion. The Supervisory Board is satisfied as to the independence of the auditors as well as the persons acting on behalf of the auditors, and issued the audit engagement in accordance with the resolution adopted by the Annual General Meeting on April 30, 2014. We received the audit reports for the consolidated and parent company financial statements promptly. The Audit Committee carefully scrutinized these documents, which were also examined by the full Supervisory Board. The independent auditors attended both the Audit Committee meeting and the Supervisory Board meeting that discussed the annual financial statements, reported on their audit, and were available to answer any additional questions and provide further information. There were no objections raised either by the Audit Committee or by our own examination. The Supervisory Board has approved the financial statements prepared by the Board of Management, and the annual financial statements have thus been adopted. There was no recommendation by the Board of Management for the appropriation of profits because SGL Carbon SE reported an accumulated loss for 2014.

At its meeting on March 17, 2015, the Supervisory Board also discussed the disclosures pursuant to sections 289 (4) and 315 (4) HGB. Please refer to the corresponding disclosures in the management report (see pages 107–108). The Supervisory Board has examined these disclosures and is satisfied that they are complete.

Susanne Klatten, Chairwoman of the Supervisory Board

Corporate Governance

Taking account of the German Corporate Governance Code as revised on June 24, 2014, we updated the corporate governance principles of SGL Carbon SE at our December meeting. The Governance and Ethics Committee, which is composed of three independent Supervisory Board members, held three meetings in the year under review. Further details regarding the principles of corporate governance applied in the Company by the Board of Management and by the Supervisory Board can be found in the Corporate Governance and Compliance Report on pages 26–31 of this annual report and in the corporate governance declaration on the Company's website at www.sglgroup.com under "Investor Relations/Corporate Governance".

The declaration of conformity adopted in December pursuant to section 161 of the German Stock Corporation Act (AktG) contains one exception to the recommendations of the German Corporate Governance Code. This exception relates to the implementation of the recommendation to put into proportion the Board of Management remuneration against the remuneration paid to upper management and the workforce. When the current remuneration system for the Board of Management was determined on January 1, 2014, a review of the remuneration structure for the upper management levels of the Company had not yet been completed. Given this situation, it was decided that no declaration of the proportions should be made. Further details relating to the declaration of conformity are included in the Corporate Governance and Compliance Report in this annual report and have been published on the Company's website at www.sglgroup.com. In 2014, the Supervisory Board engaged a notary to conduct an efficiency review. The findings demonstrated a very good level of cooperation within the Supervisory Board based on trust and a similar quality of collaboration between the Supervisory Board and the Board of Management.

Activities of the Committees

The Supervisory Board has set up a total of five permanent committees in order to ensure that its duties are discharged efficiently. The members of these committees are listed in the Corporate Governance and Compliance Report (see pages 27–28). The committee chairmen reported in detail on the work of these committees at the meetings of the Supervisory Board.

At its meeting in July 2014, the **Strategy and Technology Committee** addressed the strategic realignment of SGL Group. The main issues discussed at this meeting were the prevailing market conditions, the operational situation and, in particular, the future positioning of the individual business units. The Committee also analyzed the Company's portfolio and discussed strategic options available to SGL Group. The Strategy and Technology Committee gained comprehensive insight into the Board of Management's strategic thinking.

The **Audit Committee** met on three occasions in 2014 (in March, September, and December) and was also kept regularly informed prior to publication of the quarterly reports. When reviewing the quarterly financial statements, the Audit Committee also discussed ongoing issues relating to reporting and internal audit as well as any other special topics of current interest. All the meetings were also attended by the independent auditors to enable the Company's audit procedures, key audit issues, and material findings arising from audits of the annual financial statements to be discussed in a timely manner. The September meeting focused, in particular, on the corrections recognized in the half-year report to address the errors specified in the findings of an audit conducted by the German Federal Financial Supervisory Authority (BaFin). Other groups of topics included a review of capital investment projects carried out by the Company and status reports on compliance and funding. During the year the chairman of the committee was kept constantly informed verbally and in writing about the status and progress of audits and with regard to the documentation and validation of the core processes used for the internal control system. In addition to focusing on the separate and consolidated financial statements, the March and December meetings of the Audit Committee discussed the Company's risk identification and risk management systems, the efficiency of the internal control system, and the audit fees payable for 2014. The Committee also scrutinized the audits performed in 2014, material findings identified by the internal audit department, and the audit schedule for 2015. In September 2014, the Audit Committee carried out a detailed analysis of the planned capital increase and then gave its approval for implementation of this measure. It was also presented with information concerning organization, training, projects, and events related to compliance. Further key topics discussed regularly were the status of and changes in SGL Group's pension obligations, the current Group tax situation, findings of significant tax audits, and the funding situation.

The **Personnel Committee** met on a total of five occasions and concentrated its efforts on the agreement of targets with the members of the Board of Management and on the preparation for decisions to be made by the Supervisory Board regarding the departure of the chief financial officer and the appointment of a successor.

The **Nominating Committee** held a meeting in December 2014 and discussed future nominations for the shareholder representative positions on the Supervisory Board of SGL Carbon SE.

The **Governance and Ethics Committee** held a total of three meetings in 2014, in March, September, and December respectively. In the first two meetings in the year under review, the Committee focused initially on analyzing potential conflicts of interest in the Supervisory Board and on drawing up processes covering the activities of the Committee. In addition, one of the recurring tasks at every meeting was to review whether any conflicts of interest had arisen among the members of the Supervisory Board and whether any major shareholder was exercising undue influence. In connection with these activities, the Committee shared information extensively with the CEO of the Company.

Appointments to the Board of Management

In June, the Supervisory Board appointed Dr. Michael Majerus as the new chief financial officer on a three-year contract until June 30, 2017. At the same time, Mr. Jürgen Muth resigned as the chief financial officer of the Company by mutual agreement.

Thanks from the Supervisory Board

We would like to take this opportunity to say a special thank you to Jürgen Muth for his energetic contribution over many years in the service of the Company.

The Supervisory Board wishes to thank the Board of Management, the staff and the employee representatives of all SGL Group companies for their work, without which it would not have been possible to meet the challenges facing the Company's business in 2014.

Wiesbaden, March 17, 2015

The Supervisory Board

Susanne Klatten
Chairwoman of the Supervisory Board

Corporate Governance and Compliance Report

Responsible Corporate Governance

Excellent corporate governance refers to a responsible and transparent corporate management and control focused on sustainably creating value. SGL Carbon SE's Board of Management and Supervisory Board uphold the principles of responsible and sustainable corporate governance. SGL Carbon SE follows recognized standards of good corporate governance and attaches a great deal of value to upholding the recommendations of the German Corporate Governance Code.

Shareholders and Annual General Meeting

SGL Carbon SE's shareholders exercise their rights during the Company's Annual General Meeting. The Annual General Meeting is held once per year. Each share grants the holder one vote. The shareholders can either exercise their voting rights at the Annual General meeting themselves or have them exercised by one of the Company's proxy who is bound to follow their instructions. Instructions can be issued to the Company's proxies both before and during the Annual General Meeting through to the end of the general debate. In addition, the shareholders can issue their votes in writing via a postal vote without issuing a power of attorney to a representative.

Close cooperation between the Board of Management and the Supervisory Board

The Board of Management and the Supervisory Board of SGL Carbon SE work closely together in the interest of the Company and pursue the common goal of sustainably increasing the Company's enterprise value. SGL Carbon SE and SGL Group are managed by the Board of Management, which currently comprises three members. Its tasks include, in particular, defining the Company's objectives and its strategic orientation, managing and monitoring operating activities and setting up and monitoring an efficient risk management system. The Board of Management comprehensively informs the Supervisory Board in good time and on a regular basis of all of the relevant developments in the Company. Such developments primarily include current business trends, planning and strategy as well as risk and compliance management. In particular, it is the Supervisory Board's responsibility to monitor the fundamental business decisions made by the Board of Management and advise it on business matters. The Supervisory Board is directly involved in decisions of fundamental importance to the Company. Such decisions may include, for example, the commencement of new operations, discontinuation of existing units, or issuance of bonds. The Supervisory Board of SGL Carbon SE consists of six shareholder and six employee representatives. All members of the Supervisory Board are appointed by the Annual General Meeting, which is required to vote for the employee representative candidates proposed by the employees. In accordance with the Articles of Incorporation of SGL Carbon SE, in the case of a split resolution, the chairman of the Supervisory Board or, if the chairman is unable to participate in a resolution vote, the deputy chairman representing the shareholders, has the casting vote. If necessary, the Supervisory Board can also meet without the Board of Management.

Objectives for composition of the Supervisory Board

In accordance with the requirements of the German Corporate Governance Code, the Supervisory Board defined the objectives for its composition in December 2010. According to the current version, the following objectives must be observed in the composition of the Supervisory Board:

Part of good corporate governance practice is to ensure that the Company's governing bodies appropriately correlate with the Company's structure. In this spirit, the Supervisory Board is to be composed of members who, as a group, possess the required knowledge, skills and professional experience to duly perform the Supervisory Board's responsibilities.

The age limit for Supervisory Board members is generally 72. Each member shall ensure that he or she has sufficient time to fulfill his or her mandate. Supervisory Board members who also sit on the management board of a publicly traded company shall not accept more than three memberships in supervisory boards in publicly traded companies outside the Company and in supervisory bodies of companies with comparable requirements.

All members of the Supervisory Board have to be in a position to duly perform the duties of their office. At least one member shall be a financial expert with experience in the fields of financial accounting and/or financial auditing to ensure that all responsibilities associated with the Company's financial accounting are carried out properly. The Supervisory Board shall include members from different countries to reflect the scope of business of SGL Group. Members of the Supervisory Board shall have experience in the fields of business of SGL Group, such as in the steel industry or the technology sector. The number of members with experience in technical fields

(in particular the fields of chemistry and engineering) and the number of members with commercial backgrounds shall be well balanced. Furthermore, the Supervisory Board shall always have a sufficient number of independent members. Consequently, at least half of the shareholder representatives in the Supervisory Board shall be independent.

The Supervisory Board makes efforts to ensure that the number of women on the Board is appropriate. Accordingly, the Supervisory Board had set itself the target of increasing the proportion of women in the Supervisory Board from the original one female member. The number of female members of the Supervisory Board has now increased from one to three as a result of the new appointment of various members to the Supervisory Board in the 2013 General Meeting, and one of these three female members, Ms. Klatten, is now the Chairperson of the Supervisory Board. The Supervisory Board's other objectives for its composition have also been and will continue to be taken into account in the proposals for appointing new members of the Supervisory Board. The current composition of this body covers all necessary fields of expertise and is also in line with regard to issues such as diversity and independence.

Rules for possible conflicts of interest

Members of the Supervisory Board shall disclose any conflicts of interest to the chairman and/or deputy chairmen of the Supervisory Board. This includes both concrete conflicts of interest which may occur, as well as sufficiently probable potential conflicts of interest. Any significant conflicts of interest on the part of a Supervisory Board member that are not only temporary in nature shall lead to that member's resignation from the Board. In order to be able to deal suitably with any issues concerning (potential) conflicts of interest that may arise, and as suggested by shareholders, a new committee in the Supervisory Board was formed in September 2013: the Governance and Ethics Committee (see below in the section on Supervisory Board Committees). There were no indications of conflicts of interest among the members of the Board of Management or the Supervisory Board in the reporting period that had to be disclosed to the Supervisory Board without delay. During the period under review there were also no contracts for advisory or other services between Supervisory Board members and the Company. Relationships with related parties are presented in the notes to the consolidated financial statements **Note 28**.

Deductible for D&O insurance

The Company has taken out liability insurance for the members of the Board of Management and the Supervisory Board (D&O insurance) with the deductible stated in Item 3.8 of the German Corporate Governance Code.

Committees support the work of the Supervisory Board

The Supervisory Board has established a total of five permanent committees, all of which operate in compliance with the requirements of the German Corporate Governance Code and the German Stock Corporation Act (AktG). These committees are as follows:

Personnel Committee

The Personnel Committee, chaired by Ms. Klatten, advises the Supervisory Board principally on matters relating to the legal relationship between the Company and current and former members of the Board of Management. It reviews the remuneration of the members of the Board of Management and submits proposals to the plenary sessions of the Supervisory Board for their final decisions. In addition, the committee submits proposals for the appointment of new members and the dismissal of members of the Board of Management to help prepare the respective Supervisory Board decisions. The committee's other members are Dr. Lienhard and Mr. Jodl.

Nomination Committee

The task of the Nomination Committee is to draw up a list of proposed candidates for election to the Supervisory Board as shareholder representatives at the Annual General Meeting. All shareholder representatives on the Supervisory Board are members of this committee, which is chaired by Ms. Klatten.

Audit Committee

The Audit Committee consists of four members and is chaired by Andrew Simon. The committee's other members are Dr. Bortenlänger, Mr. Leppek and Mr. Stettberger. The responsibilities of the committee include monitoring the Company's financial accounting process, risk management, compliance, and consequently its internal control and auditing system. In addition, it is in charge of carrying out its own review of the consolidated financial statements of SGL Group and the annual financial statements of SGL Carbon SE. Furthermore, the committee is in charge of the relationship between the Company and its independent auditors. In this context, its

main responsibility is to prepare the Supervisory Board's proposal to the Annual General Meeting for the appointment of the auditor. In doing so, it must ensure that the auditor is both qualified and independent. The committee also defines key audit issues, agrees on audit fees, and performs the preparatory work related to appointing the auditor. In connection with the capital increase with subscription rights in 2014, the audit committee was also assigned the competence to take the Supervisory Board's final decision on executing this measure.

Strategy/Technology Committee

The Strategy/Technology Committee discusses fundamental corporate strategy and important technological issues such as the Company's research and development portfolio. Chaired by Dr. Camus, the Strategy/Technology Committee also includes Mr. Rzemiński and Mr. Zorn along with all shareholder representatives.

Governance and Ethics Committee

The Governance and Ethics Committee reviews, in particular, if transactions between SGL Group companies and members of the Supervisory Board, their related parties and shareholders with an interest of more than 5% of voting rights in SGL Carbon SE are in line with industry standards, and that these transactions do not contradict SGL Group's interests. The committee's members are Dr. Camus (Chairman), Dr. Bortenlänger and Mr. Zorn.

In addition to these permanent committees, the Supervisory Board can also form temporary, project-related committees as required.

Systematic Risk Management

Since a responsible approach to risk is an integral part of all good corporate governance practices, SGL Group developed an appropriate risk management system early on. The system ensures that the Company's risk management and control procedures are adequate and effective. The concept is to identify any business or financial risks as early as possible so that appropriate countermeasures can be taken. The Company is working to enhance the system on an ongoing basis and adapt it to reflect changing circumstances. The Board of Management reports at regular intervals to the Supervisory Board and in particular to the Audit Committee on existing risks and their development. Further information on the risk management system can be found in the risk report on pages 85–93.

Updated Declaration of Compliance

During the year under review, SGL Carbon SE's Board of Management and Supervisory Board dealt with constantly improving corporate governance in line with the recommendations in the German Corporate Governance Code. The Government Commission for the German Corporate Governance Code did not change the code's content in 2014. Granularity was honed for the explanations to the sample tables on remuneration for the Board of Management included in the Appendixes to the Code, and this was announced on 30 September 2014. This was taken into account in the tables on remuneration for the Board of Management which are included in the remuneration report. On December 17, 2014, the Board of Management and the Supervisory Board issued the current version of the Declaration of Compliance pursuant to section 161 of the German Stock Corporation Act (AktG). SGL Carbon SE meets the recommendations of the German Corporate Governance Code, as amended, with one exception.

Statement of the Board of Management and Supervisory Board of SGL Carbon SE pursuant to Section 161 of the German Stock Corporation Act on the German Corporate Governance Code

"The Board of Management and the Supervisory Board declare that the Company is in compliance with the recommendations of the "Government Commission on the German Corporate Governance Code" ("Regierungskommission Deutscher Corporate Governance Kodex") in the version dated June 24, 2014 (publication as of September 30, 2014) with the following exceptions:

- Code section 4.2.2 (2) Sentence 3: When measuring the remuneration for the Board of Management as part of the currently existing employment agreements for the Board of Management, the recommendation to consider the ratio of remuneration for the Board of Management to the remuneration for top-level executives and also the workforce as a whole, also over time, and in the comparison to ascertain how the executives and the relevant workforce is to be determined, was not implemented. When defining the current

remuneration system for the Board of Management as of January 1, 2014, the review of the remuneration structure for top-level executives in the company had not yet been completed, and as a result, no corresponding decisions should be taken on this basis. If necessary, the relationship between the remuneration for the Board of Management and that of the top-level executives and staff should also be reviewed if the new remuneration system for the company's top-level executives which will come into effect on January 1, 2015 has been in place for some time, and if the Supervisory Board believes that this offers a stable foundation for a professional comparison.

The Board of Management and the Supervisory Board further declare that the Company had been in compliance with the recommendations of the "Government Commission on the German Corporate Governance Code" (Code) in its version dated May 13, 2013 (publication as of June 10, 2013) since the delivery of the last Declaration of Compliance on December 19, 2013 through to June 30, 2014 apart from the named deviations therein, and in compliance with the recommendations of the Government Commission on the German Corporate Governance Code version dated May 13, 2013 and the recommendations of the Government Commission on the German Corporate Governance Code in the version dated June 24, 2014 since the publication of such versions apart from the deviation named above.

The Corporate Governance Principles of SGL Carbon SE furthermore satisfy almost without exception the non-obligatory suggestions of the German Corporate Governance Code."

Active and transparent shareholder communication

One of the primary objectives of the Board of Management is to report comprehensively to all target groups, in particular to our shareholders, and to communicate the same information at the same time. A calendar of regular events (such as the Annual General Meeting and conferences – including conference calls – with analysts and investors) is published on the Company's website, as are annual and interim reports, presentations for the Annual General Meeting, press releases, and ad hoc notifications.

Directors' Dealings

Pursuant to section 15a of the German Securities Trading Act (WpHG), the members of the Board of Management and the Supervisory Board and persons closely related to them are obliged to disclose the purchase or sale of securities in SGL Carbon SE if the total value of these transactions exceeds €5,000 within a calendar year. The following table provides an overview of the transactions reported to us in the year under review:

Directors' Dealings in 2014

Date of transaction	Name of person	Type of security/right	International Securities Identification Number (ISIN)	Type of transaction	Price (€)	Quantity	Total amount traded (€)
Sept. 30, 2014	Dr. Gerd Wingefeld	SGL subscription rights	A13SXM/DE000A13SXM7	Sale	0.7699	28	21.56
Sept. 30, 2014	Dr. Michael Majerus	SGL subscription rights	A13SXM/DE000A13SXM7	Purchase	0.8088	55,250	44,686.20
Sept. 30, 2014	Dr. Jürgen Köhler	SGL subscription rights	A13SXM/DE000A13SXM7	Purchase	0.8129	24,000	19,509.60
Oct. 1, 2014	Dr. Jürgen Köhler	SGL subscription rights	A13SXM/DE000A13SXM7	Purchase	0.9306	24,036	22,367.90
Oct. 1, 2014	Dr. Michael Majerus	SGL subscription rights	A13SXM/DE000A13SXM7	Purchase	0.9158	54,393	49,813.11
Oct. 2, 2014	Dr. Michael Majerus	SGL subscription rights	A13SXM/DE000A13SXM7	Purchase	0.928	7	6.50
Oct. 6, 2014	SKion GmbH	SGL subscription rights	A13SXM/DE000A13SXM7	Sale	0.601	20	12.02
Oct. 8, 2014	Dr. Jürgen Köhler	SGL subscription rights	A13SXM/DE000A13SXM7	Sale	0.36	5	1.80
Oct. 9, 2014	Dr. Jürgen Köhler	SGL subscription rights	A13SXM/DE000A13SXM7	Purchase	0.45	14	6.30
Oct. 10, 2014	SKion GmbH	SGL shares	723530/DE0007235301	Subscription right exercised	13.25	5,492,529	72,776,009.25
Oct. 10, 2014	Andrew H. Simon	SGL shares	723530/DE0007235301	Subscription right exercised	13.25	105	1,391.25
Oct. 10, 2014	Dr. Jürgen Köhler	SGL shares	723530/DE0007235301	Subscription right exercised	13.25	14,126	187,169.50
Oct. 10, 2014	Dr. Michael Majerus	SGL shares	723530/DE0007235301	Subscription right exercised	13.25	30,702	406,801.50
Oct. 10, 2014	Dr. Gerd Wingefeld	SGL shares	723530/DE0007235301	Subscription right exercised	13.25	14,455	191,528.75

At year-end 2014, the members of the Company's Board of Management jointly held around 0.12% of shares, i.e., they neither directly nor indirectly held more than 1% of the outstanding shares in the Company. Supervisory Board members held approximately 27.47% of shares. Of this total, Susanne Klatten held 27.46% of the outstanding shares through SKion GmbH according to her voting rights notification in October 2014.

Remuneration of the Board of Management and the Supervisory Board

As part of the reorganization of the Company's Board of Management, the remuneration system for the members of the Board of Management was revised as of January 1, 2014. Within this framework, the following objectives in particular were considered to fulfill the regulatory requirements:

- Harmonization of the remuneration systems for Board members
- Reduction in complexity
- Focus on sustained effectiveness of remuneration systems

The Annual General Meeting of SGL Carbon SE approved the new remuneration system for the Board of Management on April 30, 2014 with a majority of 99.64% of votes cast.

Remuneration for the Supervisory Board is regulated in Item 12 of the Articles of Incorporation and was also most recently adjusted in the Annual General Meeting on April 30, 2014.

The key elements of the remuneration system for the Board of Management and the individual remuneration for the members of the Board of Management and the Supervisory Board have been published in the remuneration report as part of the management report in this annual report (see page 99–106).

Share-based incentive systems for SGL Group employees

The share-based incentive systems which were in place in SGL Group during the period under review are presented in the notes to the consolidated financial statements **Note 30**.

Compliance as part of our management and corporate culture

SGL Group introduced its Code of Business Conduct and Ethics in 2005. The Code underscores the obligation of SGL Group and its employees to comply with the law and internal policies and sets standards for ethical and law-abiding conduct. The Code reflects the common values that define SGL Group's corporate culture and business conduct. At SGL Group, compliance represents a fundamental responsibility of the Board of Management. The Board of Management does not tolerate any violation of the Code of Conduct and promotes a corporate culture in which issues relating to integrity can be openly discussed with superiors, the Group Legal & Compliance department, and compliance officers. All employees are personally responsible for ensuring that their actions and conduct are in line with the Code of Business Conduct and Ethics of SGL Group and in compliance with the regulations of their respective work areas. Compliance must be ever-present in the minds of our executives and employees, and they must live this in their day-to-day business. This allows compliance to sustainably support the success of our business.

SGL Group introduced and implemented specific compliance programs many years ago. The Board of Management has tasked the Group Legal & Compliance department with the global management of these programs. Its task is to manage the required comprehensive organizational, communications, and control structures for SGL Group worldwide, to review these regularly and adjust them if required. This aims for effective compliance which goes beyond merely ensuring the adherence to legal and formal requirements and structures: Compliance must become an integral part of value-oriented corporate management.

As a result of the higher requirements due to international anti-corruption laws, a process to review business partners' compliance standards was added to SGL Group's compliance program (business partner compliance). The various activities with regard to intermediaries were rolled out in all three business units.

Part of SGL Group's compliance organization is the network of regional and local compliance officers. In 2014 the information and communication activities that have already been introduced were continued, and regional compliance conferences in Europe, North America and Asia were added. This aims to ensure the transfer of knowledge between the regional and local compliance officers and Group Compliance. As part of these conferences, key components of the compliance program were discussed and further developed, and training sessions dealing with anti-corruption, antitrust law, information security and export control were held. The compliance network has also been used by the SGL Initiative Information Security since 2014. The local compliance officers support the initiative by increasing awareness of information security at the various sites, and introducing new information security topics throughout the group.

SGL Group's Code of Business Conduct and Ethics, with its whistleblowing policy and its gifts and entertainment policy, is part of the information package for new hires and is handed out to all new employees. The policies are now available in ten languages. The eLearning training sessions on the Code of Conduct were also continued in 2014 and two language variants were added. In total, more than 3,700 employees worldwide participated in the mandatory training. In addition to the eLearning program, a training program on the Code of Conduct was developed and rolled out for employees on the shop floor.

All of the compliance-relevant group-wide policies and training documents and information on the Compliance Network are available for download in several languages from the intranet "SGL Connect". It provides all of SGL Group's employees with information on all aspects of compliance.

A comprehensive, global antitrust compliance program was introduced at SGL Group already in 2001. Regular mandatory training sessions form a material part of this program. These are offered as both face-to-face and eLearning training sessions. In 2014, 280 employees took part in the personal training, and 290 participated in eLearning.

Other measures relate to, for example, capital market regulations and compliance with the respective Group guidelines, which regulate trading in SGL Carbon SE securities for members of the Board of Management, the Supervisory Board and the Company's employees, the proper handling of potential insider information, to name a few. An Ad-hoc Committee has been in place for years now. The committee consists of representatives of a number of company functions who examine potential ad-hoc issues and ensure that potential insider information is handled in accordance with legal provisions.

Our compliance program for export control has been working with an IT-based compliance module since 2009. This supports the efficient monitoring of relevant export transactions. Furthermore, training sessions and workshops on export control compliance are held regularly. Around 1,000 employees were already trained on export control using the eLearning program.

The Supervisory Board's Audit Committee addressed the Company's compliance activities in detail at its meeting in September 2014.

SGL Shares and Investor Relations

***SGL Shares** were not able to keep pace with the mildly positive trend of the DAX, MDAX, and SDAX indices in 2014: at year-end it closed at €13.72, down by 50% from year-end 2013.*

Performance of the key stock market indices was quite volatile in 2014, due among others, to expansive central bank monetary policies across the globe, various geopolitical crises, and the success of major IPOs. The IMF's multiple downgrades of global growth expectations had an only limited impact on stock market performance. The beginning of the year saw an escalation of the Ukraine conflict, especially on the Crimean peninsula, which resulted in the EU and the USA tightening their sanctions on Russia. The global stock markets were impacted by this conflict throughout the entire year, and they are likely to continue to be affected in the current year.

The European stock markets reacted multiple times during the reporting year to decisions made by the European Central Bank (ECB), whose expansionary monetary policies helped a number of leading indices to a positive outcome for the year. Towards the end of the year, the stock markets benefitted from the ECB's deliberations on large-scale bond buying in 2015. In 2014, the ECB lowered its key interest rate in two steps, which resulted in a year-end level of 0.05% after 0.25% at the start of the year. Inflation rates were low overall in Europe in 2014, and inflation fell even further in the second half of the year due to the sharp decline in the price of oil. The euro weakened significantly due to the ECB's expansionary policies, especially during the second half of the year. Over the year as a whole, it lost nearly 12% against the US dollar.

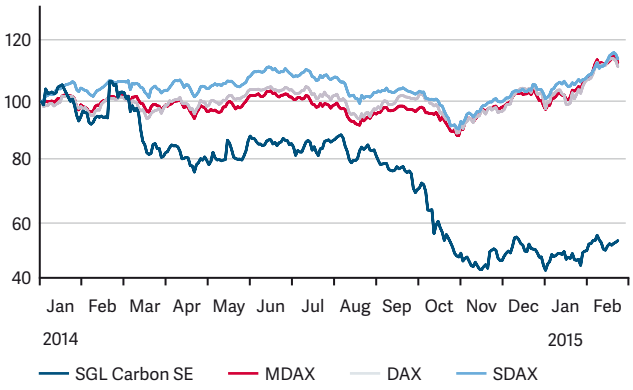
In Germany, the DAX managed to end the year 2014 with a slight gain of 2.6% to 9,806 points. Compared with the increase of 25% seen in 2013, the rise in 2014 was only marginal, due predominantly to only modest growth forecasts in Europe as well as the geopolitical crises. Those factors resulted in volatile performance for the DAX, which broke through the historic 10,000-point barrier for the first time on June 5, 2014. In October 2014, the DAX reached its annual low of 8,476 points as a consequence of weaker-than-expected economic and inflation data from Europe. The MDAX mid-cap stock index saw a rise of 2.2% – similar to the DAX increase – during the reporting year. In contrast, the SDAX small-cap index made somewhat more progress with a rise of 5.8%.

Key figures for SGL Carbon SE shares

	2014	2013
Number of shares at year-end	91,422,526	71,016,193
High (€) [1]	29.45	32.53
Low (€) [1]	12.28	20.33
Closing price at year-end (€) [1]	13.72	27.60
Market capitalization at year-end (€m)	1,254.3	2,043.5
Average daily turnover in Xetra trading (number of shares)	205,445	123,242
Free float (%)	approx. 37	approx. 38
Earnings per share (€) (basic)	–3.26	–4.47
Dividend per share (€)	–	–

[1] Historical prices adjusted to reflect the capital increase

Relative share price performance



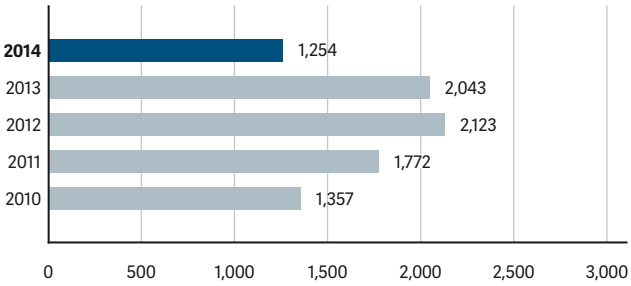
SGL shares unable to benefit from mildly positive stock market trend

The sustained difficult business conditions in 2014, in combination with the capital increase in October 2014, led to a sharp decline in the share price. The earnings forecast for 2014, which we issued in February 2014, also contributed to the decrease. The forecast projected an operating profit for fiscal 2014 that was significantly lower than in the previous year due to the persistently difficult market environment, especially for graphite electrodes – our most important product. In addition, the reclassification of our shares from the MDAX to the SDAX index, which occurred on September 22, 2014, also negatively impacted the price development. The share price benefited only temporarily by positive reports, such as our May 2014 announcement of the accelerated tripling of carbon fiber activities at our Moses Lake site. Other positive reports, such as the September 2014 announcement of the Group's strategic realignment and the simultaneous increase in the savings target from the SGL2015 cost savings program from €150 million to more than €200 million, were obscured by various factors. Those included a profit warning from a US competitor and the dilution effects of the capital increase. In response, SGL shares reached a low of €12.28 on December 15, 2014. The shares rose slightly after that to stabilize above the exercise price of €13.25 for the new shares. As a result of the factors described above, the SGL shares lost 50% over the course of 2014 and ended the year at €13.72.

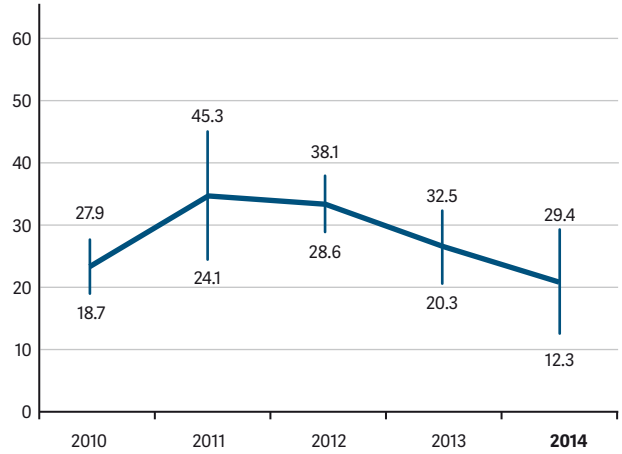
Share prices generally trended upward during the initial weeks of 2015, although volatility continued to be high in some cases. On February 9, the price was approximately €15, representing a significant gain on the closing price for 2014.

Share price performance in €

Market capitalization in €m



Highest and lowest price of the share in €



Declining market capitalization despite significantly higher trading volumes

In spite of the increased number of shares, market capitalization declined over the course of 2014 as a result of the share price development. After €2,043.5 million in the previous year, market capitalization was €1,254.3 million at the end of 2014. With a free-float market capitalization of €468.1 million on December 30, 2014, the reference date for Deutsche Börse AG's calculation of index rankings, SGL Carbon SE took 66th place, after 49th place in the previous year (source: Deutsche Börse). Deutsche Börse calculates this figure using the average volume-weighted share price over the 20 days preceding the respective reference date. A total of 91,422,526 shares were in circulation as of December 31, 2014, approximately 20.4 million more than at year-end 2013. The rise in the number of shares was due above all to the capital increase carried out in October 2014.

The average trading volume of SGL shares in Xetra trading rose significantly from 123,242 per day in the prior year to 205,445 in 2014.

Reclassification to the SDAX

On September 22, 2014, SGL shares were reclassified from the MDAX to the SDAX in accordance with Deutsche Börse (German Stock Exchange) guidelines due to the lower free float market capitalization. This means that SGL shares were listed in the MDAX mid-cap index for most of the reporting period and only during the last three months of the year in the SDAX small-cap index.

Stable shareholder base

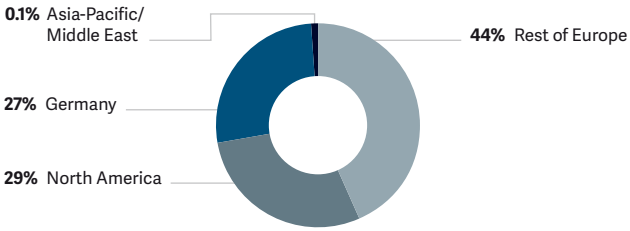
SKion GmbH, the investment company of Susanne Klatten, remains the largest shareholder in our company with a stake of approximately 27.5%.

In addition, BMW AG and Volkswagen AG hold the following shareholdings subject to disclosure requirements based on the respective voting rights announcements:

BMW AG	(October 15, 2014) [1]	18.44%
Volkswagen AG	(December 15, 2014) [1]	9.92%

[1] Date of the most recent voting announcement

Geographical distribution of institutional investors



Furthermore, Voith GmbH, Heidenheim, currently holds more than 5% of the voting rights in SGL Carbon SE pursuant to the voting rights announcement conveyed to us.

According to a shareholder identification exercise in March 2014, the geographical distribution of institutional investors was as follows: approximately 27% of the shares are held by investors in Germany, 44% in the rest of Europe, and 29% in North America. Other regions, such as Asia, the Middle East, and South America, are hardly represented in the shareholder structure at well under 0.1%.

Business situation necessitates a continuation of dividend suspension

Due to the adverse business conditions in the past year, the Board of Management and the Supervisory Board have drawn the necessary conclusion and propose no dividend to the Annual General Meeting on April 30, 2015. In 2014, we had already refrained from paying a dividend for fiscal 2013 for the same reason. The last time we distributed a dividend was in 2013, when we paid out a dividend of €0.20 per share for fiscal year 2012. We feel committed to our shareholders to distribute a continued, earnings-related dividend once we have sustainably returned to profitability.

2014 Annual General Meeting

A total of 72.37% of the voting capital was represented at the Annual General Meeting of SGL Carbon SE held on April 30, 2014 (2013: 72.08%). This equated to 51,557,637 shares and the same number of votes. A total of approximately 840 shareholders, shareholder representatives, and guests participated in our Annual General Meeting. All of the agenda items were approved by a large majority. The speech held by CEO Dr. Jürgen Köhler was again broadcast on the Internet. His speech and the results

of all votes are available to our shareholders and other interested parties in the investor relations section of our website under the menu item "Annual General Meeting." SGL Carbon SE's next Annual General Meeting takes place on April 30, 2015.

Intensive communication with capital markets

A total of 14 German and international financial analysts observed, analyzed, and rated SGL Group at the end of January 2015 (2013: 14 financial analysts). Dialog with analysts focused on the Group's strategic realignment, the associated capital increase, the implemented SGL2015 cost savings program, the earnings situation in the current economic environment, and SGL Group's medium-term performance. At the end of January 2015, analysts rated our shares as follows: eight analysts issued a sell, underperform, or underweight recommendation and five analysts issued a hold or neutral recommendation. One analyst rated the share as a buy with an outperform recommendation. These recommendations were based on the analysts' price targets, many of which are in the vicinity of the current share price. Whereas the closing price of our share was €14.12 on January 30, 2015, the analysts' price targets were between €10.00 and €16.00.

We have provided a summary of the analysts who regularly rate SGL Group on our investor relations website under the menu item "Share."

Analyst coverage [1)]

Baader Bank
Bank of America Merrill Lynch
Bankhaus Lampe
Bankhaus Metzler
Commerzbank
Deutsche Bank
DZ Bank
HSBC
J.P. Morgan Cazenove
Kepler Cheuvreux
Landesbank Baden-Württemberg
MainFirst Bank
MM Warburg
UBS

1) As of January 2015

We aim to provide all participants in the capital markets with transparent, timely, and comprehensive information on SGL Group's current business position and its future prospects. With this objective in mind, we continued to vigorously pursue our investor relations activities in 2014. In just under 200 one-on-one meetings with analysts and investors in Germany and abroad, we presented SGL Group in general, our strategic realignment and the associated capital increase, the current SGL2015 cost savings program, and the growth prospects for the medium- to long-term future.

Roadshows and capital market conferences were the main forums for intensive personal dialog with institutional investors. We participated in a total of seven roadshows and seven investor conferences in Germany and abroad in 2014.

One of the other primary ways in which we provide participants in the capital markets with timely and comprehensive information is by holding conference calls in which SGL Group's Board of Management explains the interim or annual reports that were published that morning. These conference calls are broadcast live through our investor relations website and are available as a recording afterwards.

Our investor relations website offers a wealth of information aimed above all at retail investors and interested third parties. In addition to annual and interim reports, further material such as presentations, press releases, and ad-hoc announcements can be found on our investor relations website. All notifications of directors' dealings and voting rights notifications are also available online. Anyone who wishes to automatically receive our annual reports, interim reports, and investor relations press releases can ask to be included in our mailing list.

Key data for SGL Carbon SE shares

Trading venues	XETRA; Berlin, Düsseldorf, Frankfurt, Hamburg, Hanover, Munich, Stuttgart
Securities Identification Number (WKN)	723 530
International Securities Identification Number (ISIN)	DE 000 723 5301
Stock index	SDAX
Market segment	Prime Standard
Reuters symbol	
Xetra	SGCG.DE
Frankfurt	SGCG.F
Bloomberg symbol	
Xetra	SGL GY
Germany	SGL GR

Capital increase successfully executed to support strategic realignment

The Board of Management resolved, with the approval of the Supervisory Board, to carry out a capital increase to improve the structure of the balance sheet to be able to quickly implement the measures required for the strategic realignment and for executing selective growth investments. The Company issued 20.18 million new shares in this context. The new shares were offered to the Company's existing shareholders in a ratio of 25:7. The subscription rights were traded between September 30, 2014 and the end of the day on October 9, 2014. The subscription period ended October 13, 2014. The new shares were included in stock exchange trading on October 14, 2014. Based on the exercise price of €13.25, the Company's gross proceeds amounted to approximately €267.4 million before costs.

The Company's major shareholders – SKion GmbH (27.46% of the shares), BMW AG (18.44%), and Volkswagen AG (9.92%) – had already informed the Company with firm subscription commitments that they would support the capital increase in full. In addition, members of the Board of Management of SGL Group purchased shares in SGL Carbon SE in the amount of approximately €1 million in connection with the capital increase; this corresponds to more than 50% of the aggregate base salary of all Board of Management members. The high subscription ratio of 99.65% represents clear proof from our shareholders that they support our strategic realignment.

The capital increase is part of the Group's future strategic realignment. In this context, the Board of Management plans to vigorously implement the cost savings program already communicated, restructure or terminate loss-making business activities, focus resources in all business units on value-creating activities, and increase the profitability of SGL Group. The transaction gives the Company the balance sheet prerequisites to return to a sustained, profitable growth course.

To implement the strategic realignment, the new Board of Management has moreover defined the financial ratios for the future direction and leadership of SGL Group. Two of the most important targets are a return on capital employed (ROCE) – defined as EBITDA divided by capital employed – of at least 15%, and a reduction in the leverage ratio – defined as net debt divided by EBITDA – to below 2.5.

The proceeds from the capital increase will be used to strengthen the balance sheet and improve the leverage ratio, increase financial flexibility for general corporate purposes, and repay outstanding debt. Thanks to the capital increase, the Company's equity ratio stabilized at 26.2% at year-end 2014, despite the net loss for the year. We improved gearing (net debt to equity) from 0.81 to 0.69 compared with the prior year.

Overview of SGL bonds

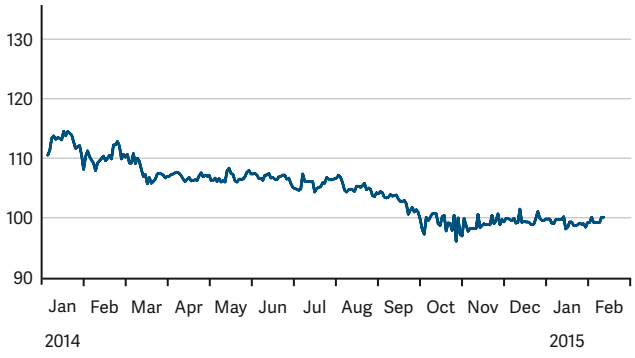
Corporate bond

WKN	ISIN	Coupon	Maturity date
A1X3PA	XS1002933403	4.875%	January 15, 2021

Convertible bonds

WKN	ISIN	Coupon	Maturity date
A0Z2BL	DE000A0Z2BL6	3.5%	June 30, 2016
A1ML4A	DE000A1ML4A7	2.75%	January 25, 2018

Performance of convertible bond in €
(matures June 30, 2016)



Performance of convertible bond in €
(matures January 25, 2018)

Performance of corporate bond in €
(matures January 15, 2021)

Further information on SGL Group and its shares

Contact our Investor Relations department:

Söhnleinstrasse 8
65201 Wiesbaden/Germany

Phone: + 49 611 6029-103
Fax: + 49 611 6029-101
E-mail: Investor-Relations@sglgroup.com

You may also visit the investor relations section of our website (www.sglgroup.com).

We look forward to hearing from you.

Group Management Report

In the fiscal year 2014, we defined the key elements of our strategic realignment and our successful capital increase laid the foundation for restructuring our company and substantially reducing net financial debt. This Group Management Report provides detailed information on the business development and their underlying conditions in 2014 and also provides in-depth explanations of our financial position, net assets and results of operations. In addition, we also report on sustainability and SGL Group's entrepreneurial responsibilities, and provide an outlook on the anticipated development with its material opportunities and risks.

The SGL Group

Group business model (organizational structure and business activity)

Legal structure of the Company

SGL Carbon SE (the "Company"), headquartered in Wiesbaden (Germany), is quoted on the Frankfurt stock exchange. The shares are currently included in Deutsche Börse's SDAX index. SGL Group is made up of SGL Carbon SE, the operative holding company, together with its subsidiaries (a detailed overview of shareholdings of SGL Carbon SE can be found in **Note 32**).

Business units and organizational structure

SGL Group has a global workforce of 6,342 employees at the end of December 2014. We operate a total of 42 production facilities either independently or in cooperation with our joint venture partners, of which 23 are located in Europe, eleven in North America and eight in Asia. With a service network in more than 100 countries, we can flexibly accommodate the regional and industry-specific requirements of our customers. We consistently adapt to increasing globalization by developing new facilities, such as our new graphite plant in Malaysia.

SGL Group's business activities focus on the development, production and distribution of carbon products. SGL Group – The Carbon Company – operates globally as one of the leading and most innovative companies on the market. The Group's core expertise, developed over decades, includes a broad understanding of raw materials, application and engineering know-how and a command of high-temperature manufacturing processes. The range of technologies and products focuses on four types of carbon materials: coarse grain graphite, fine grain graphite, expanded natural graphite as well as carbon fibers and carbon fiber composite materials.

As a manufacturer of carbon products, SGL Group supplies a broad range of industries. Carbon is characterized by excellent electrical and thermal conductivity, resistance to heat and corrosion, self-lubricating qualities and light weight combined with strength. Due to these unique material properties, we sell to a wide spectrum of industries, ranging from the more traditional industrial sectors, such as the steel, aluminum and chemical industries, to newly developed future high-growth areas, such as the solar, lithium ion battery and LED industries.

As part of the Group-wide SGL2015 cost savings program, the organizational structure has also been revised (information on SGL2015 can be found in the chapter "Management, Objectives and Strategy" on page 44.) To reinforce the operating role of the business units and to make management structures leaner, our Business Areas Performance Products (PP), Graphite Materials & Systems (GMS) and Carbon Fibers & Composites (CFC) have been abolished as a management level. Since February 1, 2014, activities have focused on the six business units **Graphite & Carbon Electrodes (GCE), Cathodes & Furnace Linings (CFL), Graphite Specialties (GS), Process Technology (PT), Carbon Fibers & Composite Materials (CF/CM) and Aerostructures (AS)**. Resource allocation is decided at this level and reviewed and approved by the Board of Management at its annual objectives meetings. These six global business units have comprehensive responsibility for the businesses, which also includes direct responsibility for the results of their operations. In addition, the profitable growth of our business units is supported by our corporate functions and service centers, our research activities in the central R&D organization, Technology & Innovation (T&I), and our Six-Sigma-based SGL Excellence activities.

As part of SGL2015, we have initiated the disposal process for companies and activities which no longer belong to the Group's core business. In June 2014, SGL Group's Board of Management resolved to sell Hitco CARBON COMPOSITES Inc. (Gardena, USA). Accordingly, the business unit **Aerostructures (AS)** has been classified as discontinued operations on the consolidated balance sheet and in the consolidated income statement since June 30, 2014. In consequence, the Group comprises five business units since July 1, 2014.

In order to create additional synergies and to further streamline the organizational structure and workflows, SGL Group has merged the former five business units to form three business units as of January 1, 2015. In this context, the independent business units Graphite & Carbon Electrodes (GCE) and Cathodes & Furnace Linings (CFL) have been merged to form the business unit Performance Products (PP). The former business units Graphite Specialties (GS) and Process Technology (PT) now form the business unit Graphite Materials & Systems (GMS). The business unit Carbon Fibers & Composite Materials (CF/CM) remains unchanged and will continue to be presented in the reporting segment Carbon Fibers & Materials (CFM) together with the proportionately consolidated joint ventures with the BMW Group (SGL ACF). The central and service functions, research activities and our SGL Excellence activities will continue to be included in the separate reporting segment Corporate. As a result, from fiscal year 2015, all of our operational activities will be bundled in the three reporting segments PP, GMS, and CFM. These reporting segments also mostly correspond to our business units. The business unit CF/CM forms an exception. This will continue to be reported in the reporting segment Carbon Fibers & Materials (CFM) together with our proportionately consolidated joint ventures with the BMW Group (SGL ACF).

Reporting structure

This annual report presents our business activities for the past fiscal years based on the five business units set out above, which have been aggregated to form four reporting segments: The business units Graphite & Carbon Electrodes (GCE) and Cathodes & Furnace Linings (CFL) form the reporting segment Performance Products (PP). The business unit Graphite Specialties (GS) is a separate reportable segment. The business unit Carbon Fibers & Composite Materials (CF/CM) is presented in the reporting segment Carbon Fibers & Materials (CFM) together with our 51% interest in the joint ventures with the BMW Group. The small business unit Process Technology (PT) is reported together with the central functions in the reporting segment Corporate & Others (C&O).

As a result of the further revision of our organizational structure from fiscal year 2015, the outlook is based on the three reporting segments as described above: Performance Products (PP), Graphite Materials & Systems (GMS) and Carbon Fibers & Materials (CFM). In addition, Corporate forms the fourth reporting segment. This includes the Group's central functions.

Reporting on joint ventures

For strategic reasons, SGL Group holds interests in companies together with other shareholders. Some of these companies (e.g., SGL Quanhai Carbon, SGL Kümpers) are fully consolidated and included in the results of their respective segments. Our interests of 51% in SGL Automotive Carbon Fibers (Germany) and SGL Automotive Carbon Fibers (USA), our joint ventures with the BMW Group for the production of carbon fibers and carbon fiber based fabrics for the automotive industry, are accounted for as joint operations from January 1, 2014, based on the accounting standard IFRS 11 Joint Arrangements. In accordance with IFRS 11, any party to a joint arrangement has to recognize the portion of assets and liabilities as well as of expenses and income attributable to it. In the case of the above mentioned companies, the portions attributable to the parties are based on the respective ownership interests of the contracting parties. To that extent, the presentation in the balance sheet is similar to a proportional consolidation. In reporting, these activities will be consolidated in line with the interests held, and reported at their proportionate value together with the business unit CF/CM in the reporting segment CFM. Through December 31, 2013, the proportional earnings of SGL ACF were disclosed in the result from equity-accounted investments. In addition, SGL Group also holds the following material interests in companies accounted for using the equity method.

Material investments accounted for At-Equity (as of December 31, 2014)

	Interest	Customer industry	Operational allocation to
Benteler SGL GmbH & Co. KG, Germany	50.0%	Automotive	CFM
Brembo SGL Carbon Ceramic Brakes S.p.A., Italy	50.0%	Automotive	CFM

You can find additional information on material investments accounted for At-Equity on page 141.

Management and control

Our Guiding Principles regulate responsibilities and structure the obligations of our Board of Management, the management of our business units and our central functions. The Board of Management determines the Group's strategic orientation. Fundamental business decisions are taken at only two management levels: the Board of Management and business unit. At the beginning of fiscal year 2014, six global business units managed the group's operating business. This figure was reduced to five in the middle of 2014 and to three from 2015. The business units obtain the infrastructure and services they require from the respective companies and plants. In addition, corporate functions support the Board of Management and service functions (shared services) provide services for all business units and legal entities.

Beyond the Guiding Principles, we have also defined Common Values to establish our corporate culture and business conduct. These values are reflected in SGL Group's Code of Business Conduct and Ethics. The Code underscores SGL Group's obligation to comply with the law and sets standards for ethical and legal conduct. Every employee is aware of the Code and it can be accessed on the Intranet at any time. Taken together, the Guiding Principles and Common Values shape our management culture, which is based on the principles of leadership and management by objectives. The Board of Management, the business units and the centralized functions agree on objectives for the Group, the business units and the individual executives, based on a defined set of key performance indicators. Remuneration models and performance related bonus programs for the Board of Management and all executive levels are derived from this process.

By way of a resolution of the Supervisory Board on December 19, 2013, a new remuneration system for the Board of Management was introduced on January 1, 2014. Details of the remuneration system and the remuneration received by the individual members of the Board of Management can be found in the remuneration report on page 99 ff.

The members of the Board of Management of our Company received total remuneration in 2014 that comprised both fixed and variable components. The fixed components consisted of a monthly salary, additional benefits and pension commitments. Objectives for the annual variable component included EBITDA, net financial debt, strategy and employee development as well as cost savings. The multiyear component was tied to the average return on capital employed ($ROCE_{EBIT}$).

The Supervisory Board regularly reviews the appropriateness of Board of Management remuneration. Based on various criteria, including the responsibilities of the individual members of the Board of Management, their personal performance, the performance of the Board of Management as a whole, as well as the financial situation, the performance and the future prospects for SGL Group.

The remuneration of the members of the Supervisory Board, which is determined by the Annual General Meeting, is governed by section 12 of the Articles of Incorporation. Under the provisions of this section, all members of the Supervisory Board receive a fixed base remuneration plus reimbursement of out-of-pocket expenses. Each member of a committee receives additional compensation for attending a committee meeting. Further information on the remuneration received by each member of the Supervisory Board can also be found on page 106 of the notes to the consolidated financial statements.

Products, services and business processes

The core product of the business unit **Graphite & Carbon Electrodes (GCE)** consists of high-quality graphite electrodes utilized in electric arc furnaces that recycle scrap to produce steel. The share of electric arc furnaces in global steel production is currently approximately 30%. Graphite electrodes account for a relatively low proportion of total electric steel manufacturing costs (2–3%), but the electrodes' performance has a significant impact on the profitability of steel manufacturing. Graphite electrodes are consumable goods, which are consumed within six to eight hours of use and have to be constantly replaced during the continuous production process. In addition, the business unit GCE produces carbon electrodes, which are used in other metallurgical smelting applications (e.g., silicon).

High quality cathodes play a key role in the development of the business unit **Cathodes & Furnace Linings (CFL)**. These cathodes are used to produce aluminum. In contrast to the electrodes, cathodes used in aluminum smelters have a life of up to approximately seven years, and are, therefore, considered capital goods. Furnace linings for the production of primary steel, capital goods as well, round off the business unit CFL.

The business units CGE and CFL have a global production network at their disposal with six production sites in Europe, two in North America, and two in Asia. The existing capacity can be used by both business units GCE and CFL – depending on the specific equipment structure at the individual site.

The business unit **Graphite Specialties (GS)** comprises a broad range of customized graphite-based products. Graphite components are manufactured, purified and, in some cases, refined by adding a special coating – all according to customer requirements. At present, product developments that support efficient power generation and energy storage, such as anode materials for lithium ion batteries, are enjoying strong growth. In addition, sales revenue in the business unit GS is generated, first and foremost, from customers in the solar, semiconductor and LED industries, the chemical and automotive industries and in the areas of metallurgy and high temperature applications. The emphasis is on finished products with a high value-added content. These components are used, for example, in heating elements for monocrystalline production of silicon in the semiconductor and solar industries. In addition, solutions are being offered for the automotive and other manufacturing industries in the form of bearing and pump components, as well as graphite-based seals. So-called "expanded graphites" based on natural graphite are utilized in a large number of industries such as heating and air-conditioning equipment, chemical and automotive applications.

The business unit **Process Technology (PT)** offers high quality products and solutions for the chemical and pharmaceutical industries and the environmental sector, particularly with graphite heat exchangers, columns, pumps and systems.

The business unit **Carbon Fibers & Composite Materials (CF/CM)** bundles all of the material business based on carbon fibers and covers the entire, integrated value chain, from raw materials to carbon fibers and composite materials. Carbon fibers and carbon fiber composites will benefit sustainably from the substitution process for base materials. They are increasingly in demand as substitute materials for traditional materials

because of their unique properties, such as the combination of lower weight and higher stiffness. The business unit CF/CM focuses, in particular, on customers from the automotive, wind and other industries. The value chain in the business unit CF/CM is supplemented by our joint ventures Brembo SGL and Benteler SGL, which develop and produce fiber-based components and assemblies for the automotive industry.

In our joint venture **SGL ACF** which we formed together with the BMW Group in 2009 (SGL Group's participating interest: 51%) we produce carbon fibers at the facility in Moses Lake, Washington (USA) which are then further processed to become carbon fiber fabrics at a second location in Wackersdorf (Germany). The BMW Group uses this to produce components, for example for the passenger cell in the BMW i3 which was launched in 2013.

As part of the SGL2015 cost savings program, on June 30, 2014 the Management Board designated the former business unit **Aerostructures** (AS, Hitco CARBON COMPOSITES, production of components for the aviation and defense industry) as being available for sale, and as a result it is carried as discontinued operations in this report.

The principle raw materials used by the business units GCE, CFL and GS are petroleum coke, pitch and anthracite. We purchase these raw materials primarily from suppliers with whom the Company has maintained long-term business relationships based on annual framework agreements. The main raw material in the business unit CF/CM is acrylonitrile (ACN) for the production of acrylic fibers, which, as a so called PAN precursor, can then be further processed to carbon fibers. We secured our supply of the raw material PAN precursor in 2012 with the acquisition of the Portuguese acrylic fiber manufacturer Fisipe. After the textile lines have been converted to PAN precursor, the expansion of the entire carbon fiber value chain will have been completed for the time being. In addition, we supply our joint venture with the BMW Group with PAN precursor raw material from our joint venture with Mitsubishi Rayon Corporation, Japan. We use both international and local energy suppliers to cover our energy requirements (natural gas and electricity) for the manufacturing processes, some of which are very energy intensive.

Products and services of equity-accounted companies

Brembo SGL

The joint venture with Brembo S.p.A. (Italy) develops and produces carbon ceramic brake discs (http://www.carbonceramicbrakes.com), particularly in the market for luxury class vehicles and sports cars.

Benteler SGL

In our joint venture with Benteler (http://www.benteler-sgl.com), we primarily develop and produce carbon fiber reinforced plastic (CFRP) components for the automotive industry with the aim of promoting the use of CFRP components in the automotive industry.

Major sales markets

The steel industry continues to be SGL Group's largest customer industry. However, the proportion of SGL Group's consolidated revenues for which it accounts fell substantially last year to 35% after 46% in the previous year. This was primarily due to the significant downturn in prices in the graphite electrode business. As a result, the relative proportions accounted for by the other customer industries have increased slightly or remained stable. Here, we should note in particular the strong increase in the proportion of sales with the automotive industry, from 3% in the previous year to 7% in the past fiscal year. This was due, in particular, to the substantially higher deliveries of carbon fiber fabrics to the BMW Group. Revenues with the energy industry accounted for 13% of revenues in the past fiscal year – an increase of 2 percentage points year-on-year. This is due, in particular, to the increased demand for anode materials for the lithium ion battery industry in the business unit GS and the higher sales with the wind industry in the business unit CF/CM.

Management, objectives and strategy

Internal management system

SGL Group's management structures and principles are based on our Guiding Principles, which set out the rules for cooperation and the responsibility levels for both strategic and day-to-day operations. Above all, our goal is to sustainably increase SGL Group's enterprise value. SGL Group's internal management system seeks to fulfill this goal. The system comprises regular meetings of appointed committees, a monthly management information system, rolling 12-month planning and reports, as well as actual-to-budget comparisons with gap analyses. Furthermore, steering groups are appointed to work with management to direct and monitor special investment projects, potential acquisitions and defined tasks concerning personnel issues, safety, compliance and environmental protection.

Key leading indicators for the anticipated development of operations in our business units include the actual or forecasted growth in important customer markets, incoming orders and corresponding capacity utilization in the Company. In the business units **Graphite & Carbon Electrodes** and **Cathodes & Furnace Linings** corresponding indicators generally show a reliable picture of anticipated developments for the current fiscal year due to traditionally longer delivery times. During economically troubled times such as at the onset of the financial crisis in the second half of 2008 or during the sovereign debt crisis, which has intensified since mid-2011, particularly in Europe, customer order patterns have shown much shorter term tendencies. Similarly there was again a delay in order intake at the end of 2014 for the current fiscal year 2015. The business unit **Graphite Specialties** serves a large variety of industries, the largest of which are normally the chemical, and also the lithium ion battery industry. The business unit **Process Technology** generally benefits from investments in systems for corrosive chemical processes from numerous areas such as the chemical and pharmaceutical industries and the environmental sector. Medium to long-term market and demand indicators for the business unit **Carbon Fibers & Composite Materials** are available only to a limited extent, as developments are still highly project driven since these products are still at an early stage in their lifecycle. As a result, the business development of these activities is often affected by delays. In spite of this, however, we believe that there is an increasing trend in substituting traditional materials with carbon fibers and carbon fiber composite materials in a range of industrial applications. Demand from the automotive segment in particular is growing – driven by new vehicle projects such as the BMW i3. Additionally, demand from the wind energy industry is also showing moderate growth.

Vision

Our vision:

We are the leading Carbon Company

is our clear commitment to carbon as a material that comes in many different forms and applications, ranging from natural and synthetic graphite to carbon fibers and composites. As a global company that focuses on carbon-based materials and products, carbon also forms part of our company name:

SGL Group – The Carbon Company

Our goal is sustainable, profitable growth. Our dedication to leadership in everything we do plays a decisive role in achieving this goal. We have the largest portfolio of carbon products worldwide and already hold leading global market positions in most of our areas. But leading means more than just that at SGL Group: We want to play the leading role in our core businesses, with state-of-the-art technologies, ideas, innovations, products, quality and delivery service. Our vision is not only a message to our customers, but most of all, also a commitment of all employees of SGL Group to deliver top performance that is genuinely rewarded by the market.

The operating link between our strong brand, SGL Group – The Carbon Company, and our vision is our claim:

Broad Base. Best Solutions.

Our Broad Base is our strength and the value added we provide to our customers. It refers to our core competencies (high-temperature technology as well as materials, applications, and engineering know-how), our broad product portfolio, and our global presence with a worldwide sales network and 42 production sites in Europe, North America, and Asia. We are, for instance, the only European company that covers the entire value chain from PAN precursor to carbon fibers and through to select composite components (e.g. for the automotive industry).

We offer our customers Best Solutions on this basis. This means that we want to contribute our own ideas, concepts and innovations to develop individual and tailored solutions together with our clients, establishing SGL Group as a benchmark for customer value.

In many cases, our Best Solutions contribute to the development of solutions which lead to a continuous and sustainable reduction of greenhouse gases. The unique properties of carbon make it particularly suited for the implementation of global trends such as weight reduction as well as renewable energy sources and higher energy efficiency. As a result, we generate roughly 56% of Group sales revenue from environmentally friendly, resource saving applications.

We employ our SGL Excellence philosophy, first introduced in 2002, as the driving force to operationally achieve Best Solutions. SGL Excellence aims to continuously improve performance by means of proven Six Sigma and lean management methods together with a streamlined organizational structure. The experiences gained from SGL Excellence are not only used internally throughout the Group, but are also offered to our key customers to optimize our shared processes. SGL Excellence encompasses all areas of the Company worldwide and is divided into Operational Excellence (costs, processes, production quality), Commercial Excellence (service quality, commercial processes, customer and supplier relations), Innovation Excellence (ideas, projects, innovations), and People Excellence (the right people in the right place at the right time). These are key levers for the implementation of Best Solutions.

SGL2015 cost savings program

Since the middle of fiscal year 2013 we have been facing more difficult market and competitive conditions, and these already had a major impact on our earnings development in 2013. These include, in particular, unsatisfactory price development for graphite electrodes and a cyclical downturn in parts of our graphite specialty business. At the same time, our high growth area CFM (business unit CF/CM and the 51% equity interest in the joint ventures with BMW) was still in the development and start-up phase and thus not able to compensate for the downturn in earnings, in particular in our graphite electrode business. The graphite specialty business was able to recover substantially during the year under review, however the earnings situation in the two other business units continued to be difficult.

In reaction to this, we implemented our SGL2015 cost savings program in the summer of 2013 with consistency and urgency. This program was based on three pillars. Firstly, we reviewed our organizational structure, in particular in administrative functions, with the aid of external consultants. This included simplifying business processes as well as streamlining our management structures. Secondly, SGL2015 included activities to restructure our sites (relocating, discontinuing or selling production facilities). The third pillar in the program was portfolio optimization (possible spin-off of non-core activities, transferring activities to partnerships).

Originally, based on the actual costs in 2012, savings of approx. €150 million were to be recorded through the end of 2015. Around €69 million of this was already realized in 2013, and this figure was followed by a further €88 million in the year under review. As a result, we increased the target savings to more than €200 million in September 2014. As cost savings were higher than originally anticipated, and due to the ongoing development of new efficiency projects, we were able to increase the target savings once again in the first quarter of 2015 to €240 million.

The SGL2015 cost savings program is associated with non-recurring restructuring expenses, which we anticipated with a low triple digit million euro amount. As expected, a major proportion of these restructuring expenses (€84 million) were already included in the 2013 financial statements. Further restructuring and other non-recurring expenses of €41 million were incurred during 2014. Only minor expenses are anticipated in this connection in fiscal year 2015. Only around two thirds of the entire restructuring expenses are cash effective. Of this total, around €46 million were incurred in 2014. A similar amount is expected for 2015. The non-cash restructuring expenses relate to the write-down of assets.

As part of SGL2015 we have now executed a large number of concrete measures to improve our operational and organizational structures and to restructure production sites. These include the closure of the graphite electrode production facility at our Canadian plant in Lachute at the end of the first quarter of 2014. In addition, during the second half of 2014, we discontinued our graphite electrode production in our Italian plant in Narni.

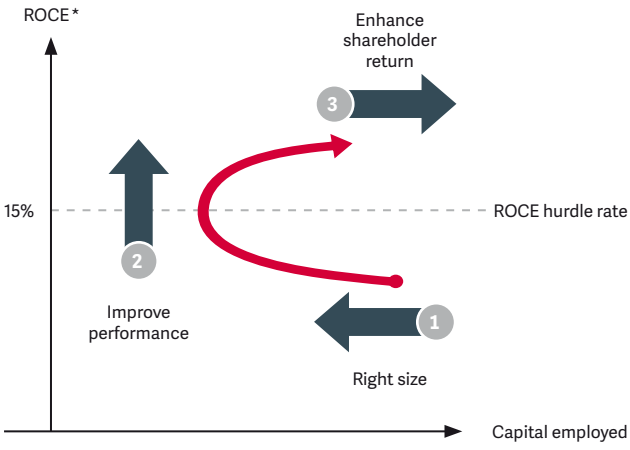
We announced the details of our organizational restructuring program on December 10, 2013. The core of the program involves streamlining our centralized and service functions and our management structures, as well as enhancing the operational role of our business units. Throughout the Group, up to 300 jobs were affected by the planned restructuring activities. In addition to the planned job cuts, the sub-project of organizational restructuring is expected to reduce indirect spending by around €40 million by 2015. In addition, in November 2014, we announced further streamlining of our organizational structure to just three business units.

A first measure announced on December 20, 2013 to optimize our portfolio was the sale of our rotor blade activities to a strategic investor. The Board of Management resolved to sell the business unit Aerostructures (AS, Hitco) in June 2014.

Key features of the strategic realignment defined

The core element of the strategic realignment is transitioning the central KPI from return on sales (ROS) to return on capital employed (ROCE), as this KPI more accurately reflects the profitability of our capital-intensive business and in future this will lead to our capital expenditure being substantially more return oriented. In addition, the ongoing review of our portfolio is based on achieving the ROCE target over the medium term. In order to consistently implement this objective, the long-term incentive systems for both the Board of Management and also all of the top level executives have been geared to ROCE.

Strategic reorientation. Right size – Improve profitability – Enhance shareholder return



* Measured by EBITDA divided by capital employed

The strategic process comprises three elements which partially overlap. The first stage is to review the portfolio regarding which production equipments, products or businesses can reach the minimum profitability target in a certain period. The disposal of the business units Aerostructures and Rotor Blades that have been planned or implemented should be seen in this context. From the current perspective, further adjustments cannot be ruled out. The second stage comprises activities to improve earnings, and in the first instance these are aggregated in the Group-wide SGL2015 cost savings program. In the third stage we will grow again, with sufficient capacity being

available for most of our businesses due to the high level of investment in the previous years. From the current perspective, we believe that capital expenditure is only required for highly select projects, such as for anode materials for the lithium ion battery industry, and only if our minimum ROCE target can be reached.

New financial targets

Key performance and management indicators, uniformly determined internally and externally, were revised in the second half of 2014. In the future, the most important performance indicator, as described above, will be:

Return on capital employed (ROCE) [1]	≥ 15%

[1] Based on EBITDA. (CE = average capital employed, defined as the sum total of goodwill, other intangible assets, property, plant and equipment, and working capital)

Derived from the above EBITDA based target return on capital employed, we also consider the return on capital employed based on the operating result (EBIT) as part of the ongoing internal management of the Group and business units. The reconciliation is based on relatively consistent levels of depreciation and amortization. Additional significant financial targets in the medium term are:

Gearing [1]	~ 0.5
Equity ratio	> 30%
Net income (continuing operations)	Positive
Leverage ratio [2]	< 2.5
Free cash flow	Positive

[1] Net debt/equity attributable to the shareholders of the parent company
[2] Net financial debt/EBITDA before non-recurring charges

Technology & innovation

Our centralized research and development

We have built state-of-the-art research infrastructure at the Group's largest site in Meitingen, thus creating optimum conditions for our global research and development "Technology & Innovation" (T&I). The pilot plant for precursors at Fisipe will be supplemented by a state-of-the-art, pioneering carbon fiber pilot plant. It is possible to test and further develop our carbon fiber products in the laboratories for composite materials. The laboratory for energy systems enables us to investigate our materials for specific applications, and thus forms the basis for developing improved carbon and graphite products for batteries and battery cells. Our development of synthetic carbon and graphite materials is supported by pilot plants at the Meitingen site and in Poland.

T&I's research and development activities are aligned to and support SGL Group's strategic objectives and fall into the following development areas: synthetic graphite, energy systems, precursor and carbon fibers, as well as carbon fiber composites. The research projects for SiC ceramic fibers were discontinued in 2014 in order to further bundle our development resources for the high-growth carbon fiber area.

Our research expenditure totaled €38.0 million in the past fiscal year (2013: €44.4 million), which means that research expenses account for 2.8% of consolidated sales revenues (2013: 3.1%). At the end of 2014, there were 121 T&I employees (2013: 147).

Highlights from our development areas

Our **synthetic graphite** projects aim to improve energy, material and cost efficiency in the production processes and to develop alternative and improved materials, primarily for the reporting segment Performance Products. Modelling is one of our most important tools. We have many years of experience in this area, which helped us to further improve cost efficiency in production processes to produce graphite last year. Application modeling of graphite electrodes, cathodes and furnace lining bricks provided us with key findings on further optimizing performance during customer use. We developed a more environmentally friendly ramming mass for coating aluminum electrolysis cells, and the responsible business unit Cathodes & Furnace Linings successfully launched this on the market last year. In addition, we also tested additional sources of raw materials in 2014 and qualified new raw materials for production. As a result, we further improved our cost situation and our supply of raw materials for fine and coarse grain graphite.

T&I developed components for modern **energy systems** such as lithium ion batteries, redox flow batteries and fuel cells. In 2014 we expanded our technical competence for lithium ion batteries. In our close strategic alliance with Hitachi Chemical, the global market leader for graphite anode materials for lithium ion batteries, we are working on optimizing costs while consistently maintaining high quality. In order to meet the future requirements for e-mobility, we are already working on the next generation of anode materials for lithium ion batteries with increased storage density as part of funded projects together with partners. These batteries will enable a greater reach for electric vehicles.

T&I has built up expertise and consulting competence over many years for producing and characterizing gas diffusion layers for fuel cells. The activities already implemented in 2013 to expand our capacity for individual stages of the process led to a substantial increase in efficiency in 2014, and thus contributed to cutting costs.

We made major progress in optimizing production processes for carbon fibers in 2014, in particular by making major improvements to textile qualities. The knowledge of process parameters and system design which was obtained using the pilot plant has been transferred to the production facilities in Muir of Ord (UK) and Evanston, Wyoming (USA). We have also integrated the knowledge we gained from process optimization into precursor development. T&I is collaborating closely with Fisipe in this regard.

The publicly funded development project "AirCarbon II" with partners from the European aviation industry will enable the further development of suitable processes and products through to 2017.

In Carbon Composites, the development program started in 2012 for thermoplastic carbon fiber composite materials was successfully continued last year. This group of materials offers advantages compared to duroplastic matrix systems, such as shorter cycle times and improved recycling which should better enable industrial serial application and which makes them particularly interesting for use in automotive construction.

The development results obtained as part of our activities in the MAI Carbon cluster of excellence enabled production of a carbon fiber that has been customized for thermoplastic systems to be launched successfully in 2014. The results also form the basis for the ongoing introduction of a new product group – unidirectionally reinforced tapes with a thermoplastic matrix. Last year several customers were sampled with semi-finished products for material qualification. We also intend to link in to the results of the MAI cluster of excellence in future. In this regard, SGL Group's research projects will reinforce concepts for construction methods as well as intelligent production technology.

In a development cooperation with BASF we have developed a special carbon fiber and textiles for the near-net-shape, highly efficient production of thermoplastic fiber composite components using RTM methods (resin transfer molding). The fundamental development work for chemical modifications to the fiber surface and the downstream textile processes was successfully completed in 2014.

We have already been able to make major progress in our fundamental and applied work on cost-efficient and flexible serial production methods for CFRP components which has been processed since the end of 2013 as part of an EU-funded project together with European partners from the fields of research and business. In addition to key technologies such as automated production methods, intelligent tool concepts and process simulation, SGL Group in particular also focuses on developing customized prepreg systems for ultra-short cycle times.

Strategic industry alliances and research networks are the key to success

As part of the strategic alliance for synthetic graphite with the Technical University AGH in Krakow, several masters and doctoral candidates are working on long-term topics for raw material and process development as well as application modelling. In addition, SGL Group is an active member of the management bodies of international scientific carbon societies. We are involved in the "Arbeitskreis Kohlenstoff" (AKK – Working Group for Carbon) with the AKK Board being chaired by one of our T&I scientists.

As a co-founder of the competence network for lithium ion batteries (KLiB), we are working together with companies including BASF, Bosch, Daimler and BMW on the development of lithium ion batteries for e-mobility and stationary energy storage. In order to take the cell production process out of the laboratory and into industrial scale production, a pilot plant for industrial scale production of battery cells went live at the end of 2014 at the ZSW (Zentrum für Sonnenenergie- und Wasserstoffforschung Baden-Württemberg) with government funding. SGL Group is among the very first users of this unique production facility, and will develop together with partners knowledge on processing and applications for different anode materials. In order to expand our knowledge of materials and applications for the stationary redox-flow battery, in 2014 we launched a doctoral program together with Nanyang Technological University (NTU) to establish test methods and modeling expertise in particular.

During the year under review, SGL Group chaired the board of Carbon Composites e.V. (CCeV) for the second successive period. This association of companies and research institutions spans the entire value chain for high-performance composite materials in Germany, Austria and Switzerland. Since 2013 CCeV has formed the new umbrella organization for the German composites industry "Composites Germany" together with three other associations and organizations. The key results in 2014 include developments as part of the MAI Carbon cluster of excellence, whose Board also includes an SGL Group scientist. SGL Groups' activities in the cluster of excellence focused on thermoplastic composites and recycling.

The professorship of Carbon Composites (LCC) endowed by SGL Group at the Technical University of Munich (TUM) is a hub for multinational projects with industrial partners. The existing networks, in particular with universities in Singapore, already helped us to internationalize our own development activities in 2013. Together with industrial partners, we want to support a joint project at the universities of Singapore Polytechnic, TUM Asia and LCC, to establish a technology center for composite materials in Singapore. Singapore is regarded as being one of Asia's knowledge centers and is a standard-setter for teaching and research. Innovations and new concepts which contribute to the energy efficiency and efficient resource use in a modern mega-city are subsidized by this city state's government.

New patents were registered in all of our business units in 2014 in order to further protect our gained experience and know-how. As part of the systematic evaluation of our IP portfolio, we were able to sell a portfolio of patents to an external buyer in an area of technology which is no longer interesting for SGL Group.

T&I is SGL Group's talent pool

Last year, T&I also fulfilled its task of enthusing new talents for the company. T&I supported a total of 46 diploma students, interns and students on work experience in 2014. We are thus developing junior talents, in particular for engineering and materials sciences. During the past fiscal year, 10 excellently trained T&I employees transitioned to our business units to take over new positions there and to reinforce networking within the company.

Economic Report

Overall economic and industry-specific underlying conditions

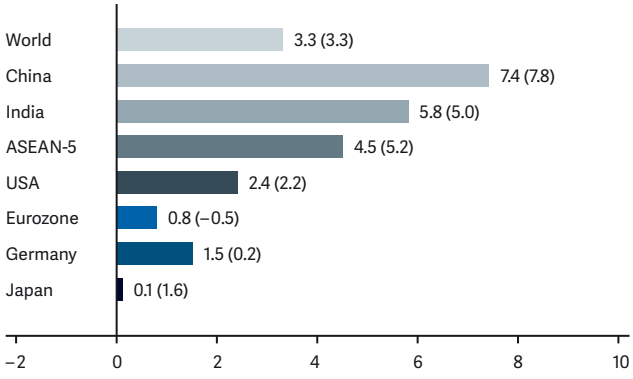
Economic conditions

In 2014 the global economy was characterized by continued expansive monetary policy and low inflation in industrialized nations, a further growth slowdown in China and, in the second half of the year, by growing uncertainties as a result of geopolitical crises and the massive slump in oil prices. In the opinion of the International Monetary Fund (IMF), global economic output increased by 3.3% in 2014, at the same pace as in the previous year. This growth was borne by the established economies which recorded an upswing from 1.3% to 1.8%. In contrast, the pace of growth slowed in developing and emerging nations with growth of 4.4% (2013: 4.7%).

Global economy failed to accelerate in 2014

The year 2014 got off to a very weak start as a result of the weather, followed by an upswing in the USA. This was driven by private consumption, higher capital expenditure and low energy prices. In contrast, growth in the Eurozone remained reserved and heterogeneous with growth of 0.8%, despite the low interest rates. The conflict in Ukraine and the lack of acceleration in the global economy hampered investments. In Germany, the economy grew by a robust 1.5%, supported by private consumption and exports. China at 7.4% recorded the weakest growth in more than 20 years. Growth in large emerging nations weakened – as can be seen in Brazil and Russia. The south-east Asian emerging nations (ASEAN-5) at 4.5% also grew at a slower pace than in previous years.

Gross domestic product in 2014 (2013) at a glance in %
Real year-on-year change



Source: IMF, World Economic Outlook from January 2015

Development of key customer industries

Steel industry: Massive decline in iron ore prices favored blast furnace steel production

According to estimates by the World Steel Association (WSA), global steel demand only increased by 2.0% in 2014 to 1,562 million tons (2013: +3.8%). WSA put global crude steel production at 1,662 million tons in 2014 (+1.2%). Crude steel production increased moderately in China (+0.9%), the EU and USA (each at +1.7%). According to the WSA, steel production in Germany grew by just 0.7%. India increased production by 2.3%, South Korea by 7.5% and Russia by 2.6%. Capacity utilization fell to an average of 76.7% in 2014 (2013: 78.4%), which means the industry continued to suffer from excess capacity. In spite of this, however, the situation for many producers improved solely as a result of the massive decline in the price of iron ore, which supported blast furnace steel production. China produces almost half of the world's crude steel – around 90% of this in blast furnaces. However, only the electric steel production route is relevant for our graphite electrode business. In other regions this often accounts for a notable proportion of steel production. Steel scrap prices fell by almost 10% in 2014, however this was not enough compared to the price of iron ore. As a result, electric steel production remained weak. According to the Federation of the German Steel Industry (Wirtschaftsvereinigung Stahl) this fell by around 2% in Germany.

Aluminum production and prices higher worldwide, recovery in investment demand

According to the International Aluminum Institute (IAI), global production of primary aluminum increased by 4.8% to 53.0 million tons in 2014. Growth was very heterogeneous throughout the regions. China's production was up by 9.1%, with the Gulf states even increasing their production by a good 24%. According to the IAI, production in North America fell by 7.0%. The Aluminum Association put the downturn in the USA at 12.2%. According to the IAI, Asian producers outside of China (–0.4%) reduced their production, as did producers in Europe (west: –0.3%, east: –5.8%). In spite of this, however, 2014 was an excellent year for the aluminum industry. The closure of various plants after years of massive excess capacity had a positive impact. At the same time, demand increased still further, in particular from the automotive industry. Through to the fall, the aluminum prices increased significantly, however they corrected again later to some extent as a result of falling commodities listings. In 2014 producers successively invested again in capacity. This initially caused suppliers' order books to improve, even though the prices for equipment have not yet recovered.

Chemical industry: Moderate growth, regionally very heterogeneous

According to the German Chemicals Industry Association (Verband der Chemischen Industrie – VCI), global chemical and pharmaceutical production grew by 3.0% in 2014, compared to 4.5% in the previous year, in line with to the moderate growth in the global economy and industrial production. Growth was driven by China, even though the pace of growth decreased from 12.4% in 2013 to 10.5%. Growth in the US chemical market recovered, up to 2.0%. In the EU, production increased by 2.5% driven by pharmaceutical products. In contrast, the chemical industry in Russia, Brazil and Japan has slumped. Chemical companies located in Germany increased their production by just 1.5%, as was the case in the previous year. The pace of growth cooled perceptibly after the strong start to the year. Without pharmaceutical products (+5.5%) output even fell by 0.5% after growth of 1.0% in the previous year. Given this environment, the German chemical industry continued to keep investments at a low level. Investments in Germany once again increased by just 2.0% in 2014 and were mostly for modernization and maintenance.

Polysilicon: Volumes and prices recover, capacity utilization improves

The polysilicon market is driven by the end markets solar (photovoltaic, PV) and semiconductors, whereby the PV market accounts for 90%. Despite the fact that demand tended to grow from 2011 to 2013, there is massive overcapacity on the end markets and in polysilicon production, as forecasts were too optimistic. In 2014 the global PV market expanded to 44 GW of newly installed output (2013: 38 GW). The semiconductor market also grew. The industry association World Semiconductor Trade Statistics (WSTS) puts global market growth at 9% in 2014, driven by smartphones and the automotive industry. The increase in demand from the end markets and the resulting double-digit increase in polysilicon demand caused prices to increase in 2014. Leading polysilicon manufacturers have thus taken previously decommissioned capacity back into operation. However, the situation for equipment providers has not yet improved substantially.

Turnaround in the wind industry, substantial additions worldwide

After the weak prior year, the wind industry enjoyed a perceptible revival in 2014. According to the World Wind Energy Association (WWEA) new installations increased by 27% through the middle of 2014. The Global Wind Energy Council (GWEC) estimates that new systems with a total output of 47 GW were installed around the world in 2014 as a whole. This is up by almost one third year-on-year. As a result, the wind energy capacity which has been installed worldwide is up by 15% to 365 GW. This growth was driven by China, Brazil, India and the USA. In contrast, growth in Europe was sluggish, partially as a result of low political impetus and also delays to offshore projects. The importance of repowering increased in onshore projects, i.e., exchanging older turbines with modern, higher performance and larger turbines.

Automotive industry continues to grow, lightweight construction still a niche

According to the German Automotive Industry Association (VDA), the automotive industry continued to grow around the world in 2014, with sales up by 2% to 74.7 million cars. In particular, the three dominant markets of China (+12.7%), USA (+5.8% light vehicles) and Western Europe grew. After four years of downturn, the Western European car market (EU 28 + EFTA) grew again, with new registrations up by 5.4%. Car sales were up by 2.9% in Germany. The main issues at the leading automotive trade fairs increasingly concern e-mobility, electronic networking and lightweight construction. According to VDA, sales of electric vehicles in the USA were up by 23% in 2014 to 119,100 units. According to the German Federal Motor Transport Authority, almost 36,000 electric cars (including hybrids) were newly registered in Germany (+11%). However, the importance of alternative drives and lightweight construction is still low in terms of total car sales.

Lithium ion batteries: innovative technology breaking through

The market for lithium ion batteries is currently dominated by consumer electronics, e.g., notebooks, tablets and smartphones, and the dynamic growth of these end devices. Performance improvements and lower prices as a result of higher produced volumes were key drivers for the breakthrough in lithium ion technology in the past few years. In addition, the importance of e-mobility is now growing, which is a market dominated by lithium ion batteries. Additional applications, such as storing electricity, will increasingly be added. Market researchers (TechNavio, Frost & Sullivan) had previously assumed annual growth rates of 13–14%. On this basis, the market volume for lithium ion batteries would probably have reached around USD 20 billion in 2014 (2013: USD 17.6 billion). According to Navigant Research, materials for the production of high-performance batteries accounted for a total market volume of USD 7.3 billion in 2014.

Share price performance in 2014

You can find a description of our share price performance as well as key indicators and other information on all aspects of our shares on pages 32–37.

Business overview

Difficult fiscal year 2014 due to sustained price pressure on graphite electrodes

We presented the following targets for the year in the previous annual report and at our year-end press conference in March 2014:

Forecasts for 2014 as published in the 2013 Annual Report	Actual data for fiscal 2014	Target met
Group sales revenue to remain unchanged compared with 2013	Group sales revenue 6% below the previous year due to price pressure in graphite electrodes	–
EBIT before non-recurring charges to decrease significantly compared with 2013	EBIT before non-recurring charges: €3 million (2013: €23 million)	√
Consolidated net loss before and after tax to be much lower than in fiscal 2013	Loss before tax of €104.4 million (2013: loss of €161.1 million) Consolidated net loss of €247.0 million (2013: loss of €317.0 million).	√
Cost savings in mid-to-high double-digit million euro range	Cost savings from SGL2015 reach €88 million in 2014	√
Further restructuring expenses in the low double-digit million euro range, i.e. significantly lower than in 2013. In the report on the first nine months of 2014, the expected restructuring expenses were adjusted to a mid double-digit million euro amount in line with the higher savings target	Restructuring expenses and other non-recurring charges amount to €40.6 million (2013: €83.8 million)	√
Higher capital expenditure due exclusively to capacity expansions at the joint venture with BMW (SGL ACF)	Capital expenditure including SGL ACF €16 million higher than in 2013 Excluding SGL ACF, capital expenditure €29 million lower than in 2013	√
High negative free cash flow and significant increase in net debt	Negative operating free cash flow of minus €121 million; net debt before capital increase significantly higher	√

Group sales revenue 6% below previous year

The positive sales trend in the reporting segments Graphite Specialties (GS) and Carbon Fibers & Materials (CFM) was more than offset by the declining trend in prices and demand for graphite electrodes in the reporting segment Performance Products (PP). Group sales revenue decreased by approximately 6% year on year (currency adjusted: 5%) to €1,335.6 million.

As expected, EBIT strongly impacted by weak prices and demand for graphite electrodes

EBIT before non-recurring charges in PP, the largest reporting segment, decreased by 63% to €26.0 million during the reporting period, compared with €69.4 million in 2013. The fact that EBIT decreased more than proportionately to sales revenue can be mainly attributed to price pressure in both graphite electrodes and cathodes.

Additional cost savings of €88 million achieved

After savings of €69 million in fiscal year 2013, we succeeded in significantly increasing the cost savings resulting from our SGL2015 initiative, as planned. The savings for 2014 came to €88 million, and we expect additional savings in the mid double-digit million euro range to be attainable in 2015. We were therefore able to increase our total savings target (based on the actual costs in 2012) in two steps, from an initial amount of €150 million to more than €200 million in September 2014 and then to €240 million in the first quarter of 2015.

Restructuring expenses largely accounted for

The restructuring expenses relating to SGL 2015 and other non-recurring charges declined significantly in fiscal 2014, from €84 million in fiscal year 2013 to €41 million. As projected, the volume of expenses in 2014 was much lower than in 2013. Thus the vast majority of the restructuring expenses expected in conjunction with SGL2015 have already been incurred.

Capital expenditure within the target corridor

As projected, capital expenditure for intangible assets and property, plant and equipment increased to approximately €133 million in the reporting year, up from €117 million in the previous year. However, as planned, the increase was due exclusively to the higher capital expenditure of around €70 million (2013: €25 million) as a result of the expansion of carbon fiber and fabric capacities at SGL ACF, our joint venture with the BMW Group. Excluding SGL ACF, the capital expenditure for SGL Group decreased significantly as targeted, dropping from €92 million in 2013 to €63 million in 2014.

Negative free cash flow

Free cash flow from continuing operations amounted to minus €121.3 million after a positive €41.9 million in the previous year. In addition to the increase in capital expenditure – due in particular to the additional expansion of production capacities at SGL ACF – the main reasons for the decrease were the deterioration in operating profit, higher payments associated with the SGL2015 cost savings program, and higher interest payments. The reduction in working capital of €48 million was only able to partially compensate for the above factors.

Key events for the business development

Successful capital increase in October 2014

The increase of €51.7 million in subscribed capital resolved SGL Group on September 29, 2014 was successfully completed in October 2014. A total of 20.18 million new shares were issued at a previously established subscription price of €13.25. This resulted in a net cash inflow of €261.5 million. The capital increase was registered in the commercial register in October 2014. The funds will be used to strengthen the equity base, improve the leverage ratio, and repay outstanding debt as well as to improve financial flexibility for general corporate purposes. The equity ratio reached 26% (2013: 30%) and gearing amounted to 0.69 (2013: 0.81) as of year-end 2014.

Change in accounting policies

New accounting pronouncements

Application of IFRS 11 "Joint Arrangements" has been mandatory in the European Union since January 1, 2014. The prior-year figures have therefore been adjusted retrospectively. For SGL Group, the application of IFRS 11 resulted in a change in the basis of consolidation. Since January 1, 2014, the two joint operations with the BMW Group – SGL Automotive Carbon Fibers (SGL ACF) in the USA and in Germany – which were previously accounted for using the equity method, have been included using the proportionate method in the consolidated financial statements. With the net result for the period remaining the same, the application of IFRS 11 in the reporting period led to recognition of higher sales revenue and lower operating result (EBIT). Further details on the effects of application of IFRS 11 can be found in **Note 3** of the notes to the consolidated financial statements.

Review of the consolidated financial statements for fiscal 2011 by the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht – BaFin)

As already announced on August 7, 2014 in our report on the first half of 2014, the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht – BaFin) made an assessment on the interpretation of certain accounting policies in connection with an audit carried out in accordance with Section 37n et seqq. of the German Securities Trading Act (Wertpapierhandelsgesetzt – WpHG). The BaFin assessment differed from the opinion of SGL Group management with regard to the points laid out below, resulting in a determination of errors in the audited consolidated financial statements for the fiscal year ending on December 31, 2011.

The following consideration of the Group's operating result for 2014 in the consolidated income statement, the consolidated balance sheet, and the consolidated statement of cash flows as well as in other sections of the 2014 annual report is based on a comparison of the figures for fiscal year 2014 with the adjusted figures for fiscal year 2013. The adjustments in 2013 resulted in an improvement in the operating result (EBIT) of €80.0 million and an improvement in the consolidated net loss of €79.4 million.

The BaFin adjustments relate to fiscal years 2011, 2012, and 2013. With regard to the balance sheet items, the only significant, cumulative effect over all of the years concerned until December 31, 2013 was a reduction in equity (including non-controlling interests) of €43.1 million. With regard to the income statement items, the main difference is merely a shift between years. The notes to the consolidated financial statements provide details, in-depth explanations, and a reconciliation of the adjustments (**Note 3**).

Discontinued operations

As part of the Group-wide SGL2015 cost savings program, the disposal process for companies and activities that are no longer part of the Company's core business was initiated. In June 2014, the Board of Management of SGL Group decided to dispose of the business activities of the former business unit Aerostructures (AS). This decision means that the business unit AS is now classified as a discontinued operation in the consolidated balance sheet and in the consolidated income statement. The prior-year figures were adjusted accordingly in the consolidated income statement and in the consolidated cash flow statement to enable a comparison to be made.

The rotor blades activities sold at year-end 2013 (business unit Rotor Blades, SGL Rotec) had already been reclassified as a discontinued operation in the 2013 annual financial statements.

Financial performance of the Group

Income Statement

€m	2014	2013*	Change
Sales revenue	1,335.6	1,422.6	–6.1%
Gross profit	221.0	264.6	–16.5%
Operating profit/loss (EBIT) before non-recurring charges[1]	2.7	22.8	–88.2%
Operating profit/loss (EBIT)	**–48.5**	**–100.0**	**51.5%**
Result from investments accounted for At-Equity	–6.4	–9.0	28.9%
Net financing result	–49.5	–52.1	5.0%
Result before tax	**–104.4**	**–161.1**	**35.2%**
Income tax expense	–21.4	–91.3	76.6%
Non-controlling interests	–2.0	–4.3	53.5%
Consolidated net result (continuing operations)	**–127.8**	**–256.7**	**50.2%**
Discontinued operations	–119.2	–60.3	–97.7%
Consolidated net result (attributable to the shareholders of the parent company)	**–247.0**	**–317.0**	**22.1%**
Earnings per share, basic (in €)	–3.26	–4.47	27.1%
Earnings per share, diluted (in €)	–3.26	–4.47	27.1%

* Adjusted by BaFin adjustments as well as classification of AS as a discontinued operation and proportional consolidation of SGL ACF

[1] Before restructuring expenses and other non-recurring charges of €40.6 million and impairment losses of €10.6 million in 2014 and €83.8 million and €39.0 million in 2013

Sales trend across reporting segments

The 6% decrease in Group sales revenue year on year (currency adjusted: minus 5%) can be attributed to a marked decrease of 22% (currency adjusted: 22%) in sales revenue in our reporting segment Performance Products (PP), which was due to negative price and volume trends for graphite electrodes. As a result, the share of our reporting segment PP in total Group sales revenue decreased to 44% (2013: 53%).

Sales revenue by segment

€m	2014	% of total	2013	% of total	Change
PP	588.2	44.0%	755.9	53.1%	–22.2%
GS	345.5	25.9%	296.7	20.9%	16.4%
CFM	296.4	22.2%	251.5	17.7%	17.9%
Other	105.5	7.9%	118.5	8.3%	–11.0%
Total	**1,335.6**	**100%**	**1,422.6**	**100%**	**–6.1%**

In contrast, our reporting segment Graphite Specialties (GS) recorded a marked increase in sales of 16% (currency adjusted: 20%) year on year, primarily as a result of a large order from a customer in the electronics industry, and the high demand for anode materials from the lithium ion battery industry. The share of our reporting segment GS in Group sales increased from 21% to 26%.

Sales in our reporting segment Carbon Fibers & Materials (CFM) were also encouraging. In addition to an increase in demand from the wind industry, CFM particularly benefited from significantly higher sales revenue in our proportionally consolidated joint operations with BMW Group (SGL ACF) in fiscal year 2014. Taking SGL ACF into account, the 18% (currency adjusted: 18%) sales increase in our reporting segment CFM outperformed the sales trend in both of our other reporting segments PP and GS. As a result, CFM's share in Group sales increased from 18% in the previous year to 22% in 2014.

Overall, the sales trend of SGL Group was negatively influenced by lower prices, particularly in our reporting segment PP, in a total amount of €99 million. In contrast, volume increases (particularly in our reporting segments GS and CFM) increased Group sales by a total of €24 million. Currency translation losses decreased sales by €11 million year on year.

Please see pages 63–67 for details on the financial performance of our reporting segments.

Sales revenue by region: Europe is largest sales market

The regional distribution of our sales revenue remained largely constant. Consequently, SGL Group's business activities continued to focus on Europe (€577.6 million; 43% share in sales), in which Germany was the largest individual market with revenue of €264.0 million, equating to a 20% share in sales. In Asia, the Group's second most important sales region, sales fell by 13% to €317.4 million in 2014 (2013: €366.2 million), which was the weakest regional trend seen in SGL Group's three major sales regions. Sales in the North American region increased slightly by 2 percent year on year, resulting in a share in Group sales of about 23%.

In terms of regional sales trends, Asia and the rest of Europe saw significant decreases in absolute terms in 2014. Business in Asia was weaker mainly as a result of demand-related decreases in PP sales. This was offset, however, by the positive sales trend seen in GS due to volume increases for the lithium ion battery industry in this region. Lower sales in the rest of Europe were mainly caused by low prices and decreased demand for graphite electrodes. Sales in Germany remained stable. Business in North America developed positively as a result of a large order from a customer in the electronics industry in our reporting segment GS.

In terms of sales origin, we continued to manufacture mostly in Germany (32%; 2013: 34%), the rest of Europe (46%; 2013: 46%), and North America (16%; 2013: 15%). The decrease in Germany is primarily the result of lower sales in our reporting segment PP. The share of sales in North America increased slightly because of deliveries for a large order from a customer in the electronics industry. The increase in Asia reflects slightly higher deliveries resulting from expanded production capacities in Malaysia, and amounted to a 6% share in sales during the year under review (2013: 5%).

Sales revenue by destination

€m	2014	% of total	2013	% of total	Change
Germany	264.0	19.8%	260.8	18.3%	1.2%
Europe excluding Germany	313.6	23.5%	340.7	23.9%	–8.0%
North America	310.7	23.2%	304.7	21.4%	2.0%
Asia	317.4	23.8%	366.2	25.7%	–13.3%
Rest of world [1]	129.9	9.7%	150.2	10.7%	–13.5%
Total	**1,335.6**	**100.0%**	**1,422.6**	**100.0%**	**–6.1%**

[1] Latin America, Africa, Australia

Sales revenue by geographical origin

€m	2014	% of total	2013	% of total	Change
Germany	429.6	32.2%	478.1	33.6%	–10.1%
Europe excluding Germany	616.3	46.1%	656.6	46.2%	–6.1%
North America	212.5	15.9%	212.7	14.9%	–0.1%
Asia	77.2	5.8%	75.2	5.3%	2.7%
Total	**1,335.6**	**100.0%**	**1,422.6**	**100.0%**	**–6.1%**

New order development

The order intake situation was unsatisfactory in all business units during the course of 2014. All in all, the combined value of the order backlog of our three business units at the end of 2014 was below that of the prior year.

In our reporting segment **Performance Products**, the order backlog for graphite electrodes at the end of 2014 fell slightly below the level at the end of the previous year, while the order backlog for cathodes increased significantly. Demand in both areas is still coming in at a lower price level, however. Overall, we anticipate slightly better utilization of our production capacities in 2015 compared to the previous year.

In our business unit **Graphite Specialties**, we recorded an order backlog at year-end 2014 that was overall satisfactory, excluding the large order that was delivered during the previous year. Despite continued weak demand from the solar sector, new orders in our business unit Graphite Specialties were slightly above the level of the previous year, particularly for electronic applications and due to strong volume demand for materials for lithium ion batteries.

The situation in our reporting segment **Carbon Fibers & Materials** is currently slightly better than in the previous year. Our business unit **Carbon Fibers & Composite Materials** expects a slightly higher order backlog and improved capacity utilization in carbon fibers during the new fiscal year. For **SGL ACF** (our activities with BMW) the already installed capacities of the two joint ventures are well utilized.

The business unit **Process Technology** shown under Corporate & Others had a low volume of orders overall in 2014, with some improvement during the second half of the year. Overall, the order backlog during fiscal 2014 was slightly below the level of the previous year.

Operating profit (EBIT) before non-recurring charges declines to €3 million

€m	2014	2013*	Change
Sales revenue	1,335.6	1,422.6	–6.1%
Cost of sales	–1,114.6	–1,158.0	3.7%
Gross profit	**221.0**	**264.6**	**–16.5%**
Gross margin	*16.5%*	*18.6%*	–
Selling expenses	–145.0	–155.9	7.0%
Research and development costs	–38.0	–44.4	14.4%
General and administrative expenses	–60.9	–73.6	17.3%
Other operating income/expenses	25.6	32.1	–20.2%
Operating profit (EBIT) before non-recurring charges [1)]	**2.7**	**22.8**	**–88.2%**
Restructuring expenses/other	–40.6	–83.8	51.6%
Impairment losses	–10.6	–39.0	72.8%
Operating loss (EBIT)	**–48.5**	**–100.0**	**51.5%**

* Adjusted by BaFin adjustments as well as classification of AS as a discontinued operation and proportional consolidation of SGL ACF

1) Before restructuring expenses and other non recurring charges of €40.6 million and impairment losses of €10.6 million in 2014 and €83.8 million and €39.0 million in 2013

SGL Group's sales revenue decreased by €87.0 million (6.1%) year on year, primarily as a result of the decrease in sales in our reporting segment PP. In relation to the decrease in sales revenue, the cost of sales decreased less than proportionately at 4% year on year. The significant drivers of this relative cost increase in 2014 were energy prices and a lack of fixed cost absorption due to lower capacity utilization. The personnel expenses included in the cost of sales were lower, however, as a result of the decrease in salary and wage costs owing to the Group's reduced workforce. Depreciation on property, plant and equipment, which is mainly included in cost of sales, remained roughly at the level of the prior year, at €81.4 million (2013: €80.0 million).

Gross profit declined by 16.5% to €221.0 million in fiscal 2014 (2013: €264.6 million).

During 2014, we continued to pursue the SGL2015 cost savings program that we initiated during the summer of 2013. SGL2015 generated savings of approx. €88 million during fiscal 2014 (2013: €69 million), which included savings of approx. €25 million (2013: €27 million) from our SGL Excellence initiative. The majority of the savings related to cost of sales, although the functional costs described below were also reduced.

Other functional costs (selling expenses, research and development expenses and general and administrative expenses) decreased by a total of 11.0% to €243.9 million. Compared with the sales development they could be reduced disproportionately (2013: €273.9 million). The net amount of income and expenses not attributable to functional costs amounted to an income of €25.6 million in fiscal year 2014 (2013: income of €32.1 million).

Selling costs decrease disproportionately

Selling costs fell by 7.0% (€10.9 million) to €145.0 million in 2014 (2013: €155.9 million), thus slightly more than the decrease in sales. In addition to volume-related cost reductions, we managed to reduce freight costs per ton in comparison to the prior year. At 10.9%, the share of selling costs (including freight costs) to sales revenue remained virtually unchanged year on year (2013: 11.0%).

Research and development activities limited

Our R&D activities are focused on developing components for future energy systems, the continued development of synthetic graphites, and on process optimization in the production of carbon fibers and carbon fiber composites. As a result of the cost savings activities undertaken as part of our SGL2015 program, research and development costs were reduced to €38.0 million in fiscal 2014 (2013: €44.4 million). They now equate to 2.8% of sales (2013: 3.1%).

General and administrative expenses reduced by more than €12 million

During fiscal 2014, we once again reduced general and administrative expenses year on year, by €12.7 million from €73.6 million in 2013 to €60.9 million in 2014. This equates to a further reduction of 17.3% during fiscal 2014, after the decrease of 12.9% that was already realized during the prior year. The savings achieved within two years thus total about 30%, or more than €24 million, and particularly relate to our administrative offices in Wiesbaden (Germany) and Charlotte (USA). The savings included under SGL2015 amount to about €11 million during the year under review (2013: €4 million), and are primarily the result of lower personnel costs due to decreased employee numbers, adjustments to pension schemes, and lower consultancy and travel costs. Once again in fiscal 2014, we managed to reduce general and administrative expenses to a greater extent than the decline seen in the sales trend.

Other operating income and expenses – income from currency gains

The net amount of other operating income and expenses that cannot be attributed to functional costs was €25.6 million in fiscal year 2014 (2013: €32.1 million). This amount includes currency gains and losses, with a gain of €4.8 million being generated from hedging foreign currency positions in fiscal year 2014 (2013: €7.1 million). Income in 2014 primarily resulted from hedging transactions for sales revenue in Polish Zloty and Japanese Yen. The figure for the year under review also comprised cost charges to joint ventures of €9.2 million (2013: €10.2 million), income from government grants for projects of €4.4 million (2013: €3.7 million), income from the sale of property, plant and equipment of €1.2 million (2013: €0.5 million), and insurance recoveries of €0.8 million (2013: €0.4 million).

Restructuring expenses for SGL2015 – significant savings realized

Once again in 2014, we were able to generate significant savings from our SGL2015 initiative, which has been ongoing since 2013. Combined with our SGL Excellence activities, we realized total savings of €88 million in 2014 (2013: €69 million) by intensifying our activities aimed at optimizing our processes and sites. Consequently, we have managed to reduce our cost base by a total of €157 million compared to 2012. As part of SGL2015, a number of concrete measures have been defined to improve our operational and organizational processes and to restructure our sites – measures that are either set to be implemented or are already in progress. Restructuring expenses of €40.6 million in fiscal 2014 were incurred primarily for the ongoing implementation of site optimization measures in connection with SGL2015, for management consultancy services, and for the implementation of personnel measures. Expenses for site optimization measures affected both reporting segment PP (€9.8 million; 2013: €59.5 million) and reporting segment CFM (€10.5 million; 2013: €1.1 million). In our reporting segment Corporate & Others, restructuring expenses and other non-recurring charges totaled €20.2 million, which comprised expenses for personnel restructuring, including changes to personnel on the Board of Management, costs for ongoing management consultancy, and one-time payments made in connection with legal disputes.

Restructuring expenses totaled €83.8 million in the previous year. As indicated in our Annual Report for 2013, in our reporting segment PP, the graphite electrode production facility at our Canadian plant in Lachute was already shut down by the end of the first quarter of 2014. On February 13, 2014, our intention to close our Italian graphite electrode production facility in Narni – with accompanying administrative offices in Lainate – was made public as the second major restructuring measure in our reporting segment PP. Production was scaled back during the first half of 2014, and has now been finally

stopped. The closure of that facility, which had a graphite electrode capacity of approx. 30,000 tons, represents a further step in the company-wide reduction of capacities aimed at making a sustained improvement to the cost position of SGL Group. Together with the closure of our graphite electrode production facility in Lachute, SGL Group has reduced its graphite electrode production capacity by approx. 60,000 tons per year. The expenses incurred for the closure of our sites in Lachute and Narni were largely already included in the 2013 financial statements. For our site in Lachute, writedowns on non-current assets and anticipated costs for severance payments totaling €21.6 million have been taken into account. Total restructuring expenses of €32.1 million were also already taken into account in 2013 for the closure of our graphite electrode plant in Narni (Italy), which was publically announced on February 13, 2014. These costs consist of write-downs to non-current assets and inventories of €13.9 million, and severance and liquidation costs totaling €18.2 million.

Impairments

Impairments in fiscal 2014 solely comprise the €10.6 million impairment to goodwill in PP. The previous year's figure also comprised the €13.8 million impairment to goodwill in CFM, and write-downs to other intangible assets and property, plant and equipment of €25.2 million. For more details concerning impairments, please refer to the notes to the consolidated financial statements, under **Note 7**.

EBIT before non-recurring charges falls to €3 million

EBIT before non-recurring charges fell by approx. 88% to €2.7 million in 2014 (2013: €22.8 million). The corresponding EBIT margin decreased from 1.6% in 2013 to 0.2% in 2014. After taking into account non-recurring charges totaling €51.2 million in 2014, and €122.8 million in 2013, the EBIT for fiscal year 2014 amounted to minus €48.5 million, up from minus €100.0 million in 2013.

€m	2014	2013*	Change
Operating profit/loss (EBIT)	**–48.5**	**–100.0**	**51.5%**
Result from investments accounted for At-Equity	–6.4	–9.0	28.9%
Net financing result	–49.5	–52.1	5.0%
Result before tax	**–104.4**	**–161.1**	**35.2%**
Income tax expense	–21.4	–91.3	76.6%
Non-controlling interests	–2.0	–4.3	53.5%
Consolidated net result (continuing operations)	**–127.8**	**–256.7**	50.2%
Discontinued operations	–119.2	–60.3	–97.7%
Consolidated net result (attributable to the shareholders of the parent company)	**–247.0**	**–317.0**	**22.1%**
Earnings per share, basic (in €)	–3.26	–4.47	27.1%
Earnings per share, diluted (in €)	–3.26	–4.47	27.1%

* Adjusted by BaFin adjustments as well as classification of AS as a discontinued operation and proportional consolidation of SGL ACF

Result from investments accounted for At-Equity improves significantly

The result from investments accounted for using the At-Equity method improved significantly during fiscal 2014, amounting to a loss of €6.4 million compared to a loss of €9.0 million in 2013. The positive business performance of Brembo SGL in fiscal 2014 largely compensated for the losses incurred by the Benteler SGL joint venture in 2014. Correspondingly, the total operating loss related to our equity investments in Benteler SGL and Brembo SGL was €0.3 million (2013: loss of €4.5 million). Our joint venture SGL Lindner – a joint venture with Lindner Group to market graphite-based cooling ceilings – had a negative impact on earnings, due to non-recurring charges incurred in connection with adjusting our business model.

€m	2014	2013	Change
Sales [1]	220.4	152.1	44.9%

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

Our reporting segment Carbon Fibers & Materials accounted for the majority, or €215.8 million, of the aggregated, unconsolidated sales revenue of our investments accounted for using the At-Equity method in fiscal year 2014 (2013: €149.8 million; 100%-aggregated, unconsolidated values of each of the companies). These revenues are not included in the sales revenue of SGL Group.

Brembo SGL: increasing demand leads to higher result

Our joint venture with Brembo for the production of carbon ceramic brake discs recorded a marked increase in deliveries during the course of 2014, leading to sales growth in fiscal 2014 of 48% compared to the prior-year period. A higher volume of new orders was once again recorded at the end of 2014. As a result, production facilities in Meitingen (Germany) and Stezzano (Italy) continue to operate near full capacity, and are being successively expanded to be able to meet the rising demand for brake discs for new vehicle models. After already realizing an operating profit in fiscal 2013, the positive result increased considerably in fiscal 2014.

Benteler SGL: increased project activities

In our joint venture with Benteler, several serial production projects were already begun in 2013, which were in particular executed at the new plant in Ort (Austria). Consequently, sales revenue improved significantly, a positive trend that continued in fiscal 2014. Start-up losses incurred in connection with serial production for new vehicle projects remained on the level of the prior-year period.

Net financing result: improvement despite higher interest expense

€m	2014	2013	Change
Interest income	1.0	1.3	–23.1%
Interest expense	–29.4	–19.1	–53.9%
Imputed interest on convertible bonds (non-cash)	0.7	–11.4	> 100%
Imputed interest on finance leases (non-cash)	–1.3	–1.4	7.1%
Interest expense on pensions	–10.9	–11.6	6.0%
Interest expense, net	**–39.9**	**–42.2**	**5.5%**
Amortization of refinancing costs (non-cash)	–2.8	–5.0	44.0%
Foreign currency valuation of Group loans (non-cash)	–1.6	–2.5	36.0%
Other financial income/expenses	–5.2	–2.4	> –100%
Other financing result	**–9.6**	**–9.9**	**3.0%**
Net financing result	**–49.5**	**–52.1**	**5.0%**

Due to a considerable drop in interest rate levels, interest income decreased to €1.0 million in fiscal year 2014, despite higher liquidity levels on average (2013: €1.3 million).

Interest expense increased year on year by €10.3 million to €29.4 million. The increase can be attributed to the corporate bond issued with a fixed interest rate of 4.875% in December 2013, which redeemed the floating rate notes from 2007. The latter bond had a coupon based on the 3-month EURIBOR plus a margin of 1.25%. Interest expense on bonds increased accordingly from €3.7 million in 2013 to €12.2 million in 2014. The interest for investment projects capitalized in accordance with IFRS reduced interest expense by €2.6 million (2013: €3.5 million). In contrast, interest expense for the convertible bonds remained at €11.3 million. The average cash interest rate was 3.8% p.a. in 2014 (2013: 2.6% p.a.).

The net interest expense for fiscal 2014 shows a positive imputed interest effect relating to the convertible bonds (prior-year period: imputed interest cost), which relates to the revised accounting treatment of the maturity of the convertible bond 2009/2016. That bond had a one-time investor put option on June 30, 2014, meaning that it was accounted for with a maturity date at June 30, 2014. Consequently, the convertible bond was recorded as of that date at its nominal value of €134.7 million (in accordance with repayment obligations). As no investor made use of the put option, the bond is now recognized at its actual maturity date of June 30, 2016. As a result, the present value of the repayment obligation reduced to €125.1 million. The difference between the bond's nominal value and the newly calculated present value of the revised estimated cash flow of €9.6 million was recognized as income. Non-cash income from the imputed interest on convertible bonds amounted to €0.7 million (2013: an expense of €11.4 million). The total amount of the imputed interest component is equal to the hidden premium (reflecting the conversions right) recognized in equity upon recognition of the respective convertible bond and increases the interest expense of the cash coupons of 3.5%, and 2.75%, to a total of 8.5%, and 4.9%, respectively.

The imputed interest cost for a heritable building right agreement also resulted in non-cash interest expenses, which we have reported separately under net financing costs, and decreased slightly to €1.3 million (2013: minus €1.4 million). Because of decreasing discount rates, interest expense on pensions was below the prior-year level in the year under review at €10.9 million (2013: minus €11.6 million), despite the increase in the present value of defined benefit obligations. All in all, net interest expense decreased by 5.5% to €39.9 million, compared with the prior-year figure of minus €42.2 million.

In addition to the non-cash expense for amortization of the refinancing costs from 2007, 2009, 2012, and 2013, other financing costs include the effects of market valuations of interest rate and currency hedges, currency translation gains and losses arising from intercompany and external local loans, and other financial income and expenses. Overall, the other financing result remained virtually unchanged at minus €9.6 million in 2014 (2013: minus €9.9 million), and was primarily affected by non-recurring charges. The amortization of accrued refinancing costs resulted in an expense of €2.8 million in fiscal 2014, while the prior-year figure of €5.0 million comprised the write-down of capitalized refinancing costs resulting from the early repayment of the corporate bond from 2007. Foreign exchange gains and losses from financing our subsidiaries resulted in an expense of €1.6 million, compared with an expense of €2.5 million in 2013. The other financial expense of €5.2 million in fiscal 2014 (2013: minus €2.4 million) includes the write-off of a financial investment at €4.8 million. Since the repayment of the USD tranche at the end of 2013, no additional currency gains or losses have been realized on bank loans denominated in foreign currency in Malaysia (2013: minus €2.1 million). The net financing result (excluding the result of investments accounted for using the At-Equity method) thus improved by 5% in the reporting period to minus €49.5 million (2013: minus €52.1 million).

Group tax expense at €21.4 million

The income tax expense amounted to €21.4 million in the reporting period, down significantly from the tax expense for the prior year of €91.3 million. While the prior-year tax expense was affected by one-time expenses relating to write-downs of deferred taxes and to tax audits totaling €84 million, the tax expense in 2014 increased as a result of additional unscheduled write-downs to deferred tax assets resulting from reduced earnings forecasts. Tax income and expenses relating to other periods also occur on a regular basis. In the year under review, cash taxes fell to €7.0 million (2013: €24.8 million).

For more information, please refer to **Note 10** of the notes to the consolidated financial statements.

Decrease in non-controlling interests

Non-controlling interests (minority interests) contain our minority partners' share in the operating result (including impairment). Within our Group, minority interests relate in particular to SGL Kümpers, SGL A&R Immobiliengesellschaft in Lemwerder (Germany), and SGL Tokai Process Technology Pte. Ltd. Altogether, our minority interests amounted to €2.0 million (2013: €4.3 million).

Discontinued operations include business unit Aerostructures

Our business unit Aerostructures (AS) was classified as discontinued operations as of June 30, 2014 in the consolidated income statement for fiscal 2014. The prior-year figures in the consolidated income statement were adjusted accordingly and made comparable. During the previous year, the activities of SGL Rotec GmbH & Co. KG (SGL Rotec) were shown separately as discontinued operations in connection with the sale and deconsolidation of our business unit Rotor Blades (RB). The net loss of AS for the period of €36.7 million, and the write-down of €82.5 million on the anticipated disposal proceeds, result in a loss from discontinued operations of €119.2 million in fiscal 2014. For fiscal 2013, the total loss from discontinued operations of €60.3 million includes the loss of €19.8 million arising from the disposal of SGL Rotec, SGL Rotec's loss for the period of €12.6 million, and AS' loss for the period of €27.9 million.

Consolidated net loss at €247 million due to non-recurring charges

Including non-controlling interests, the consolidated net loss for the year amounted to €247.0 million, compared to a consolidated net loss of €317.0 million in 2013. Based on the average number of shares of 75.7 million, the undiluted earnings per share decreased to a loss per share of €3.26 (2013: a loss per share of €4.47). In calculating the diluted earnings per share, the shares that may potentially be issued under the 2009 and 2012 convertible bonds, as well as under the Stock Option Plan and Stock Appreciation Rights Plan, are also taken into account. This did not increase the average number of shares for 2014 or 2013. No diluted earnings per share were calculated due to the loss situation in fiscal years 2014 and 2013.

Overview on financial performance

€m	2014	2013*
Sales revenue	1,335.6	1,422.6
EBITDA before non-recurring charges	84.1	102.8
Operating profit/loss (EBIT) before non-recurring charges	2.7	22.8
in % of sales revenue	0.2%	1.6%
Consolidated net result	–247.0	–317.0
in % of sales revenue	–18.5%	–22.3%
Earnings per share, basic (in €)	–3.26	–4.47

* Adjusted by BaFin adjustment as well as classification of AS and RB as discontinued operations

Net result of SGL Carbon SE

In 2014, SGL Carbon SE, as parent company of SGL Group, reported a net loss for the year of €286.9 million (2013: net loss of €76.1 million) in accordance with the German Commercial Code (HGB). The high loss was the result of transferred losses from subsidiaries, stemming from large write-downs to financial assets and the carrying amounts of investments. The net loss for the year and accumulated loss of €64.5 million from 2013 resulted in a total accumulated loss of €351.4 million in fiscal 2014.

Financial performance of reporting segments

Performance Products (PP): development burdened by lower graphite electrode and cathode prices

Performance Products (PP)

€m	2014	2013	Change
Sales revenue	588.2	755.9	–22.2%
EBITDA (before non-recurring charges)[1]	65.1	110.2	–40.9%
Operating profit/loss (EBIT) before non-recurring charges[1]	26.0	69.4	–62.5%
Operating profit/loss (EBIT)	5.6	9.9	–43.4%
Return on sales[2]	4.4%	9.2%	–
Payments to purchase intangible assets and property, plant and equipment	27.1	34.3	–21.0%
Cash generation[3]	64.2	160.5	–60.0%
Depreciation and amortization	39.1	40.8	–4.2%
Number of employees (at year-end)	1,990	2,076	–4.1%

1) Non-recurring charges include restructuring expenses of €9.8 million and goodwill impairment loss of €10.6 million in 2014, and restructuring expenses of €59.5 million in 2013

2) EBIT (before non-recurring charges)/sales revenue

3) EBITDA before non-recurring charges less payments to purchase intangible assets and property plant and equipment as well as changes in working capital

The electric steel segment relevant to our graphite electrode business continued to be plagued by weak demand during the year under review. One significant cause for the low demand for graphite electrodes is Chinese over-production of blast furnace steel, which is being increasingly exported overseas at very low prices due to low domestic demand. This led to a decrease in the production of electric steel. The resulting lower demand for graphite electrodes and the associated price pressure led to a 22% decrease in sales in our reporting segment Performance Products (PP) in fiscal 2014 to €588.2 million (2013: €755.9 million). Currencies had no effect on the development of sales. The recovery seen in cathode sales continued during the past year, not least due to the first large order from China for graphitized cathodes that we won at the beginning of 2014 and processed during the course of the year, albeit, as expected, at slightly lower sales prices.

EBIT before non-recurring charges in our reporting segment PP decreased by 63% to €26.0 million during the reporting period due to the developments described above, compared to €69.4 million in 2013. The disproportional decrease in EBIT compared to sales revenue can mainly be attributed to price pressure on both graphite electrodes and cathodes. The start-up costs for the gradual commissioning of our new production facility in Banting (Malaysia) again weighed on the earnings of this reporting segment in fiscal 2014. Savings from SGL2015 amounted to €48.1 million, of which €10.8 million related to our SGL Excellence initiative.

As a result of the effects described above, the return on sales before non-recurring charges decreased to 4.4% for the full-year 2014 (2013: 9.2%).

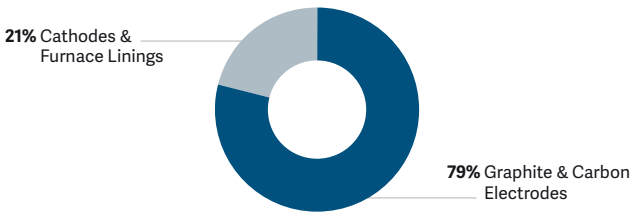
As reported earlier, our Canadian graphite electrode plant in Lachute was closed down already at the end of the first quarter of 2014. On February 13, 2014, our intention to close our Italian graphite electrode production facility in Narni – with accompanying administrative offices in Lainate – was made public. Production was scaled back during the first half of 2014, and finally stopped during the second half of the year. The closure of that facility, which had a graphite electrode capacity of approx. 30,000 tons, represents a further step in the company-wide reduction of capacities, which is continuing to improve the cost position of SGL Group. Together with the closure of our graphite electrode production facility in Lachute, SGL Group has reduced its graphite electrode production capacity by approx. 60,000 tons per year. The expenses incurred for the closure of our sites in Lachute and Narni were largely already included in the 2013 financial statements.

Consequently, in the reporting segment PP, restructuring expenses of only €9.8 million were incurred during the year under review (2013: €59.5 million), which mainly relate to the closure of the plant in Narni. The remaining goodwill of €10.6 million in our business unit Graphite & Carbon Electrodes was also written down at the end of the reporting period (2013: €0.0 million). Accordingly, non-recurring charges in 2014 totaled €20.4 million (2013: €59.5 million), and EBIT after non-recurring charges amounted to €5.6 million (2013: €9.9 million).

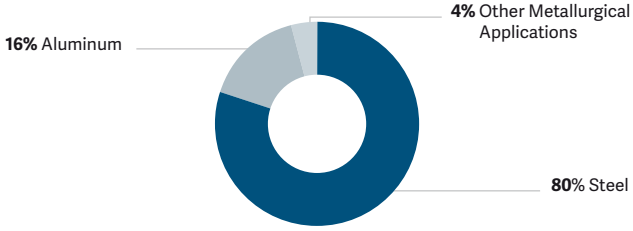
Capital expenditure declined by 21% compared with the previous year to €27.1 million, mainly due to lower spending for the construction of our plant in Malaysia. During the period under review, our capital expenditure focused on our sites in Ozark, Arkansas (USA) and La Coruña (Spain). The graphitization process at our site in Ozark is also being rebuilt so that the plant can be operated in a significantly more cost-effective and environmentally friendly manner after the measures are completed. Measures at our Spanish site in La Coruña relate to the restoration of green manufacturing and the rebuilding of the first step in the production of graphite electrodes, and will lead to both quality improvements on a product level and operational savings. The new production facility was successfully brought into operation at the turn of the year 2014/2015. Necessary capital expenditures were also made for maintenance and on environmental protection measures.

After having officially opened our new fully integrated plant for graphite electrodes and cathodes in Banting (Malaysia) in September 2012, we have gradually been increasing graphite electrode production in recent years. However, the weak market conditions in Southeast Asia also affected our Banting site, meaning that production volumes in 2014 did not reach the targets that we originally set.

Sales revenue by business unit, 2014 (PP)



Sales revenue by customer industry, 2014 (PP)



Graphite Specialties (GS): high demand from the electronics and lithium ion battery industries

Graphite Specialties (GS)

€m	2014	2013	Change
Sales revenue	345.5	296.7	16.4%
EBITDA (before non-recurring charges)[1]	49.7	32.6	52.0%
Operating profit/loss (EBIT) before non-recurring charges[1]	29.9	15.9	88.1%
Operating profit/loss (EBIT)	29.8	11.3	> 100%
Return on sales[2]	8.7%	5.4%	–
Payments to purchase intangible assets and property, plant and equipment	11.2	31.5	– 64.4%
Cash generation[3]	32.4	– 1.7	> 100%
Depreciation and amortization	19.8	16.7	18.6%
Number of employees (at year-end)	2,160	2,209	– 2.2%

[1] Non-recurring charges include restructuring expenses of €0.1 million in 2014 and €4.6 million in 2013

[2] EBIT (before non-recurring charges)/sales revenue

[3] EBITDA before non-recurring charges less payments to purchase intangible assets and property plant and equipment as well as changes in working capital

Sales revenue in our reporting segment Graphite Specialties increased by 16% during the period under review to €345.5 million (2013: €296.7 million). On a currency-adjusted basis, sales revenue increased by 20%. A project-related large order from a customer in the electronics industry contributed to this development, as well as continued high demand for anode material from the lithium ion battery industry. Most other customer industries either stabilized or showed a slight recovery in the volume of new orders, considering the low levels seen at the end of fiscal 2013. Demand from North American stabilized, while Europe showed a gradual recovery. Demand from Asia, which mainly stems from the solar, semiconductor, and LED industries, developed positively in terms of volume. Due to existing global overcapacity and currency-related advantages for Japanese competitors, prices continued to be under pressure.

Significantly higher utilization at our production facilities led to a marked improvement in the result of our reporting segment Graphite Specialties, particularly during the first half of 2014. This was caused by an overall improvement to our order backlog, which was further strengthened by the large order we

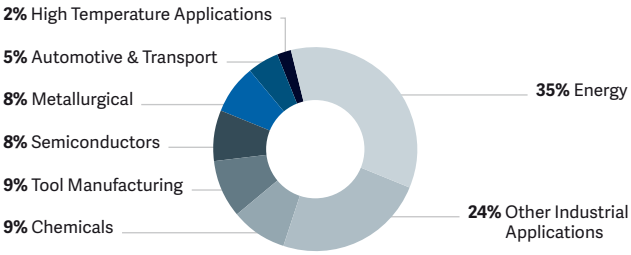
received. Accordingly, EBIT before non-recurring charges nearly doubled in fiscal 2014 compared to the previous year, to €29.9 million (2013: €15.9 million). The sales margin thus increased to 8.7%, well above the level of the prior-year period (2013: 5.4%).

Cost savings from SGL2015 totaled €14.3 million in the year under review, of which €8.0 million related to our SGL Excellence initiative.

During fiscal 2014, only minor restructuring expenses of €0.1 million (2013: €4.6 million) were incurred in our reporting segment GS in connection with SGL2015. Consequently, EBIT after non-recurring charges in fiscal 2014 amounted to €29.8 million (2013: €11.3 million).

Capital expenditures were significantly curtailed, down 64% from €31.5 million in the previous year to €11.2 million in 2014. This can primarily be attributed to the fact that larger capital expenditure projects from prior years – particularly those related to the expansion of production capacity for isostatic graphite at our site in Bonn (Germany) – were already completed during the previous year. During the year under review, capital expenditures focused mainly on measures aimed at improving efficiency, including the SGL2015 cost savings program, in the context of which some production stages have been transferred from Bonn to Poland. As part of that process, a cost-effective and environmentally friendly green production site has been established in Racibórz (Poland). We also made a number of replacement investments in Racibórz (Poland) and St. Marys (USA), as well as investments in smaller projects aimed at improving efficiency.

Sales revenue by customer industry, 2014 (GS)



Carbon Fibers & Materials (CFM): business development still impacted by overcapacity

Carbon Fibers & Materials (CFM)

€m	2014	2013	Change
Sales revenue	296.4	251.5	17.9%
EBITDA (before non-recurring charges)[1]	–8.8	–14.7	40.1%
Operating profit/loss (EBIT) before non-recurring charges[1]	–22.5	–27.5	18.2%
Operating profit/loss (EBIT)	–33.0	–70.1	52.9%
Return on sales[2]	–7.6%	–10.9%	–
Payments to purchase intangible assets and property, plant and equipment	90.2	41.3	> 100%
Cash Generation[3]	–84.6	–36.6	> –100%
Depreciation and amortization	13.7	12.8	7.0%
Number of employees (at year-end)	1,054	920	14.6%

[1] Non-recurring charges include restructuring expenses of €10.5 million in 2014 and of €1.1 million in 2013 as well as impairment losses of €41.5 million in 2013

[2] EBIT (before non-recurring charges)/sales revenue

[3] EBITDA before non-recurring charges less payments to purchase intangible assets and property plant and equipment as well as changes in working capital

Sales revenue in our reporting segment Carbon Fibers & Materials increased by 18% during the past year, to €296.4 million (2013: €251.5 million). Currency gains and losses did not have any effect on the sales development. The reason for the sales increase was mainly the significant €40.2 million increase in revenue in our proportionally consolidated joint ventures with BMW Group, which benefited from the introduction of the new BMW i Series. Our business unit Carbon Fibers & Composite Materials (CF/CM) also increased sales during fiscal 2014, as a result of increased demand primarily from the wind energy industry.

EBIT before non-recurring charges improved to minus €22.5 million during the year under review, from minus €27.5 million in the prior-year period, leading to an EBIT margin of minus 7.6% (2013: minus 10.9%). Persisting unsatisfactory prices for carbon fibers and insufficient capacity utilization continue to burden the result in our business unit CF/CM. However, improved volume demand has reduced the operating loss by a third in that business unit, although higher start-up costs in our joint ventures with BMW as a result of accelerated expansion have partially offset this effect.

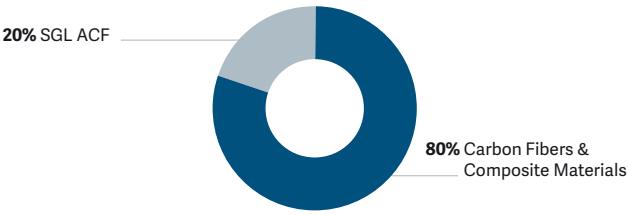
Cost savings from SGL2015 amounted to €6.2 million in CFM during the past year, of which €3.9 million related to our SGL Excellence initiative.

As a result of implementing the SGL2015 cost savings program, restructuring expenses of €10.5 million were incurred for site optimization (2013: €1.1 million). In the previous year, impairments of €41.5 million were also carried out in this reporting segment. Overall, EBIT after non-recurring charges in our reporting segment CFM amounted to minus €33.0 million in fiscal 2014 (2013: minus €70.1 million).

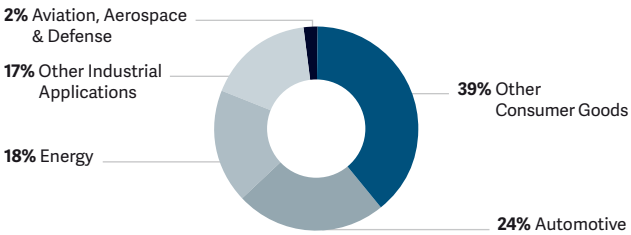
On May 9, 2014, we announced our intention to increase carbon fiber production capacities in our joint venture with BMW Group at the site in Moses Lake, Washington (USA). Due to the high demand for carbon fibers for automotive production, production capacity will be nearly tripled from the original 3,000 tons per year, making the plant in Moses Lake the largest carbon fiber plant in the world. Already during the second half of 2014, the plant's capacity was doubled to 6,000 tons per year.

Accordingly, capital expenditure in this reporting segment has more than doubled, from €41.3 million in the previous year, to €90.2 million in 2014. The lion's share of that expenditure (about €70 million) related to the expansion of carbon fiber and carbon fiber based fabric capacities in our joint ventures with BMW Group described above. Our business unit CF/CM also increased its expenditure by about 25%, primarily as a result of converting acrylic fiber lines to precursor production at Fisipe in Portugal. Small growth projects were also financed for semi-finished fiber-based textile products for the automotive industry.

Sales revenue by business unit, 2014 (CFM)



Sales revenue by customer industry, 2014 (CFM)



Corporate & Others: impacted by a large order in our business unit Process Technology in the previous year

Corporate & Others

€m	2014	2013	Change
Sales revenue	105.5	118.5	–11.0%
EBITDA (before non-recurring charges)[1]	–21.9	–25.3	13.4%
Operating profit/loss (EBIT) before non-recurring charges[1]	–30.7	–35.0	12.3%
Operating profit/loss (EBIT)	–50.9	–51.1	0.4%
Return on sales[2]	–29.1%	–29.5%	–
Number of employees (at year-end)	655	705	–7.1%

[1] Non-recurring charges include restructuring expenses and other non-recurring charges of €20.2 million in 2014 and €16.1 million in 2013

[2] EBIT (before non-recurring charges)/sales revenue

As an additional measure within SGL2015 to optimize our portfolio and focus on our core competencies, were reclassified our business in structural components for the aviation industry, i.e. our business unit Aerostructures (Hitco), as discontinued operations in June 2014. As a result, the figures for our reporting

segment Corporate & Others have been adjusted for these activities for the year under review and the prior-year period.

At €105.5 million, sales for 2014 as a whole were down by 11.0% over the prior-year period (2013: €118.5 million). Currency gains and losses did not have any effect on the sales development. The reason for the decrease in sales was the lower contribution made by our business unit Process Technology (PT). During the previous year, PT benefited from a large order from China.

EBIT before non-recurring charges in our reporting segment C&O improved by about 12% to minus €30.7 million, despite the planned earnings decline in our business unit PT (2013: minus €35 million). This can primarily be attributed to the successful implementation of SGL2015 measures both in central research expenditure and in corporate functions.

€19.2 million was saved in our reporting segment C&O as part of SGL2015, which primarily related to savings realized from the implementation of personnel measures, lower travel and consultancy costs, and cost reductions in PT. The savings generated through SGL2015 include €2.2 million from our SGL Excellence initiative.

Non-recurring charges during the period under review amounted to minus €20.2 million (2013: minus €16.1 million), and are comprised of one-time payments made in conjunction with legal disputes, expenses incurred as a result of personnel changes to the Board of Management as of June 30, 2014, ongoing consultancy costs, and expenses relating to personnel adjustments. EBIT after non-recurring charges at minus €50.9 million in this reporting segment remained virtually unchanged (2013: minus €51.1 million).

Financial position

Financial management

SGL Group's financial management is conducted centrally in order to manage liquidity, interest rate, and currency risk in the best possible way, to ensure compliance with lending provisions, to optimize financing costs, and to utilize economies of scale. Financial management activities primarily covers cash and liquidity management, Group financing using bank and capital market products, financing activities, and supply of funds for Group companies, customer credit management, and the management of interest rate and currency risk.

The primary objective of financial management at SGL Group is to maintain the Group's financial strength and to ensure solvency at all times. Group Treasury, a centralized function at SGL Carbon SE, the Group holding company, governs worldwide financial management activities and is supported in its activities by employees at our local subsidiaries.

Liquidity management

Operational liquidity management is centrally coordinated and managed in close cooperation with our subsidiaries on a global basis. Insofar as permitted by legal and economic constraints, the major portion of cash in readily convertible currencies is concentrated at SGL Carbon SE, the Group holding company, by means of global cash pooling structures and is used to balance intercompany liquidity needs. The majority of internal trading and clearing transactions is automated and settled via a central in-house cash center without the need for external bank accounts. The Group holding company acts as a clearing center for the Group companies participating in this process. In fiscal year 2014, 29 Group companies took part in the central in-house cash center (2013: 32). To the extent permissible, the weekly settlement of supplier invoices is also handled through the global in-house cash center, thus allowing central management of a large portion of the Group's global cash outflows. In fiscal year 2014, an average of approximately 74% of global supplier payments were handled centrally (2013: 78%). In addition, SGL Group constantly endeavors to increase the efficiency and transparency of payment transactions by maintaining a high degree of standardization and implementing continuous improvement processes. In order to permanently secure the standards we have attained, we work with monthly KPIs (key performance indicators), which allow us to constantly measure the degree of payment transaction standardization we have achieved and the related average costs, as well as to continuously improve our system further.

In addition to annual finance planning, which generally covers a period of five years, current liquidity planning is undertaken for short intervals of one day to one year. By combining finance and liquidity planning, and by using available liquidity, credit lines, and other measures, it is ensured that SGL Group has adequate liquidity reserves at all times. Those reserves allow SGL Group to respond to cash flow fluctuations during the year in a flexible manner and to meet all payment obligations on time at all times.

Our financing agreements include stipulations made by lenders regarding the investment of available cash funds. Those stipulations continue to form the foundation for any cash investments. Another area we focus on with regard to the investment of cash funds is ensuring sufficient liquidity to cover cash flow fluctuations during the fiscal year as well as the financial stability and systemic importance of our business partners. In addition, when investing funds, we take into account the performance and success of collaboration with our business partners in recent years (core bank concept).

Group financing

Group financing is geared to the strategic business plans of the operating business units as well as to central Group planning. SGL Group gives constant attention to the financing opportunities presenting themselves on the financial markets and to trends in the availability of funds and the respective financing costs. Various sources of financing and financing options are examined on a regular basis to ensure that the Group's financing requirements are covered at all times with due consideration to the Group's financing objectives. After issuing a bond in the amount of €250 million in the fourth quarter of 2013, in fiscal 2014 we strengthened our equity base with a capital increase in the amount of €267.5 million. Our liquidity therefore totaled €347 million at year-end 2014, giving us a comfortable liquidity reserve for the subsequent fiscal year 2015.

In past years, selected properties, IT equipment, and vehicles were financed in part via operating leases. Further details can be found in **Note 26** of the notes to the consolidated financial statements.

Market price risk

In order to limit finance-related market price risk, particularly currency and interest rate risk, SGL Group utilizes both primary and derivative financial instruments. Derivative financial instruments are used exclusively to mitigate and manage financial risk. In the context of foreign currency management, SGL Group concentrates on hedging transaction risks from future expected operating cash flows, as well as on currency risks that result from the internal financing of local subsidiaries in foreign currencies. In doing so, we consider the following major risk exposures:

- US dollar – euro
- US dollar – Japanese yen
- US dollar – British pound
- Japanese yen – euro
- Euro – Polish zloty
- British pound – euro

Currency forwards and standardized, (plain vanilla) options are the instruments used by the Group to hedge currency risk. To manage interest rates, SGL Group generally uses interest-rate cap transactions as hedging instruments. No new interest rate hedges were undertaken in fiscal year 2014. The anticipated risk from currency fluctuations has been adequately covered for fiscal year 2015. Internal guidelines specify the conditions, responsibilities, and controls required for the use of derivatives. Further details on hedging instruments and the effects of hedging can be found in **Note 28** of the notes to the consolidated financial statements.

Debt financing analysis

SGL Group's financing is primarily composed of the corporate bond in the amount of €250 million (coupon of 4.875%, maturing in 2021), a convertible bond in the initial amount of €190 million (€134.7 million after conversion; coupon of 3.5%, maturing in 2016), and a convertible bond issued in fiscal year 2012 in the amount of €240 million (coupon of 2.75%, maturing in 2018). In connection with the corporate bond, SGL Carbon SE signed an agreement for a credit facility in the amount of €200 million in December 2013 to replace the previous facility in the amount of €200 million. The new credit facility will run until the end of 2017 provided certain key ratios are adhered to.

All in all, undrawn credit facilities amounting to €246 million (2013: €208 million) were available to SGL Group at year-end 2014, similar to the previous year, to cover working capital and capital expenditures. Cash funds amounted to €347 million as of December 31, 2014 (December 31, 2013: €235 million).

Since 2004, SGL Group has commissioned rating agencies Moody's and Standard & Poor's (S&P) to prepare issuer ratings, which support both private and institutional investors in evaluating the Group's credit quality. At present, SGL Group has ratings of B2 (Moody's) and B+ (Standard & Poor's), both with a negative outlook.

In general, rating agencies differentiate between investment grade and non-investment grade companies, with these categories being sub-divided into further classes known as rating categories. The classification is based on two factors: the business risk profile and the financial risk profile of a company. Business risk and financial risk are determined individually as part of the rating process. As such, a company's rating (issuer rating) is a combination of business risk and financial risk. The classification of SGL Group in the non-investment grade category therefore reflects our appropriate financial risk profile but also our business risk profile, which the rating agencies view as cyclical and volatile.

The corporate bond issued by SGL Group was awarded a rating of BB by S&P due to its top-ranking collateral structure (2013: BB+). S&P gave a B rating to the unsecured convertible bonds that are subordinate to the corporate bond (2013: BB-). Moody's gives the corporate bond a B1 rating (2013: Ba3).

Rating agencies have published the following corporate ratings to SGL Group:

Rating agency	Rating	Date of rating
Moody's	**B2** (outlook: negative)	August 2014
Standard & Poor's	**B+** (outlook: negative)	April 2014

The rating agencies have published the following ratings for the corporate bond and the convertible bonds:

Corporate bond

Rating agency	Rating	Date of rating
Moody's	**B1**	August 2014
Standard & Poor's	**BB**	April 2014

Convertible bonds

Rating agency	Rating	Date of rating
Standard & Poor's	**B**	April 2014

Thanks to the credit ratings issued by the rating agencies, SGL Group continues to have access to the capital markets should it decide to issue any further capital market instruments.

High negative free cash flow

The cash flow statement shows the change in cash and cash equivalents of SGL Group in the reporting period and is composed of net cash provided by operating activities, net cash used in investing activities, and net cash provided by/used in financing activities. Free cash flow is defined as cash provided by/used in operating activities less cash used in investing activities. The cash and cash equivalents shown on the cash flow statement correspond to "cash and cash equivalents" as reported on the balance sheet. Cash funds further include short-term time deposits with original terms of up to twelve months (2014: €40.5 million; 2013: €0.0 million). The cash flow statements for the reporting period and the previous year have been adjusted to reflect the classification of Hitco (AS) as a discontinued operation, and the cash flow statement for the previous year was additionally adjusted to reflect the classification of SGL Rotec as a discontinued operation.

Free cash flow from continuing operations amounted to minus €121.3 million after positive €41.9 million in the previous year. Together with the net cash used in operating activities (discontinued operations) in the amount of €19.3 million (2013: €5.5 million) and the net cash used in investing activities (discontinued operations) in the amount of €8.1 million (2013: €14.2 million), the total free cash flow amounted to minus €148.7 million after positive €22.2 million in 2013.

Liquidity and capital resources

€m	2014	2013	Change
Cash flow from operating activities			
Loss before income taxes	–104.4	–161.1	35.2 %
Non-recurring charges	51.2	122.8	–58.3 %
Depreciation/amortization expense	81.4	80.0	1.9 %
Changes in working capital	48.3	92.3	–47.7 %
Miscellaneous items	–59.1	27.6	>–100 %
Net cash provided by operating activities from continuing operations	**17.4**	**161.6**	**–89.2 %**
Cash flow from investing activities			
Payments to purchase intangible assets and property, plant and equipment	–132.6	–117.0	–13.3 %
Capital injections concerning investments accounted for At-Equity and investments in other financial assets	–14.6	–11.5	–27.0 %
Payments for the acquisition of companies, net of cash acquired	–0.8	0.0	–
Proceeds from sale of non-current assets	9.3	8.8	5.7 %
Net cash used in investing activities from continuing operations	**–138.7**	**–119.7**	**–15.9 %**
Free cash flow [1)]	**–121.3**	**41.9**	**>–100 %**
Net cash used in/provided time deposits	–40.5	130.0	>–100 %
Net cash provided by/used in financing activities from continuing operations	259.7	–144.0	> 100 %
Free cash flow from discontinued operations	–27.4	–19.7	–39.1 %
Effect of foreign exchange rate changes and other changes	1.4	–2.5	> 100 %
Cash and cash equivalents at beginning of year	235.1	229.4	2.5 %
Cash and cash equivalents at end of year	**307.0**	**235.1**	**30.6 %**
Time deposits at end of year	40.5	0.0	–
Total liquidity	**347.5**	**235.1**	**47.8 %**

[1)] Defined as cash provided by operating activities from continuing operations less cash used in investing activities from continuing operations before time deposits

Net cash provided by (continuing) operating activities amounts to €17 million

In fiscal 2014, net cash provided by operating activities (continuing operations) amounted to €17.4 million after €161.6 million in the prior-year period. The main reasons for the decrease were the deterioration in operating profit (before non-recurring charges), higher payments associated with the SGL2015 cost savings program, higher interest payments relating to the corporate bond issued in December 2013 with a fixed coupon of 4.875% as well as the lower working capital reduction of €48.3 million (2013: €92.3 million) compared to the prior year.

Working capital recognized on the balance sheet decreased by 3%, or €13.8 million, to €462.4 million as of December 31, 2014 (December 31, 2013: €476.2 million). Non-cash effects led to a change in working capital based on the changes recognized on the balance sheet. Those effects include the initial consolidation of SGL Tokai Carbon Ltd. (STS), currency effects resulting from the stronger US dollar, and the reclassification of working capital relating to Hitco. Hitco was still included in the 2013 consolidated balance sheet and reclassified to asset held for sale during 2014. The reclassification of Hitco led to an increase in working capital in a total amount of €11.2 million in fiscal 2014 compared with the previous year. Thus the operational reduction in working capital amounted to a total of €48.3 million (2013: reduction of €92.3 million). The reduction reflected the success of working capital management in response to the decline in demand in various business units.

"Miscellaneous items" primarily reflect the payments made in the reporting period relating to SGL2015 and the cash effects to roll over hedges in USD. Payments made for the SGL2015 cost savings program rose to €46.1 million in fiscal year 2014 (2013: €0.8 million). In addition, higher interest payments in the amount of €26.1 million (2013: €22.3 million) also contributed to the decrease in net cash provided by operating activities (continuing operations). By contrast, tax payments decreased by €17.8 million to €7.0 million (2013: €24.8 million). Depreciation of property, plant and equipment and amortization of intangible assets were largely unchanged at €81.4 million (2013: €80.0 million).

Net cash used in (continuing) investing activities reflects high capital expenditure of SGL ACF

This item contains payments for intangible assets and property, plant and equipment, investments accounted for At-Equity and proceeds from the disposal of non-current assets. Net cash used in investing activities increased by €15.6 million year over year to €132.6 million, solely on the basis of the investments made to expand capacities at SGL ACF.

Capital expenditure remains higher than depreciation/amortization

Capital expenditure in our established businesses (excluding SGL ACF) amounted to €62.6 million in fiscal 2014, representing a significant decrease on the previous year (2013: €91.9 million). Continued expansion of production capacities at SGL ACF, our joint venture with BMW, resulted in capital expenditure of €70.0 million in the reporting year (2013: €25.1 million). The fiscal year under review also saw cash used for payments to investments accounted for At-Equity in the amount of €14.6 million (2013: €11.5 million), particularly for capital increases at Benteler SGL and SGL Lindner, as well as payments of €0.8 million for the acquisition of 24% of the shares in SGL Tokai Carbon Ltd. (China), which is now included in full in the consolidated financial statements.

Capital expenditure on intangible assets and property, plant and equipment was distributed as follows in fiscal year 2014: 21% for PP (€27.1 million; 2013: €34.3 million), 8% for GS (€11.2 million; 2013: €31.5 million), 68% for CFM (€90.2 million; 2013: €41.3 million), and 3% for central projects (€4.1 million; 2013: €9.9 million). The comparative figures for the previous year were 29% for PP, 27% for GS, 35% for CFM, and 9% for central projects.

All in all, other intangible assets and property, plant and equipment decreased to €918.1 million in fiscal year 2014 (2013: €936.4 million). Since capital expenditure was well in excess of depreciation and amortization in fiscal 2014 due to the high capital spending for expansion at SGL ACF, the decline is attributable above all to the presentation of Hitco as an "asset held for sale" in fiscal year 2014.

Capital expenditure, depreciation and amortization in intangible assets and property, plant and equipment

€m	2014	2013	2012*	2011*
Capital expenditure	133	117	131	135
Depreciation and amortization	81	80	80	66

* Including proportional consolidation of SGL ACF, excluding discontinued operations

Proceeds from the disposal of non-current assets amounted to €0.8 million in the reporting year and related mainly to the sale of a parcel of land in Brazil not required for operations. In the previous year, this item primarily included proceeds of €2.7 million from the sale of a parcel of land and a building in Germany and the sale of property, plant and equipment in China. Proceeds from other non-current financial assets include the sale of securities in the amount of €6.7 million.

Net cash provided by/used in (continuing) financing activities

In the year under review, net cash provided by financing activities (continuing operations) amounted to €259.7 million, as opposed to the net cash used in financing activities of €144.0 million in 2013. The net cash inflow comprises the cash inflow from the capital increase carried out in October 2014 in the amount of €267.5 million less the costs incurred of €6.0 million and the increase of €50.0 million in SGL ACF's debt as well as cash outflows for the repayment of local loans, particularly in Malaysia, in the amount of €50.8 million. The previous year saw a net liquidity outflow for financial liabilities of €144.0 million, predominantly as a result of the cash of €145.5 million used for the repayment of the convertible bond from 2007 and the cash of €200 million used in connection with the early repayment of the corporate bond from 2007. Additional effects related to cash used for local credit facilities in the amount of €38.1 million as well as cash provided by the new corporate bond in the amount of €250 million. In 2013, net cash used in financing activities had also included the dividend payment of €14.2 million and refinancing costs of €10.8 million.

Cash funds increase to €347 million

Available cash funds increased to €347.5 million at the end of fiscal year 2014 (2013: €235.1 million) due to the proceeds from the capital increase. This was partially offset by the negative free cash flow of €148.7 million. At the end of the fiscal year, cash funds included short-term time deposits in the amount of €40.5 million (2013: €0.0 million). This secures our liquidity needs despite the difficult environment.

Contractual payment obligations

The most significant contractual payment obligations comprise the repayment of debt, purchasing obligations and obligations under operating leases. The total principal amount of debt repayment obligations was €737.4 million in 2014 (2013: €726.2 million). The loans taken out by the SGL ACF joint venture must be repaid in installments from SGL ACF's free cash flow. The outstanding principal of €134.7 million at year-end 2014 from the convertible bond issued in fiscal year 2009 in an initial amount of €190 million is due for repayment in 2016 unless the bondholders exercise their conversion rights before maturity, in which case up to 4.6 million new bearer shares will be created (2013: 4.6 million). The convertible bond issued in fiscal year 2012 in a principal amount of €240 million is due for repayment in 2018 unless the bondholders exercise their conversion rights before maturity, in which case up to 5.4 million new bearer shares will be created. The new corporate bond in the amount of €250 million falls due in 2021.

As of December 31, 2014, trade payables, derivative financial instruments, and other financial liabilities totaled €240.9 million (2013: €230.9 million). Of that amount, liabilities totaling €49.4 million were due after one year (2013: €36.9 million). Income tax liabilities and other liabilities – the vast majority of which were current – amounted to an additional €42.6 million at the end of 2014 (2013: €44.4 million). Further details can be found in **Note 25** of the notes to the consolidated financial statements.

Net assets

Overview of net assets

€m	**Dec. 31, 2014**	Dec. 31, 2013*
Total assets	2,170.3	2,059.1
Equity attributable to shareholders of the parent company	567.6	607.7
Equity ratio [1]	26.2%	29.5%
Working capital [2]	462.4	476.2
Capital employed [3]	1,401.5	1,456.5
Return on capital employed ($ROCE_{EBITDA}$) [4]	5.9%	6.5%
Return on capital employed ($ROCE_{EBIT}$) [5]	0.2%	1.4%
Net debt [6]	389.9	491.1
Gearing [7]	0.69	0.81

* Adjusted by BaFin adjustments as well as classification of AS and RB as discontinued operations

1) Shareholders' equity to total assets

2) Working capital: defined as the sum of inventories plus trade receivables, less trade payables

3) Capital employed at the end of the year: defined as the sum of property, plant and equipment, other intangible assets, goodwill, inventories, trade receivables and less trade payables

4) Ratio of operating profit/loss before depreciation and amortization (EBITDA) before non-recurring charges to average capital employed

5) Ratio of operating profit/loss (EBIT) before non-recurring charges to average capital employed

6) Financial liabilities (nominal amount) less liquidity

7) Net debt to equity attributable to shareholders

As of December 31, 2014, total assets had increased by €111.2 million, or 5.4%, to €2,170.3 million (2013: €2,059.1 million). Key balance sheet KPIs hardly changed despite the fact that Hitco was presented separately in the reporting year as an asset held for sale. The increase in total assets as of December 31, 2014 resulted from the improvement of €112.4 million in liquidity as well as currency effects, in particular the stronger US dollar, which contributed €82.1 million to the increase in total assets (December 31, 2013: negative contribution of €65.1 million). The impairment losses on fixed assets had a total offsetting effect of €20.7 million.

Equity attributable to the shareholders of the parent company was reduced due to the consolidated net loss of €247.0 million (2013: net loss of €317.0 million) as well as the reduction in the discount rate for pension provisions, which resulted in a decrease of €55.5 in equity (2013: increase of €15.5 million). The capital increase of €261.5 million (after deducting transaction costs) and currency gains in the amount of €5.3 million (2013: currency losses of €27.9million) had a contrary effect. In total, these effects led to a decrease in the equity ratio to 26.2% year over year (2013: 29.5%).

Gearing – the ratio of net debt to shareholders' equity – decreased to 0.69 in 2014 (2013: 0.81) due to the increase in equity. As a manufacturing company, SGL Group has a high proportion of non-current assets due to its production equipment, which is largely financed by equity (55%; 2013: 57%). The return on capital employed ($ROCE_{EBIT}$) – defined as the ratio of operating profit (EBIT) before non-recurring charges to average capital employed – decreased to 0.2% in the year under review (2013: 1.4%). The return on capital employed ($ROCE_{EBITDA}$) – defined as the ratio of operating profit before depreciation and amortization (EBITDA) and before non-recurring charges to average capital employed – decreased to 5.9% in the year under review (2013: 6.5%).

Assets

Non-current assets fell by a total of €30.6 million to €1,058.7 million in the reporting year (2013: €1,089.3 million). The reduction resulted primarily from the reclassification of Hitco to assets held for sale in the amount of €111.3 million and the impairment losses on fixed assets in the amount of €20.7 million. This was partially offset by currency effects of €44.7 million and the year-on-year increase in non-current assets of €51.2 million (2013: €37.0 million) due to the fact that capital expenditure was higher than depreciation/amortization.

Current assets increased by €70.0 million to €1,033.4 million (2013: €963.4 million). The increase was attributable in particular to the rise of €112.4 million in cash funds due to the capital increase. In addition, the change in exchange rates, especially with respect to the US dollar, led to an increase in current assets of €27.5 million. The reclassification of Hitco to assets held for sale had an offsetting effect in the amount of €42.6 million. After adjustment for the Hitco reclassification and currency effects, current assets decreased by €27 million. This operating reduction relates in particular to inventories as well as trade receivables, which declined by €16.7 million and €13.0 million, respectively. The decline of 6.1% in trade receivables exceeded the decrease of 7.1% in sales revenue. We also succeeded in reducing inventories by 3.2%, or €15.1 million.

Assets held for sale increased from €6.4 million in 2013 to €78.2 million in 2014. In addition assets relating to Hitco (AS), this item includes a parcel of land in Germany that is held for sale.

Balance sheet structure

€m	Dec. 31, 2014	Dec. 31, 2013	Change
ASSETS			
Non-current assets	1,058.7	1,089.3	–2.8%
Current assets	1,033.4	963.4	7.3%
Assets held for sale	78.2	6.4	>100%
Total assets	**2,170.3**	**2,059.1**	**5.4%**
EQUITY and LIABILITIES			
Equity attributable to shareholders of the parent company	567.6	607.7	–6.6%
Non-controlling interests	17.1	16.2	5.6%
Non-current liabilities	1,083.1	943.8	14.8%
Current liabilities	445.0	491.4	–9.4%
Liabilities held for sale	57.5	0.0	–
Total equity and liabilities	**2,170.3**	**2,059.1**	**5.4%**

Equity and liabilities

Shareholders' equity decreased by €40.1 million to €567.6 million as of December 31, 2014 (December 31, 2013: €607.7 million). The proceeds from the capital increase of €261.5 million were more than offset by the consolidated net loss of €247.0 million and the change in pension obligations of €55.5 million deducted directly from equity. In addition, the adjustment to severance payment obligations for non-controlling interests in partnerships resulted in a deduction of €11.7 million from equity (2013: deduction of €3.3 million), the changes in cash flow hedges resulted in a deduction of €3.0 million (2013: deduction of €1.6 million), and currency gains led to an addition of €5.3 million (2013: deduction of €27.9 million). The equity ratio (excluding non-controlling interests) decreased to 26.2% at the end of the reporting period (2013: 29.5%).

Up to 4.6 million new shares in SGL Carbon SE can still be issued from the convertible bond issued in 2009 and up to 5.4 million new shares from the convertible bond issued in 2012.

Consolidated Statement of Changes in Equity

€m	Shareholders Equity	Non-controlling interest	Total equity
Balance as of Jan. 1, 2014	**607.7**	**16.2**	**623.9**
Capital increase	**261.5**		**261.5**
Capital increase from share-based payment plans	**10.2**		**10.2**
Dividends	**0.0**	**–1.1**	**–1.1**
Net result	–247.0	2.0	–245.0
Other comprehensive income	–53.1	0.6	–52.5
Comprehensive income	**–300.1**	**2.6**	**–297.5**
Other changes in equity [1]	–11.7	–0.6	–12.3
Balance as of Dec. 31, 2014	**567.6**	**17.1**	**584.7**

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

The increase in non-current liabilities and the decrease in current liabilities compared with the prior year were mainly due to the reclassification of the 2009/2016 convertible bond. Since the investor put option of June 30, 2014 in the convertible bond was not exercised, the maturity date has been extended to June 2016. The present value of the convertible bond was recalculated to €125.1 million, which is recognized as a non-current liability. In addition to the reclassification, the adjustment to the provisions for pensions due to lower discount rates in Germany and the USA were another cause for the increase in non-current liabilities of €139.3 million to €1,083.1 million (2013: €943.8 million).

Current liabilities decreased by €46.4 million to €445.0 million as of year-end 2014 (2013: €491.4 million). The primary reason for the decline was the reduction of €134.7 million in short-term loans due to the reclassification of the 2009 convertible bond to non-current liabilities. This was offset by the development in SGL ACF's financial liabilities, which are proportionally consolidated in the financial statements. Those liabilities increased by €59.8 million (€9.7 million thereof based on currency effects) in the reporting period due to the expansion of carbon fiber capacities at our joint facility in Moses Lake, Washington (USA) and are reported as current financial liabilities in a total amount of €110.5 million. Trade payables were reduced by €14.8 million year over year to €176.4 million. In addition, other provisions decreased by €16.7 million, particularly as a result of the payments for the restructuring provisions recognized in fiscal year 2013.

Net debt

€m	Dec. 31, 2014	Dec. 31, 2013	Change
Carrying amount of current and non-current financial liabilities	704.8	691.5	1.9%
Remaining interest component for the convertible bonds	21.5	20.9	2.9%
Refinancing costs included	11.1	13.8	–19.6%
Total debt (nominal amount)	**737.4**	**726.2**	**1.5%**
Time deposits	40.5	0.0	–
Cash and cash equivalents	307.0	235.1	30.6%
Total liquidity	**347.5**	**235.1**	**47.8%**
Net debt	**389.9**	**491.1**	**–20.6%**
Of which SGL ACF			
Financial liabilities	110.5	50.7	> 100%
Cash and cash equivalents	11.0	7.3	50.7%
Net debt SGL ACF	99.5	43.4	> 100%
Net debt excluding SGL ACF	**290.4**	**447.7**	**–35.1%**

Financial liabilities were composed of our corporate bond as well as the convertible bonds (2009/2016 and 2012/2018), liabilities to local banks, and other financial liabilities as well as the remaining net imputed interest component for the convertible bonds still outstanding and refinancing costs. Financial liabilities are recorded in the consolidated balance sheet under "interest-bearing loans" and "current portion of interest-bearing loans." Cash funds comprise "cash and cash equivalents" as well as "time deposits" (with a residual term of less than 12 months), as stated in the consolidated balance sheet.

The proportionate consolidation of SGL ACF led to an increase in net debt of €99.5 million as of December 31, 2014, or €56.1 million compared with December 31, 2013. The financial liabilities of SGL ACF are comprised of BMW Group shareholder loans.

As of December 31, 2014, cash funds had risen by €112.4 million to €347.5 million, up from €235.1 million at year-end 2013. Including this figure and current and non-current financial liabilities of €704.8 million (2013: €691.5 million), the remaining imputed interest components of the convertible bonds in the amount of €21.5 million (2013: €20.9 million), and the remaining refinancing costs of €11.1 million (2013: €13.8 million), net debt of SGL Group amounted to €389.9 million at year end (2013: €491.1 million). Net debt thus decreased by €101.2 million, or 20.6%, compared with December 31, 2013.

General statement on the current financial situation

Business overview

We succeeded in reaching most of the targets we had set for fiscal year 2014 and published in our annual report for fiscal year 2013. Above all, these relate to the expectations in connection with our SGL2015 cost savings program. After having targeted an amount in the mid-to-upper double-digit million euro range, the savings we generated totaled €88 million. The restructuring expenses of €40.6 million were also within the scope of our expectations as adjusted in November.

As projected, capital expenditure increased solely due to the accelerated expansion in our joint ventures with the BMW Group. In combination with the planned expenditures for measures related to SGL2015, this was the primary reason for the anticipated significantly negative free cash flow of €121 million (continued operations). However, thanks to the capital increase in October 2014, the projected significant increase in net debt did not occur.

Sales revenue fell slightly below projections with a currency-adjusted decline of 5%, mainly due to the persisting weakness in the steel markets. In view of the high level of uncertainty, we had made a conservative forecast of a significant decrease in consolidated EBIT. The figure of €3 million for consolidated EBIT was in fact somewhat better than projected.

Assessment of the financial situation by company management

During the fiscal year, we continued to rigorously implement the measures from our SGL2015 cost savings program, which will help us to increase our competitive standing. We will continue to pursue this long-term, comprehensive concept in fiscal year 2015 to achieve a sustained increase in value. We also plan to bring the portfolio measures we have initiated to a successful close and to continue improving and streamlining Group structures and processes.

The businesses of SGL Group started fiscal 2015 with varying developments. Sales invoiced in the initial weeks of 2015 were slightly below the prior-year level. Although graphite electrode deliveries in the reporting segment PP are expected to be lower in the first quarter of 2015 than in the same quarter of the previous year, our cathode business is above the prior-year level. In total, we expect sales revenues similar to the level in the first quarter 2014. Graphite Specialties continues to suffer from the low order intake in 2014. In contrast, Process Technology should benefit from a strong order intake in the first weeks of 2015. Sales of GMS will however be below the first quarter of the previous year. The business unit Carbon Fibers & Composite Materials had a good start to the year and showed initial operational improvements in all areas. Sales in the first quarter is expected above the prior year's level. Total sales of continued activities of SGL Group in the first quarter 2015 will be on a similar level as in the prior year despite currency effects.

Accounting principles used and significant estimates made

SGL Group prepares its consolidated financial statements in accordance with IFRS, as detailed in the notes to the consolidated financial statements. The principles described in the notes to the consolidated financial statements are integral to an understanding of SGL Group's net assets, financial position, and financial performance. Under IFRS, it is necessary to make estimates in certain cases. Such estimates involve subjective evaluations and expectations that are based on uncertainty and are subject to change. As a result, assessments may change over time and thus impact the presentation of SGL Group's net assets, financial position, and financial performance. The Board of Management therefore wishes to point out that estimates are routinely adjusted, given that unforeseeable events may alter expectations.

Additional information on accounting principles involving estimates and assumptions can be found in **Note 2** of the notes to the consolidated financial statements.

Discretionary decisions are also taken by management in relation to the application of other IFRS regulations. As discussions concerning the application of many IFRS regulations are currently ongoing, it is not inconceivable that decisions concerning the application of IFRS regulations that are published in future will lead to an interpretation of the regulations that differs from the method currently adopted by SGL Group. If such is the case, SGL Group will be compelled to adjust its accounting procedures.

Non-financial performance indicators

Assets not recognized and off-balance sheet financial instruments

Various SGL Group assets are not included in the balance sheet. These off-balance sheet assets primarily concern leased and rented goods (operating leases for land, buildings, computer equipment, vehicles and other property, plant and equipment).

The total value of these off-balance sheet items and financing instruments has had no major effect on the presentation of the financial position, financial performance, and cash flows of the Group. Further details can be found in **Note 26** of the notes to the consolidated financial statements.

The "SGL Group – The Carbon Company" brand is among the intangible assets not recognized in the balance sheet. In addition, our long term relationships with suppliers and customers also have considerable value. For one thing, these relationships stabilize the course of our business and shield us from short-term market fluctuations. In addition, this intense cooperation also facilitates joint research and development projects in which the expertise and development capacities of the companies involved can be consolidated.

Funding status of pension obligations

The funding status of pension obligations, which represents the difference between the present value of the pension obligations and the fair value of the plan assets, was minus €379.4 million as of December 31, 2014 after minus €292.5 million as of December 31, 2013. As of December 31, 2013, the Group's pension obligations totaled €523.7 million compared with €415.5 million in the previous year. The increase was due in particular to the lower discount rate, especially for the German and US pension plans. As a result, the actuarial losses from defined benefit pension plans recognized in equity (under retained earnings) increased by €55.5 million after taxes. The status of the plan assets designated to fund the pension obligations increased from €123.0 million to €144.3 million as of December 31, 2014.

Further information on the effects in the balance sheet and the income statement and on pensions and similar obligations can be found in **Note 23** of the notes to the consolidated financial statements.

Corporate Social Responsibility (CSR)

Corporate social responsibility means going beyond financials and including environmental as well as social factors in our actions. Socially responsible, environmentally conscious and resource-friendly behavior, commitment to employees as well as society while advancing sustainable product solutions are significant components of SGL Group's corporate culture and objectives. They are key requirements to the success of our business.

Integrity and values

Acting responsibly and in line with the law is anchored in SGL Group's corporate philosophy. Our SGL Group Code of Business Conduct and Ethics reflects our common values and sets binding standards for how we behave in our day-to-day business. The Code defines how SGL Group meets its legal and ethical responsibilities as a company while taking the respective social and cultural standards into account.

Each employee is personally responsible for ensuring that their actions are in line with the Code. The Code also provides the framework for other corporate guidelines, in which specific regulations are described and explained in greater detail. Management serves as an important role model when fulfilling its personnel and leadership responsibilities. The members of the compliance network are also available to employees for compliance-related questions.

Since the compliance program was introduced in 2011, extensive on-site training and specific follow-up training have also taken place using an Internet-based Code of Conduct educational program. Furthermore, communications tailored to specific target groups are used to make SGL Group employees at all locations continuously aware of the subject of compliance (see also page 26 in the Corporate Governance and Compliance Report).

SGL Group is also committed to ensuring that the conduct of its business partners meets the Company's compliance standards. One method to achieve this was the introduction of a Group-wide process to review the compliance standards of business partners.

Employees

At the end of 2014, SGL Group had a total of 6,342 employees – a slight decline of 45 employees or 0.7% year on year; resulting from a number of opposing developments.

On the one hand, about 300 employees around the world left SGL Group in the reporting year due to the SGL2015 cost savings program. This was handled in a socially acceptable manner and in close cooperation with employee representatives. On the other hand, an increase in personnel in certain business units was necessary to accommodate growth. In addition to maintenance in-sourcing at our Banting site, the planned expansion of SGL ACF (included in the employee statistics with 51% based on SGL Group's share) is particularly noteworthy as well as the expansion at SGL Kümpers.

Employees by region

	Dec. 31, 2014		Dec. 31, 2013		Change
Germany	2,259	35.6%	2,309	36.2%	–2.2%
Europe excluding Germany	1,997	31.5%	1,988	31.1%	0.5%
North America	1,347	21.2%	1,395	21.8%	–3.4%
Asia	739	11.7%	695	10.9%	6.3%
Total	**6,342**	**100.0%**	**6,387**	**100.0%**	**–0.7%**

Employees by reporting segment

	Dec. 31, 2014		Dec. 31, 2013		Change
PP	1,990	31.4%	2,076	32.5%	–4.1%
GS	2,160	34.1%	2,209	34.6%	–2.2%
CFM	1,054	16.6%	920	14.4%	14.6%
Corporate & Other	655	10.3%	711	11.1%	–7.9%
AS	483	7.6%	471	7.4%	2.5%
Total	**6,342**	**100.0%**	**6,387**	**100.0%**	**–0.7%**

The strategic advantage of diversity

The Group's workforce continues to be very international. Europe has the greatest share with 67% (unchanged), followed by North America with 21% (2013: 22%) and Asia with 12% (2013: 11%). The diversity of nationalities, cultures and languages is an important strategic advantage. Interaction among and the exchange of knowledge between employees is supported, for example, by actively sending employees on foreign assignments to our facilities in other countries. As in 2013, a total of 25 executives were on international expatriate assignments in 2014. The largest groups of expatriates are once again in Malaysia, China and Portugal, followed by the USA and Germany.

Equal opportunity, family friendliness and health management

The share of women in our workforce as of the end of 2014 remained unchanged compared with the previous year at 15%. The share of women in executive positions was 18%, a decrease of one percentage point from 2013. The Group's workforce is characterized by a balanced age structure, which only changed marginally compared to the prior year: 25% (2013: 26%) of all employees are younger than 36 years old; 26% are between 36 and 45 years old (unchanged); 31% are 46 to 55 years old (unchanged); 18% are more than 55 years old (2013: 17%).

In order to support the work-life balance and health of our employees, we offer specific programs at some sites in addition to flexible working hours, such as childcare options during the summer break as well as medical checkups and health workshops. In Germany for example, the Employee Assistance Program (EAP) has been in place since 2011, offering external consultation for employees with professional or personal problems or who are under any type of stress. In October 2014, this service, which is offered by an independent provider and is both a free and anonymous support service, was expanded to include family services, which consists of consultation services for childcare and caring for family members.

Training and education

Consistent HR development is an essential component of our company philosophy, both because of our responsibility to our employees and also for the sustainable development of SGL Group.

Training has always played an important role at SGL Group. In the year under review, we had 124 apprentices in our German facilities alone. As in previous years, the majority worked at our facilities in Meitingen (78 apprentices) and Bonn (39 apprentices). In total, SGL Group offers 13 professions for apprenticeships, one dual course of study and four courses of study at universities of cooperative education. Beyond the specialist training, we also offer general education courses to the apprentices, such as language courses or health seminars. Furthermore, interested employees may also always take advantage of opportunities to take part in a work-study program.

To provide our employees with further education, we offer semiannual development meetings as part of the performance reviews in addition to a wide variety of individual programs aimed at advancing our employees' professional qualifications. Moreover, we provide an extensive three-step program series called "Leadership@Work" to selected executives and top performers to promote the development of personal, interdisciplinary competencies. In addition, a comprehensive, Group-wide competence model forms the foundation for the further education of our employees.

Competing for talent – grants, internships and theses

As an innovative company, we are always competing for the best talent. In this context, we are pleased that SGL Group was certified once again in 2014 as a Top German Employer (Top Arbeitgeber Deutschland) by the renowned Top Employers Institute (previously known as the CRF Institute).

In order to demonstrate our passion for carbon to interested students and skilled professionals and give them the opportunity to get to know the Company at an early stage, we regularly visit universities and participate in a variety of job fairs. We also offer tangible support in the form of university grants, internships and provide opportunities for students to cooperate with us in writing dissertations and theses. We do this, for example, as part of our extensive alliances with various universities around the world (see pages 49, 48).

Sustainable product solutions

SGL Group's products also contribute to increased sustainability, which allows customers to create more environmentally friendly production processes as well as manufacture more environmentally friendly products. The extraordinary properties of carbon materials are essential for this. Depending on its form and processing, the material demonstrates excellent electrical and thermal conductivity, high resistance to heat and corrosion or is characterized by its combination of unique light weight and high strength.

The best known example for the use of carbon for sustainable solutions is lightweight construction, which plays an increasingly important role in both the aerospace and automotive sectors. In the solar and LED industries, graphite is irreplaceable in the production of ultra-pure silicon. Carbon is also the first choice for many applications in which energy storage and efficiency are critical factors, for example, as anode material in lithium ion batteries or as heat conductors in climate control systems. One traditional application is the recycling of scrap steel. This is the largest recycling process in the world, and our graphite electrodes are used to melt scrap steel in steel producers' electric arc furnaces.

In fiscal year 2014, almost 60% of our Group sales revenue was linked to products for sustainable solutions. This included graphite electrodes for scrap steel recycling, specialty graphite for the solar and LED industries as well as carbon fiber composites for lightweight construction.

Resources and environmental protection

Sustainable business practices, environmental protection and upholding high standards in health and safety at work are essential prerequisites for SGL Group's sustainable growth.

The central function Corporate EHSA (Environment, Health & Safety Affairs) forms the organizational foundation for managing all production processes and continuously developing all environmental protection and health and safety activities. This unit centrally coordinates all Group-wide activities, sets uniform standards and routinely audits developments in cooperation with local EHSA representatives.

Furthermore, the established Group-wide SGL Excellence initiative uses improvement projects to contribute to, among others, conserving raw materials and operating materials as well as continuing to minimize production waste.

Increasing energy efficiency

Energy is required for nearly every industrial production process. It is needed for everything from operating machines to implementing thermal steps in the production process. The high-temperature technologies used to produce carbon products are energy-intensive, however they are necessary in order to create the specific material properties for the various products. More than four-fifths of SGL Group's energy consumption is needed as heat. Temperatures of up to 3,000° Celsius are required in certain steps of the process. This makes it all the more important for SGL Group to continuously improve efficiency in its production processes, especially with regard to energy requirements.

SGL Group improved efficiency in this regard again in 2014. Compared with the adjusted sales revenue, SGL Group's relative energy consumption declined by 9.3% year on year to 1.46 megawatt hours (MWh) per €1,000 in sales revenue. The share of primary energy consumption went down slightly as a result of production consolidation and production network optimization in recent years.

Reducing CO_2 emissions

One of the most significant ways to protect the environment is limiting climate change. Limiting greenhouse gases, especially CO_2, plays an important role. In this context, SGL Group has invested more than €85 million in the past nine years in facilities with state-of-the-art equipment to protect the environment. These maximum standards of Best Available Techniques (BAT) are developed together with the European Carbon & Graphite Association (ECGA). The focus of the investment was on equipment to clean production exhaust gases and to recover energy.

As a result, in recent years, SGL Group's emissions from primary and secondary energy consumption per €1,000 in adjusted sales revenue has fallen from 0.59 tons in 2011 to 0.51 tons in 2014. Absolute emissions in the reporting period remained unchanged year on year, despite lower energy consumption. This is the result of the higher indirect emissions generated from external electricity purchases.

Acting responsibly with cooling water

The manufacture of carbon and graphite products does not require water for the product itself, but instead is needed primarily for cooling the systems used in the production process. The use of secondary cooling circuits prevents contact with the products, which ensures that the water is not contaminated during production.

In 2014, both the absolute water requirement and that related to adjusted sales revenue declined, falling from 9.7 cubic meters per €1,000 in sales revenue in 2013 to 7.7 cubic meters per €1,000 in sales revenue in 2014. More than 90% of this water requirement is used to cool production systems. The remaining volume is used for cleaning or sanitary purposes. Furthermore, nearly two-thirds of SGL Group's water requirement is taken from its own wells, and after it is used as a coolant, fed into rivers or public canal systems in its natural state. About one fifth of the water requirement is taken from river water and another one fifth from the public water supply.

Preventing and recycling before disposing of waste

When it comes to waste, SGL Group's motto is: avoiding waste is better than recycling and recycling is better than disposal. The advantage is that our material – carbon – and most of the residual materials incurred in the production process are highly recyclable. If it is not possible to avoid waste, it can often be reused in other products. Examples include recycling discarded graphite chips and shavings in our graphite electrodes or using recycled carbon fibers as fleece textiles or in CFRP components for automotive production.

The high degree of recyclability results in a very low amount of waste to dispose of. Only just over 10% of all waste has to be declared as hazardous waste and disposed of. This includes the usual hazardous waste such as paint and oil-treated wood as well as materials that can no longer be processed, such as specific filter dust from cleaning or manufacturing processes that must be disposed of at special disposal sites. All waste is meticulously recorded, precisely analyzed and properly disposed of and documented.

The volume of waste generated by SGL Group has declined steadily in recent years. In 2014, the total volume of waste was 37.2 thousand tons (2013: 42.5 thousand tons). Of this amount, approximately 4.5 thousand tons was categorized as hazardous waste in 2014 (2013: 5.2 thousand tons). The amount of waste related to adjusted sales revenue in 2014 was 23.9 kilograms per €1,000 in sales revenue (2013: 28.1 kilograms).

Environmental data		2011	2012	2013	**2014**
Energy consumption	in gigawatt hours (GWh)	2,643	2,535	2,448	2,278
	thereof oil and gas	1,171	1,104	1,102	975
	Electricity	1,472	1,431	1,346	1,303
	in relation to economic output (MWh per €1,000 in sales revenue) [1]	1.72	1.63	1.61	1.46
CO_2 emissions [2]	in thousands of tons (t)	914	846	801	801
	thereof direct	236	223	224	198
	indirect	678	623	576	603
	in relation to economic output (t per €1,000 in sales revenue) [1]	0.59	0.54	0.53	0.51
Water requirement	in millions of cubic meters (m^3)	16.8	15.9	14.7	12.0
	thereof from Company wells	61%	61%	63%	60%
	from rivers	22%	23%	20%	21%
	from public water supply	16%	16%	17%	18%
	from lakes	1%	< 1%	< 1%	< 1%
	in relation to economic output (m^3 per €1,000 in sales revenue) [1]	10.9	10.2	9.7	7.7
Waste volume	in thousands of tons (t)	52.6	44.8	42.5	37.2
	thereof hazardous waste	4.7	4.7	5.2	4.5
	in relation to economic output (kg per €1,000 in sales revenue) [1]	34.2	28.9	28.1	23.9

[1] Adjusted revenue (excluding price and currency translation gains and losses); including Hitco; base year 2011

[2] From primary and secondary energy consumption

Health & safety at work, product responsibility and risk management

The safety of our employees and the security of our work flows as well as active, long-term risk management are top priorities for SGL Group. We use our high standards, permanent safety precaution improvements and a large number of target-oriented training sessions and activities to prevent workplace accidents. SGL Group's preventive measures are complemented by emergency management systems specific to each site.

As a result of our activities, we continue to see a positive development in the frequency rate of accident-related work absences compared to the number of hours worked. Based on 1 million hours worked, the index has fallen substantially from 10.5 in 2003 to 2.8 in 2014.

Frequency of accident-related work absences per 1 million working hours

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	**2014**
10.5	9.1	8.0	6.7	7.2	6.1	7.0	5.0	3.3	2.5	2.9	2.8

(Basis: all fully consolidated SGL Group companies)

When handling chemicals, SGL Group provides support and assistance in the step-by-step introduction of protection targets in European chemicals policy and fully meets the requirements of the European regulation on chemicals (REACH). Exchanging information on the use of substances is an integral part of SGL Group's collaboration with suppliers and customers. This includes exchanging detailed risk and exposure assessments with customers and suppliers as part of the legal requirements. In addition, we provide our customers with relevant product information such as safety data sheets for all substances and products produced by SGL Group in a standardized global web-based system.

In order to minimize risk, SGL Group has relied on, among other things, a Group-wide approach since 2002 to recording, analyzing and evaluating risk, which is being expanded regularly. This not only deals with potential work accidents, but also the consequences of fire or natural catastrophes. It also analyzes the degree, potential danger and financial effects of crises such as cleanup and repairs resulting from environmental damages or losses resulting from production downtime. In cooperation with the insurance company FM Global, SGL Group performs annual audits in which all of our processes and systems are subject to a safety analysis. The audit results are discussed with the plant management and, if necessary, they agree upon an action catalog to minimize risk.

Corporate citizenship

Corporate citizenship is a fundamental facet of our corporate social responsibility. This is reflected both in our traditionally close ties with the communities in which we operate as well as the diverse alliances and initiatives in science, research and industry.

Local community involvement

The circumstances and challenges of communities vary greatly between the regions in which we operate facilities. The community activities we are involved in are equally diverse and often characterized by a strong commitment from our local employees. The activities range from community involvement, such as in the area of education, to supporting the local economy to fostering sports and cultural institutions.

Even if they are small and often voluntary activities, they are an important part of our local community involvement. SGL Group remains true to these commitments even in a difficult economic climate. Although financial support was reduced significantly, investments for all locations together still reached a low six-figure euro amount in 2014. Despite this reduction, the number of individual activities was 172 in the year under review and therefore on par with 2013, which had 168 activities.

Local community involvement by type

(based on number of activities)	**2014**	2013
Social	44.2%	51.2%
Culture	6.4%	5.4%
Education	27.9%	23.2%
Sport	12.8%	11.3%
Other	8.7%	8.9%

In the year under review, for example, employees at our Banting site in Malaysia organized a group breakfast with orphans and donated clothing to children. In Bonn, staff supported a chemistry project of an advanced high school chemistry class, whereby SGL Group organized a plant tour for the students and explained the basics of theory and practice. Employees at our Hickman site have a long tradition of supporting sports teams. In 2014 SGL Group staff coached their children's teams and SGL Group sponsored jerseys.

Promoting science

Promoting science continues to be particularly important to a technology-based company like SGL Group. Our long-term alliances are closely linked to our own development activities and are supported and driven primarily by our global group research department, Technology and Innovation (T&I). Examples include our support of the professorship of Carbon Composites (LCC) at the Technical University of Munich (TUM), our collaboration with the Technical University Nanyang (NTU) in Singapore and the AGH Krakow Technical University as well as many active memberships in industry associations (see also page 49).

We award a number of prizes to provide scientists with incentives and to promote the discovery of new applications for carbon. Every year we give out the SGL Group Award for the best dissertation in the engineering department at the Technical University of Munich as well as the "Schwäbische Wissenschaftspreis" (Swabian Prize for Science) to foster young scientists in Augsburg. Furthermore, every two years the Utz-Hellmuth Felcht Award, which was initiated by SGL Group, is granted at the International Carbon Conference. We also sponsor the SGL Carbon (Skakel) Award of the American Carbon Society.

As a co-founder of the "Initiative Junge Forscherinnen und Forscher e.V." (IJF – Initiative for young researchers), we also offer comprehensive support for scientific education – from nursery schools through to universities. In 2014, SGL Group employees again supported the initiative with donations and active participation.

Events after the Reporting Period

No events of material significance to report.

Opportunity and Risk Report

The Board of Management of SGL Carbon SE is responsible for establishing and maintaining an appropriate and suitable risk management and internal control system. In addition, it has overall responsibility for the scope and design of the systems that have been implemented. At present we consider any individual risks to be limited and manageable; there is no risk to the Company's ability to continue as a going concern.

Risk policy

Our risk policy is geared toward protecting shareholder value, systematically and continuously increasing it and achieving financial targets. The principles of this policy are set out in standard SGL Group guidelines for risk management and represent an integral part of our corporate strategy. All significant corporate decisions are made only after a detailed risk analysis and assessment. As a matter of principle, we do not take on unmanageable or inappropriately high risks.

Risk Management System (RMS)

Our risk management system (RMS) is a global management instrument that ensures the implementation of SGL Group's risk policy. This is achieved through the early identification, analysis and assessment of risks and the immediate introduction and tracking of response measures. An Opportunity Management System has been integrated into SGL Group's RMS since fiscal year 2014. We use this system to identify opportunities that help us to achieve sustainable commercial success. Moreover, variable salary components motivate our managers at all levels to identify and take advantage of potential opportunities. We also continuously monitor global trends in order to identify opportunities for our Company.

The RMS comprises a number of linked functions and control mechanisms, with which earnings, asset and liquidity risks are recorded and aggregated from the bottom up and reported to the Board of Management no less than on a quarterly basis. This includes the recording, monitoring and control of business risks and opportunities as well as the integration of RMS into our strategy and planning process. We consider risks to be each and every deviation from our expected results and, by contrast, we consider opportunities to be positive deviations beyond our expected results. This risk report covers the current year and includes a summary for the complete planning horizon of five years; the opportunity report only covers the current year.

The RMS covers all areas of the Company and is continually modified in line with changing circumstances. The corporate functions support the Board of Management with the organization of the system. Group Controlling coordinates the risk management process at the Group level and stipulates the structure and the tools to be used, continuously develops the RMS in accordance with international standards and ensures that the group-wide risk management guidelines remain up to date for all organizational units, including its principles, definitions of terms, concepts, reporting channels and responsibilities. Specific individual risks in operational units and corporate functions are recorded and monitored on an ongoing basis. Any core risks and their financial impact are reviewed quarterly on the basis of the probability of occurrence, and suitable response measures are defined. This allows us to identify potential risks early, particularly any that may jeopardize the Company's existence as a going concern, and implement response measures. Furthermore, any potential new risks or the occurrence of existing risks are reported immediately to the Board of Management, independent of the normal reporting intervals.

Our corporate function, Internal Audit, is responsible for monitoring the functionality of the RMS. The Supervisory Board carries out its control function routinely at all meetings, receiving a risk report from the Board of Management in which the risk situation and response measures are compiled.

Internal Control System (ICS)

We define an internal control system (ICS) as the policies, procedures and measures that have been implemented by management with the aim of ensuring the effectiveness and profitability of operations (which also comprises the protection of assets, including the prevention and detection of damages to assets), the proper application of accounting standards, the reliability of both internal and external accounting, and compliance with the legal regulations that are applicable to the Company. The ICS is based on group-wide standardized documentation of the risks and controls for existing process structures. Nearly 500 business processes worldwide are covered by approximately 1,500 controls. A large number of these controls are performed automatically or with IT support. In addition to the process-related controls that are documented for all material subsidiaries of SGL Group, process-independent controls and measures at management level form the infrastructure and basic prerequisite for a functional ICS. The management controls are assessed

annually by conducting written surveys of the management of all material and a select number of smaller companies, our business units as well as the heads of our corporate functions. All ICS documents are stored in a database, for which access authorizations (read and write permissions) have been established. The materiality of our companies is assessed annually on the basis of quantitative factors (company's contribution to net sales, total assets or net gains/losses) as well as qualitative risk indicators.

Our central ICS function implements, maintains and enhances the ICS on behalf of the Board of Management. Local and regional ICS officers (e.g. in North America and China) support the process and control owners at the companies and serve as local contact persons for all ICS-related issues. The process owners ensure the process and control documentation is accurate and up to date. Control owners perform the controls, ensure controls are documented and update the control documentation. Our Group IT serves as the point of contact for all IT-related issues and designs the IT controls.

Internal Audit continually reviews and ensures the effectiveness of the ICS at the process level through random sampling on an annual basis. The Supervisory Board is informed of the Group's risk situation as well as of any fundamental weaknesses in SGL Group's ICS at its regular Audit Committee meetings.

No matter how thoroughly we have developed the RMS and ICS, both systems still have their limitations. Consequently, we can neither guarantee with absolute certainty that targets will be reached, nor that false information will be prevented or uncovered. In particular, personal judgments, erroneous controls or other circumstances can limit the effectiveness and reliability of our RMS and ICS, meaning that applying these systems group-wide may also only provide reasonable assurance with regard to the correct, complete and timely recognition of issues within Group Accounting.

Significant characteristics of the RMS and ICS with regard to the group accounting process

Risks that could influence the preparation of financial statements in accordance with applicable accounting standards and regulations are evaluated with respect to their influence on the financial statements. The ICS is intended to support the accounting process – by way of implementing the system's controls – to ensure that, in spite of potential risks, the consolidated financial statements are prepared in accordance with applicable standards and regulations. Various process-integrated and process-independent control measures contribute to achieving this objective. Both the RMS and ICS cover all material subsidiaries and all processes that are relevant to the preparation of the consolidated financial statements.

The responsibilities and functions within the accounting process (e.g. local accounting, management accounting and treasury as well as group accounting) are established and strictly separated. Together with a consistent dual control procedure, this contributes to the early detection of errors and the prevention of potential misconduct.

The SGL Group accounting manual defines the consistent accounting and valuation principles for the domestic and foreign subsidiaries that are consolidated in the group financial statements in compliance with the International Financial Reporting Standards (IFRS). Changes to accounting regulations and the scope of consolidation are regularly incorporated into the manual and communicated to all employees involved in the accounting process. Our Group Accounting staff provides detailed explanations of more complex topics. In order to reduce the risk of misstatements in the accounting of more complex accounting issues, we consult external service providers, such as actuaries, to prepare expert opinions concerning pensions.

SAP-based consolidation software is used for the preparation of the consolidated financial statements. Technical responsibility for the software falls under the corporate function of group accounting. Binding content and deadline requirements minimize the discretion of decentralized units when recording,

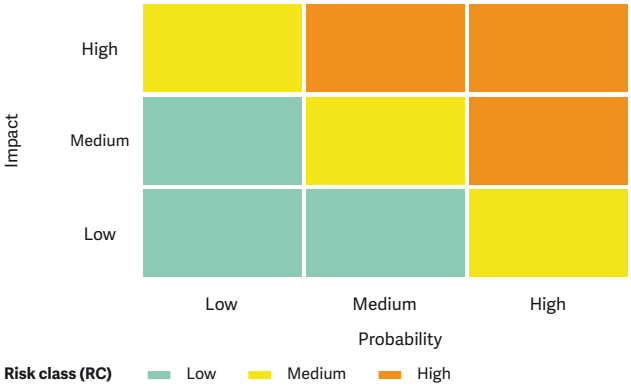
measuring and presenting assets and liabilities. For the consolidated financial statements, data is recorded at company level, automatically uploaded into the group-wide consolidation software and validated. A group-wide, standardized model chart of accounts has been established for recording of business transactions.

The identified risks and any implemented response measures are updated in the quarterly reporting and reported to the Board of Management. Internal Audit also assesses the effectiveness of our internal accounting controls on an annual basis. Moreover, the Supervisory Board is also involved in the control system through the Audit Committee. The Audit Committee primarily monitors the accounting process, the effectiveness of the internal control system, the risk management system, the internal audit system and the audit of the financial statements.

Opportunity and risk areas

Risk factors that could impact our Group business are assessed in the following risk areas. If risk areas also contain opportunities, such opportunities are explicitly mentioned. The order of the strategic, operational, financial, and compliance risks presented reflects the current estimation of their probability of occurrence for SGL Group. This is also clarified by categorizing the risks into the risk classes (RCs) high, medium, and low. It should be noted that risks that are currently assessed as having a low probability of occurrence could potentially cause a greater loss to SGL Group than risks that are currently assessed as having a high probability of occurrence. Additional risks, which either have not yet been identified or are currently not classified as significant, could also affect our business activities. Unless explicitly mentioned, the risks described below (on a net basis) relate to all of our reporting segments with the same risk assessment as in the previous year.

Risk classification chart



Price pressure and surplus capacities in certain markets (RC: Medium)

Our reporting segment Performance Products and in particular, our business unit Graphite & Carbon Electrodes, supply graphite electrodes whose demand relies heavily on electric arc furnace steel production. Recent years have seen a significant decline in the steel price as a result of the massive expansion of blast furnace capacities for primary steel production, particularly in China. This situation makes it nearly impossible for electric arc furnace steel manufacturers to be cost competitive. Consequently, electric arc furnace steel capacities were idled and increased price pressure was also placed on graphite electrode suppliers. The decline in Chinese demand for local primary steel as a result of slowing economic growth also increased the risk. The devaluation of the Japanese yen and Indian rupee supported this competitive behavior. Competition in Asia, in particular, could prevent future price recovery. In the medium term, the World Steel Association expects a return to sustained positive global growth. However, in the short term, investment in electric arc furnace steel production or a significant price increase for graphite electrodes is not likely. Further expansion of furnace capacities combined with sustained weak growth in the Western industrial countries as well as lower growth rates in emerging markets could have a continued negative impact on our results of operations, financial position and net assets. Capacity shortages as a result of plant closures or consolidation of graphite electrode manufacturers could have a positive impact on the price of graphite electrodes. Closure of unprofitable blast furnaces, particularly in China, would reduce price pressure on graphite electrodes as well.

The business unit Graphite Specialties produces, among other things, isostatically pressed graphite, which is used in a variety of customer industries. The expansion of production capacities in recent years was driven especially by strong growth in the solar industry in 2010 and 2011. The past collapse in the solar industry and the slow market recovery, which only began in the past year, means that surplus capacities have continued and led to considerably low prices. In addition, the weak yen, which has continued to give Japanese manufacturers a strategic competitive advantage, has reinforced this situation. Sustained weakness or further devaluation of the yen against the euro, and the inability of the solar industry to recover after consolidation could have adverse effects on our business situation. By contrast, prices would recover in the wake of a shortage, e.g. resulting from the consolidation of various iso-graphite producers, plant closures or competitors leaving the market. Likewise, state subsidies for the solar industry or significant improvements in solar panel efficiency to make solar energy more competitive could have a positive impact on the demand for iso-graphite.

Our business unit Carbon Fibers & Composite Materials supplies a wide spectrum of customer industries with carbon fibers. As a result of the anticipated increase in demand for lightweight materials that offer high strength, high investment in the expansion of carbon fiber capacities was seen worldwide before the 2008 financial crisis. However, in many markets the use of carbon fibers in place of other materials is still relatively new and the technology is not yet fully mature. Furthermore, the competitiveness of carbon fiber products has, in part, not yet been fully realized. Following the financial crisis, many products experienced development and production delays, which resulted in a significant decline in the price of and demand for carbon fibers. Despite the price stabilization that has occurred recently, the current demand for carbon fibers continues to be below global capacity. Should the more widespread use of carbon fibers be further delayed (due to a lack of competitiveness with other materials) or should more capacity be built up, our earnings could be negatively affected. Rising demand for carbon fibers from the automotive industry could have a positive impact. This might be driven by increasingly stringent emission regulations for automobile manufacturer vehicle fleets because it will be necessary to further reduce vehicle weights after all other measures have been exhausted. SGL Group could benefit from this development more than most because it is well positioned in the automotive industry.

Development of growth markets (RC: Medium)

Our strategy in the business units Graphite Specialties and Carbon Fibers & Composite Materials is based on the increased use of carbon fibers and graphite products in growth markets such as the automotive industry, renewable energies, energy storage and other industrial applications. Acquiring new customers and establishing new materials and products requires considerable technical, operational and financial effort. Programs delayed by the customer and changes to customer specifications for our products play a significant role in this. Future market developments could also be influenced by developments in state aid through subsidies or tax benefits as well as other state regulatory measures. Should performance in these markets not meet our forecast, our business situation would be adversely affected. The forecasted demand for graphite for applications related to the extraction and processing of shale gases may also not be reached if oil prices remain low or fall further. We currently see our biggest opportunity in the growing demand for graphite anode materials, which is needed for the production of lithium ion batteries. The growth potential of this market is demonstrated, in particularly, by the trend towards e-mobility and the introduction of hybrid models by many automobile manufactures. Higher raw material and energy costs may accelerate the process of substituting traditional materials with graphite and carbon fiber products. Our Company could also see additional sales revenue and earnings potential from further energy saving measures stipulated by law as well as the continued promotion of alternative energies.

Global market and business environment risks (RC: Medium)

As a global company, the worldwide economic development has a significant influence on our results of operations, financial position and net assets. The macroeconomic environment is characterized by a high level of uncertainty with regard to the fragile economic recovery as well as the risk of a resurgence of the financial market crisis and the global economic downturn that could result. Major risk factors include the sovereign debt crisis in Europe, the USA and Japan and the resulting consolidation efforts caused by increases in taxes and decreases in public spending. Uncertainties in the political environment in North Africa and the Middle East could also have a significant impact on business in the countries in these regions. Furthermore, the looming economic downturn in some emerging markets due to currency devaluation against the U.S. dollar presents a risk to future business development. The economic as well as domestic and foreign policy developments in China also significantly influence the success of our business. In addition, escalation of the crisis in Ukraine as well as further trade sanctions against Russia could have a negative impact on our business. Terrorist activities and disease epidemics could have negative effects on the future global economic development. By closely observing the market and economy, we are able to take the necessary steps in the short term and minimize – at least temporarily – the risks that could potentially have an impact on our business. When necessary, we respond in a timely manner by adjusting our production accordingly. This also comprises all possible workforce management measures (including short-time working hours, severance packages, etc.). In addition, sales risks are partly offset by the wide diversification of our product range, our global presence and the numerous customer industries we supply. However, drops in demand, sluggish growth in individual customer industries or cyclical market fluctuations could have a negative impact on our business. Global economic developments therefore harbor many uncertainties. A swift end to these crises would also create additional sales revenue and earnings potential for our Company. By contrast, the currently low oil price is bolstering the economy. If it remains low in the medium term, this could have a positive effect on our earnings situation.

Delayed disposal of Hitco (RC: Medium)

In mid-2014, the business unit Aerostructures was classified as discontinued operations. The sale of Hitco, USA depends on many different factors and could be delayed further. Maintaining the business currently leads to regular outflows of funds, which are likely to be covered by the expected proceeds from the sale. However, the actual proceeds could deviate from the expected level, which means that an impairment charge of the assets cannot be completely ruled out.

Tax and legal risks (RC: Medium)

Changes in tax or legal provisions in individual countries in which we operate may lead to a higher tax expense and higher tax payments. Any corporate structuring and transfer pricing implemented is subject in part to complex tax regulations that could be interpreted differently. A potential additional tax exposure cannot be ruled out conclusively until after a final review by the tax authorities. Constantly increasing requirements regarding the documentation of internal transfer pricing entails the risk of additional tax expense. In the case of legal disputes, we recognize provisions based on the probability of occurrence as well as external legal opinions. However, the actual amounts may differ from our estimates and have a considerable negative impact on our results of operations, financial position and net assets. As a result, the risk assessment has been adjusted from low in the prior year to medium.

IT risks (RC: Medium)

Industrial IT risks are becoming increasingly important. They are diverse and the attack scenarios vary. To ensure that all business processes are handled securely, the information technology used by the Group is checked and modified on an ongoing basis. SGL Group has an integrated and standard group-wide IT infrastructure. Global multilevel network and data security systems, replicated databases, virus protection and encryption systems, together with comprehensive access authorization structures – all based on the available technological standards – protect us against the loss or manipulation of data as well as unexpected downtime. As part of our IT control systems, established control processes are updated on a regular basis in order to effectively prevent unauthorized access to systems and data.

In order to appropriately account for the growing importance of IT security, SGL Group is developing a risk-based Information Security Management Systems (ISMS) based on the globally recognized ISO 27001:2013 standard as part of a group-wide initiative. Special attention is being given to further increase the safety awareness of all employees who handle sensitive information on a daily basis. We will use ongoing global information security campaigns to achieve this. As a result, the risk assessment has been adjusted from low in the prior year to medium.

Impairments losses on goodwill and property, plant and equipment (RC: Medium)

In the past two years, extensive investments were made in the various business units. Despite sustained growth potential, these business units have partly generated returns that were below expectations, whereby continued unsatisfactory growth could trigger further impairment risks in the future with regard to the units' disclosed assets and to goodwill.

Start-up and production problems (RC: Low)

The manufacture of carbon and graphite products requires high investments in fixed assets. Every new asset undergoes many startup and qualification processes in order to meet client-specific requirements. The efforts necessary to maintain production is likewise very cost intensive. Production downtime at one or more sites could lead to delivery problems with regard to quantity and quality, which would have a negative impact on our results of operations, financial position and net assets. Production downtime as a result of natural catastrophes, terror attacks, cybercrime or other external influence can also not be completely ruled out.

Currency risks (RC: Low)

Our key financial indicators are influenced by exchange rate fluctuations arising from our global business activities. By optimizing operating cash inflows and outflows in a particular foreign currency, we reduce our transaction-related currency risk. To cover any other currency risk above this level, we enter into currency hedges using derivative financial instruments. In the case of unhedged transactions, depreciations of the U.S. dollar and the Japanese yen against the euro in particular as well as an appreciation of the Polish zloty against the euro would have a negative impact on our earnings. In general, a weaker euro would have a positive effect on our competitiveness and future business development. Translation risks are not hedged.

Obligations for pensions and health benefits (RC: Low)

Changes to the present value of the defined benefit obligation in our defined benefit and defined contribution pension plans as well as the decline in plan assets in our pension obligations affect the funded status of our pension plans. A deviation in the actual developments with regard to the underlying parameters could have a negative impact on actuarial pension obligations. In particular, the development of plan assets in the calculation of interest is a significant factor affecting the pension obligations. Fluctuations in these parameters could further increase our pension provisions, which would have a negative impact on our equity. By contrast, rising interest rates could lead to an increase in the calculated interest and therefore have a positive effect on our equity situation.

Modified conditions for investing plan assets in our pension funds can also influence the market values accordingly. The market interest rate, life expectancy of plan participants, inflation rate, pension adjustments, legal provisions, etc. play a significant role in this. These factors could substantially influence the current level of allocations to these funds as well as the pension obligations currently accounted for in the form of provisions and the resulting pension payments. We cannot completely rule out that such developments could have a negative impact on the financial performance as well as the ongoing earnings situation.

Financial risks (RC: Low)

The financing agreements of SGL Group contain contractually agreed financial covenants that regulate specific procedural obligations of SGL Group regarding compliance with certain financial performance indicators during the terms of the agreements. Compliance with the covenants of the financing agreements is centrally monitored and controlled by Group Treasury along with other financial risks. If some of the outlined business risks materialize in fiscal year 2015, the ability of SGL Group to fulfill its obligations arising from the financing agreements could be limited.

We ensure that any peaks in cash requirements are covered at all times by maintaining a strict liquidity policy with rolling liquidity and financial planning based on current estimates of operating profit and cash flow in the business units that are provided to the Chief Financial Officer on a monthly basis.

Global economic developments in our customer industries also routinely influence the creditworthiness of our customers. This situation entails default risks that we deal with by means of effective receivables management. In this context, the credit standing and payment patterns of our customers are regularly reviewed and the credit limits are established according to credit management guidelines applied throughout the group. Bank guarantees and credit insurance also limit any possible default risks. Other financial risks arise from changes in interest rates and exchange rates; we hedge these risks by means of derivative financial instruments. The minimization of risk is the overriding principle of all our activities in connection with these derivatives. In addition to separating the trading and control functions, we also carry out regular risk analyses and assessments in this area.

In consideration of the covenants in our financing agreements, we allocate investments in cash and cash equivalents predominantly to institutions in our circle of core banks. In this context, our investment decisions are guided by a number of factors, in particular a balanced distribution of funds to avoid the risk of clumping and the systematic importance of the individual counterparties.

Country-specific risks (RC: Low)

Due to the international nature of our business, we are confronted with a wide variety of uncertainties, the future development of which could have a negative impact on our results of operations, financial position and net assets. Particularly noteworthy are the risk of political and economic changes in our markets, the difficulties surrounding enforcement of contracts and recovery of outstanding receivables in foreign legal systems, compliance with trade law including export control law and technology transfer law in different countries as well as the difficulties surrounding global enforcement of patent protection of our products.

Material and energy risks (RC: Low)

We employ structured procurement concepts as well as medium-term and long-term framework agreements to balance out volatility in energy markets and any unforeseen price increases in our principal raw materials. Significant excess demand in the market may result in considerable, unanticipated price increases and supply bottlenecks. Delivery delays and bottlenecks could have a negative impact on our businesses. To offset this risk, we have been able to develop appropriate strategic concepts with our main suppliers based on business relationships built up over many years. Price fluctuations in important raw materials and energy resources could also impact our financial performance if we are not able to pass on these price increases through corresponding increases to our sales prices. Declines in raw material costs could have a positive impact on our earnings if they are not passed on to our customers in the form of price reductions.

Technology risks (RC: Low)

To remain competitive, we must have state-of-the-art products and production processes, and we must develop new products and manufacturing technologies on an ongoing basis. We take a number of approaches to minimize the accompanying technological risks, including rigorous project evaluation and prioritization. Decisions on the continuation of individual projects are linked to predefined milestones. All in all, our results also depend on our ability to keep a constant eye on market trends and make adjustments accordingly as well as regularly optimize our product manufacturing costs based on competitor benchmarking. Not achieving this goal could have a negative impact on our results of operations, financial position and net assets.

We protect our intellectual property through patents, trademarks and copyrights. Internally, we limit access to specific user groups. Despite these efforts, unauthorized access to our intellectual property cannot be completely ruled out. The loss of intellectual property and thus the loss of competitive advantage could have adverse effects on our business situation.

By expanding our technical expertise with applications and processes, and by developing innovative materials and products, we are meeting the growing demands of our customers. A clear innovation strategy, effective processes and methods, and involvement in collaborative ventures and corporate networks are an important basis for the future success of SGL Group. In order to develop technologies of the future (like lightweight construction with carbon fibers and lithium ion batteries for e-mobility) in a timely manner and in accordance with market requirements, we promote the development of corporate networks along the entire value chain. Examples of such networks are the Carbon Composites (CCeV) and the MAI Carbon cluster of excellence, and also the lithium ion battery expertise network KLiB.

For example, the innovative strength of SGL Group was featured in an industry-wide comparative study recognizing it as one of the "TOP 100" most innovative German mid-sized companies, once again placing us among the echelons of the ten best innovators.

In our business unit Carbon Fiber & Composite Materials, we are expanding on our strong core competencies along the entire value chain, from the raw material precursor to fibers to composites, resulting in a myriad of opportunities and growth prospects. In this way, we are expanding our existing value chain by systematically developing new textile-based processes. Together with our collaborative partners, SGL Group is also developing practical solutions in multi-material design based on innovative structural composites, which will have very significant potential for application in automotive engineering.

Innovations also offer a variety of opportunities with respect to our graphite-based products. Our particular focus in this regard is on optimizing processes and using more cost-effective manufacturing procedures in order to further strengthen SGL Group's competitiveness.

Compliance and regulatory risks (RC: Low)

Our Compliance Management System reduces the risk of legal violations on all levels, in particular with regard to antitrust and corruption-related violations. The Code of Business Conduct and Ethics we have had in place since 2005 was revised, and a new policy on gifts and business hospitality and a whistle blower policy were adopted group-wide in 2011. Our compliance program also includes systematic and regular employee training.

Regulatory risks also result from potential changes to the legal environment in countries in which we do business or have customers. Examples include new or more stringent import and export restrictions, a tightening of price controls, exchange restrictions, customs regulations, and protectionist trade restrictions. In addition to sales revenue and profitability risks, we may also be subject to penalties, sanctions, and damage to our reputation. We take precautions with established export control policies and, if applicable, obtain appropriate export permits.

Extensive studies are sometimes necessary for substances or products affected by the registration, assessment, and licensing requirements prescribed by the EU legislation on chemicals (REACH). To date we have carried out the registrations required by law on time. Continued developments in legislation as well as the impacts of cost intensive testing and registration procedures at European production facilities cannot currently be quantified. Depending on how individual material is classified by the EU in the future, we may incur significant additional costs to register, use, and store such materials, which could have a negative impact on our earnings.

As a company using a substantial amount of energy, our sites in Meitingen, Bonn and Griesheim were partially exempted from the cost allocation under the German Renewable Energy Sources Act (EEG). Our business operations could be negatively influence depending on whether or not we are granted such an exemption from the EEG cost allocation in the future or if we are required to make a retrospective payment for the EEG cost allocation.

Risk transfer via insurance protection (RC: Low)

SGL Group has global insurance coverage for its major business risks, which has been developed together with the Company's insurers. Under these policies, the risk after predefined deductibles is transferred to the relevant insurer. We address the risk of defaulting insurers by routinely distributing our risk among several insurance companies. To protect our employees and the environment, as well as our buildings, plants and machinery, we continuously make improvements to our preventive measures and routinely train the employees responsible for carrying out these measures. Coordinated visits to our facilities around the world ensure that the identified preventive and security measures designed to reduce risk are implemented. SGL Group allocates appropriate capital expenditures to minimize risk at all sites. However, a risk remains that the insurance coverage may be insufficient in individual cases.

Risks from mergers, acquisitions and capital expenditures (RC: Low)

All acquisition and capital expenditure decisions entail extensive risks due to the large amount of funds required and the long-term capital commitment. Therefore, SGL Group makes great efforts to minimize all related risks during the preparation and implementation of these decisions. This is carried out through due diligence as well as efficient project management and control. Nevertheless, it is not possible to guarantee that each acquired business will be integrated promptly and successfully and that such businesses will enjoy growth in the future. In addition, acquisitions may lead to a significant increase in goodwill and other non-current assets. Write-offs on these assets as a result of unforeseen business developments may also have a negative impact on our earnings.

Personnel risks (RC: Low)

Our employees and executives constitute a key pillar of SGL Group's success. The competition for highly qualified executives, scientists, and engineers is very intense. In order to achieve our strategic goals, we have to hire and retain highly qualified personnel. Not doing so would have a considerable negative impact on our business.

Risks arising from SGL2015 (RC: Low)

The successful and timely implementation of the restructuring measures set forth in SGL2015 will have a significant impact on our future financial performance. Because SGL2015 is made up of various individual measures, whose target achievements depend to some extent on the timing of circumstances that we ourselves cannot completely control, we cannot rule out that some measures may experience delays.

Successfully implementing SGL2015 will considerably improve the cost position of SGL Group. Streamlined administrative organizations and efficient, demand-driven manufacturing capacities will significantly strengthen our global competitive position. This includes concentrating production in our efficient plants, such as in the newly completed graphite electrode plant in Malaysia or in the newly constructed production center for isostatic graphite in Bonn. SGL2015 safeguards our market position vis-à-vis emerging and established competitors.

Overall risk and opportunity assessment of SGL Group

An overall assessment of the above risks and opportunities primarily reveals market and competition risks in connection with price and volume trends for both sales and procurement. In extreme cases, these risks could also adversely affect the value of our balance sheet assets and may require related write-offs. By contrast, internal production processes are much less subject to risk. Presently, we do not see any substantial financial risks that impact SGL Group as a whole. On the basis of information currently available, it is our opinion that no individual material risks exist – neither presently nor in the foreseeable future – that could jeopardize the business as a going concern. Even if the individual risks are viewed on an aggregate basis, they do not threaten SGL Group as a going concern.

Outlook

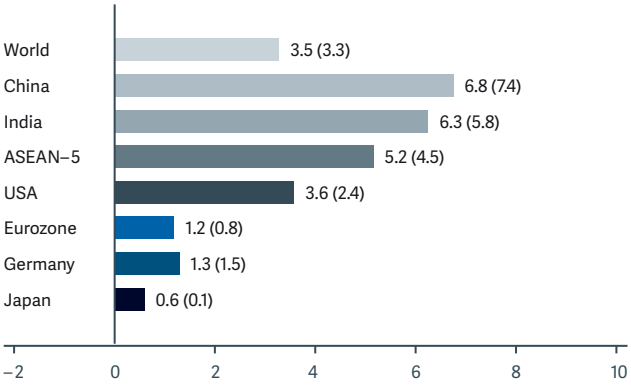
Economic development

The global economy will pick up in 2015, but the economic forces remain slow. In its January 2015 World Economic Outlook, the International Monetary Fund (IMF) lowered its forecast for global economic growth for 2015 from 3.8% to 3.5%, even though the low oil prices will provide some impetus, particularly in the industrial countries. The IMF anticipates a slowdown primarily in investment activities as a consequence of the increasingly subdued medium-term growth prospects. The established economies will recover in 2015, with a growth rate of 2.4%. However, the IMF forecasts a further weakening of economic expansion to 4.3% in the emerging and developing economies.

USA continues to drive economy in 2015; continued growth slowdown in China

The upswing in the USA is dynamic; its economy will grow by 3.6% in 2015. In the eurozone, the recovery will continue at a moderate rate of only 1.2%. At the same time, inflation will remain low, and the ECB is planning to further ease its monetary policy. The European peripheral countries are growing at a faster rate than the key member countries due to the first reform successes and pent-up demand. In contrast, growth is decelerating in France and Italy in particular. The IMF anticipates growth to remain restrained in Germany, too, at 1.3%. China is the main reason for the economic slowdown in the emerging markets. China's internal restructuring with a view to successively strengthening the domestic economy is currently dampening growth in the country and the region. Growth in China is forecast at 6.8% in 2015. The ASEAN-5 countries will expand at a rate of 5.2% and India at 6.3%. Brazil will hardly grow and Russia will fall into a recession.

Gross domestic product in 2015 (2014) at a glance in %
Real year-on-year change



Source: IMF, World Economic Outlook from January 2015

Industry developments

China dampens global steel consumption, electric steel needs lower scrap steel prices

In view of the moderate prospects for the world economy, the World Steel Association (WSA) estimates that global demand for steel will grow by only 2.0% in 2015. In addition to the decline in Japan (–1.7%), this prediction is based on the almost nonexistent growth in demand in China (0.8%). Since China produces more than it needs, it is likely that export volume will be considerable, above all to Southeast Asia. In the developing and emerging markets outside of China, the WSA predicts a significantly more dynamic rise in demand by 4.7% in 2015 (2014: 1.7%). As a consequence of the economic impulses and infrastructure investments after the change in government, demand for steel in India is set to rise by as much as 6.0%. Demand will recover in Brazil as well, but only at the moderate rate of 1.5%. The WSA predicts growth to level off to 1.9% in the USA and 3.5% in Mexico. Growth rates in the EU and Germany are also expected to be lower than in the prior year. At the turn of 2014/15 iron ore prices were lower than they had been in years. To ensure that electric steel can once again improve its relative cost position against blast furnace production, further significant price reductions for scrap steel will be required.

Positive prospects for aluminum industry, continued capacity expansion possible

The reduction of weight and CO2 emissions, both long-term growth drivers for the aluminum industry, are still trending strong. In addition, a slight revival of the world economy will stimulate demand. For many manufacturers, the earnings situation recently improved structurally due to declining input costs, in particular for energy, and higher sales prices. Against this backdrop the investment backlog in the industry could continue to clear if sales prices for aluminum remain robust. According to the Chinese Nonferrous Industry Association (CNIA, Antaike), a further significant expansion of melting capacities by 14% to 40 million tons (2014: +13%) is projected in China for 2015 alone. The International Aluminium Institute (IAI) anticipates a moderate increase in available production capacities in the years 2015 and 2016. As a consequence, demand for specific capital goods and equipment for aluminum production will see a steady, slight improvement. With a certain time lag, this could also have a positive effect on the business of SGL Group.

Chemicals production picks up worldwide – Europe still lacking momentum

The prospects for chemicals are brightening with the economic revival and an acceleration of industrial production. The German Chemical Industry Association (VCI) anticipates a global increase in production by 4.5% in 2015, with growth in all major regions. In the USA, chemicals production will rise by 3.5%. In light of the flatter growth curve of the Chinese economy, local chemicals production should expand at a slower rate of 9.0% again, but from an international perspective will still be very dynamic. In Europe the trend will remain sluggish in 2015. The VCI projects growth rates for both the EU and Germany of a moderate 1.5%. Declining oil-based input costs will improve the earnings situation of many companies, and exports will pick up. In light of the strong capacity utilization rate of 84.5% on average in the German chemicals industry in 2014, the willingness for new investments could gradually rise – at least selectively.

Lithium ion batteries: cars and green power storage are the new drivers

General consensus is that the market for lithium ion batteries will experience dynamic growth. Past forecasts predicted annual growth of 13–14%. Frost & Sullivan is now more optimistic and expects the market to more than quadruple by 2020 to more than USD 70 billion (base year 2013). That would be equivalent to more than 20% growth per year. The automotive industry is increasingly the main driver, since more hybrid and electric vehicles are planned. In addition, Tesla and leading battery manufacturers are making massive investments in production capacities for lithium ion batteries. The demand for green power storage could rise at an especially strong rate. Frost & Sullivan predicts that in 2020 just under 38% of the market volume will come from that sector (currently just under 7%). The automotive industry will raise its share from more than 18% to 30%. In consideration of the dynamic growth for high-performance batteries (including lithium ions), notable growth potentials are arising for material suppliers as well. Navigant Research anticipates this market to grow to USD 19.3 billion by 2023 (2014: USD 7.3 billion).

Polysilicon: capacity expansion jeopardizes achieved market balance

The IHS market researchers expect PV (photovoltaics), the dominant end market for polysilicon at 90% of the volume, to grow by up to 25% to some 55 GW of newly installed capacity. In terms of the semiconductor end market, the World Semiconductor Trade Statistics association (WSTS) forecasts growth rates of at least 3% for both 2015 and 2016, in line with the global economy. After three years of massive overcapacities and extremely low prices, the situation for polysilicon producers had improved in 2014. As a consequence the industry gained confidence in a continued revival. The market researchers of GTM Research now anticipate significantly higher polysilicon investments for 2015 and 2016. There is an increasing risk of new overcapacities; prices for polysilicon will hardly pick up over the long term, among other things because new capacities are produced at substantially lower cost. On the whole, the prospects for equipment manufacturers are volatile, and remain subdued if the polysilicon industry does not moderate its investment behavior.

Wind industry poised for continued solid growth

The recovery of the wind industry will continue. This assumption is supported by ambitious expansion targets in China, the USA, and Europe. In addition, many emerging economies are now contributing to growth. The Global Wind Energy Council (GWEC) expects 51 GW in new installations for 2015. This corresponds to growth of about 8%. The worldwide installed capacities for the production of wind energy will thus rise by 14% to a total of 416 GW by year-end 2015. For each of the three subsequent years, the GWEC is predicting a constant rise in new installations from 56 to 64 GW per year. In a GWEC core scenario, growth rates from annual expansion are estimated to average about 9% until 2030. Since various wind turbine manufacturers are gradually using more carbon fibers in their rotor blades, this trend could have a positive impact on the wind business of the SGL Group.

Automotive industry: Moderate growth in major markets, potential for lightweight construction

The automotive market will continue to grow in 2015. Verband der Automobilindustrie (VDA) projects a moderate worldwide rise in new registrations by approximately 2% to 76.4 million passenger cars and light vehicles. Growth is expected to flatten in the largest markets, China at 6% and the USA and Western Europe at 2% each. Germany's passenger car market should grow by 1%. Carsharing and e-mobility are continuing to gain

acceptance. According to the VDA, among German manufacturers alone twelve new serially produced electric cars will be launched in 2015 (so far seventeen models exist). Regulations for the reduction of CO_2 emissions and for the promotion of more environmentally friendly automobiles are fueling the trend toward electric/hybrid vehicles and lightweight construction. McKinsey predicts a rise in lightweight construction with a mix of materials from 29% (2010) to 67% (2030). We will see increasing use of light, high-tensile steel (instead of conventional sheet steel), aluminum, and magnesium. In addition, as production costs decline, carbon fiber reinforced plastics (CFRP) will become established. Berylls Strategy Advisors forecasts the global market volume for lightweight body construction to quintuple by 2025 to €98.7 billion, of which €1.9 billion relate to CFRP.

General statement on anticipated developments

As a consequence of the continued streamlining of the organizational structure effective 2015, the comments in our outlook are based on the three operational reporting segments Performance Products (PP), Graphite Materials & Systems (GMS), and Carbon Fibers & Materials (CFM). In addition, we also have the fourth reporting segment, Corporate, in which central functions are consolidated (for information on the organizational and reporting structure, refer to the Management Report starting on page 39).

The Group outlook and the outlook for the main segments are based on the above-described expectations for the general economic and industry developments. Should the geopolitical and/or sovereign debt crises escalate further, negative effects on our forecast of the Group's results of operations and financial position cannot be ruled out, in particular in relation to the more cyclical businesses in our reporting segments PP and GMS. In portions of our reporting segment GMS, and particularly in CFM, anticipated developments also depend on large projects of our customers. Developments that differ from our planning could have a positive or negative impact on the Group.

Our planning is also based on certain exchange rates. On the basis of these projected exchange rates we have hedged 50–75% of the anticipated net positions of the individual currency pairs. In some instances, favorable hedge rates were achieved. On the whole, a stronger US dollar over the euro has a positive effect for us because our businesses usually report dollar surpluses that then have to be exchanged into euros. Irrespective of this, further upheavals to our most important currencies would influence our earnings forecast, which is based on the prevailing currency exchange rates at the time this Management Report was prepared. The same is also true for the prices of essential raw materials.

The following table provides an overview of relevant financial Group targets and the respective outlook for 2015:

Financial group targets

€m	Actual figure 2014	Outlook 2015
Sales [1]	1,335.6	nearly same
EBIT [1]	3	significant improvement
ROCE (EBIT) [1]	0.2 %	significant improvement
EBITDA [1]	84	significant improvement
ROCE (EBITDA) [1]	5.9 %	significant improvement
Consolidated net result	– 128	significantly lower net loss for the year

[1] Target figures are in each case based on continuing operations before non-recurring charges

Group development

We expect Group sales – adjusted for currency and possible portfolio effects – to remain roughly stable in 2015 in comparison to the prior year even though we in some instances have to pass on lower raw material costs on to our customers. On the whole, Group EBITDA and Group EBIT should significantly improve year over year (both before non-recurring charges).

We are pursuing our SGL2015 cost savings program with highest priority. In the two preceding fiscal years we were already able to achieve cumulative savings of a total of €157 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 of 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. We are thus currently planning for restructuring expenses in a high single-digit million euro amount. Similar to the reporting year, we anticipate restructuring cash outflows in a mid double-digit million euro amount since payments for the measures initiated in 2013 and 2014 were not immediately due.

These payments, in addition to high capital expenditures for capacity expansions in our joint ventures with BMW Group during the first half of 2015, will continue to burden the free cash flow from continuing operations in 2015. On the whole, net debt will be significantly higher at year-end 2015 than at year-end 2014.

Development of reporting segments

Reporting segment	KPI	Actual figure 2014	Outlook 2015
PP	Sales	€588 million	slight percentage improvement
	EBIT before non-recurring charges	€26 million	significant percentage improvement
GMS	Sales	€440 million	virtually unchanged (prior year benefited from large order)
	EBIT before non-recurring charges	€40 million	virtually unchanged (prior year benefited from large order)
CFM	Sales	€296 million	slight percentage improvement
	EBIT before non-recurring charges	€– 23 million	significant improvement
Corporate	EBIT before non-recurring charges	€– 41 million	virtually unchanged

Sales in our business unit Performance Products (PP) should increase somewhat in percentage terms. A slight improvement in volume demand both for graphite electrodes and cathodes could be largely offset by raw material cost related price adjustment. We expect sales volume to rise in the cathode business, but at the same time price levels are likely to continue to decline. EBIT before non-recurring charges 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.

Our business unit Graphite Materials & Systems (GMS) benefited from a major contract in fiscal year 2014. Adjusted for this major contract, we anticipate a slight increase in sales on the whole based on higher volume demand from some customer industries. We anticipate significantly higher demand, in particular for the business with the lithium ion battery industry. Similar to sales, the EBIT of the business unit GMS also profited from the major contract of the prior year. However, we still expect to nearly match the prior-year results thanks to improved volume demand in some customer industries.

Slight growth is anticipated for our reporting segment Carbon Fibers & Materials (CFM), which above all will benefit from the accelerated capacity expansion in our two joint ventures with the BMW Group (SGL ACF, USA and Germany). The sales of our precursor subsidiary Fisipe could develop in the opposite direction, however, since the price of acrylic fiber closely correlates to that of crude oil. EBIT for this reporting segment should be able to benefit both from the expected completion of the start-up phase in our joint ventures with BMW Group in mid-2015, as well as from slightly higher demand from the wind industry.

Expected financial position

High liquidity covers financing requirements for 2015

The Group's financing requirements are determined by the strategic business plans of the operational business units. These are reviewed annually based on the new plans. The issue of our new corporate bond of €250 million in December 2013, the convertible bonds issued in 2009 and 2012, the committed credit lines, and the proceeds from the October 2014 capital increase, which have led to liquidity of €347 million as of December 31, 2014, allow us to cover the operational financing requirements anticipated for fiscal 2015. We have substantially prolonged our maturity profile with the refinancing in December 2013. This means the first repayment obligation for one of our financial instruments, relating to the convertible bond issued in 2009, will not occur until June 2016. In December 2014, the bond was valued at €135 million and is due at the end of its term in June 2016 – the funds to repay this convertible bond are covered by the existing liquidity.

Investments in 2015 significantly lower than prior year and for first time in years return to level of depreciation

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

Dividend development

Due to the significant net loss in fiscal year 2014 and our focus on debt reduction, the Board of Management and the Supervisory Board will not propose a dividend to the Annual General Meeting on April 30, 2015. We are working with highest priority on making our Company sustainably profitable again. Only then will the payment of continuous, earnings-related dividends be possible.

Remuneration Report

Remuneration for the Board of Management in fiscal year 2014

As part of the review of remuneration for the Board of Management by the Supervisory Board, the remuneration system for the members of the Board of Management was revised as of January 1, 2014. As a general rule, the individual agreements for Board members are identical. Different characteristics have been agreed in some cases with respect to retirement benefits and the maximum total remuneration. These differences take into account the respective Board member's situation on the date when the remuneration system was changed. During this renewal, to fulfill the regulatory requirements, the following objectives in particular were considered:

- Harmonization of the remuneration systems for Board of Management members
- Reduction in complexity
- Focus on sustained effectiveness of remuneration systems

The Annual General Meeting of SGL Carbon SE approved the new remuneration system on April 30, 2014 with a majority of 99.64% of votes cast.

Structure for the Board of Management

The remuneration for the members of the Board of Management includes both non-performance related salary and non-cash payments as well as benefit commitments and performance-related (variable) components.

The non-performance related components include a fixed annual salary (basic remuneration) as well as incidental payments and an annual contribution to retirement benefits. The basic remuneration is paid in twelve equal installments at the end of each month. This totals €630,000 per year for Dr. Koehler, €465,000 for Dr. Majerus, and €465,000 for Dr. Wingefeld.

The incidental benefits mostly comprise the use of a company car, including use of the pool of chauffeurs, accident insurance, as well as D&O insurance with a deductible according to the Aktiengesetz (AktG – German Public Limited Companies Act) and the German Corporate Governance Code (GCGC).

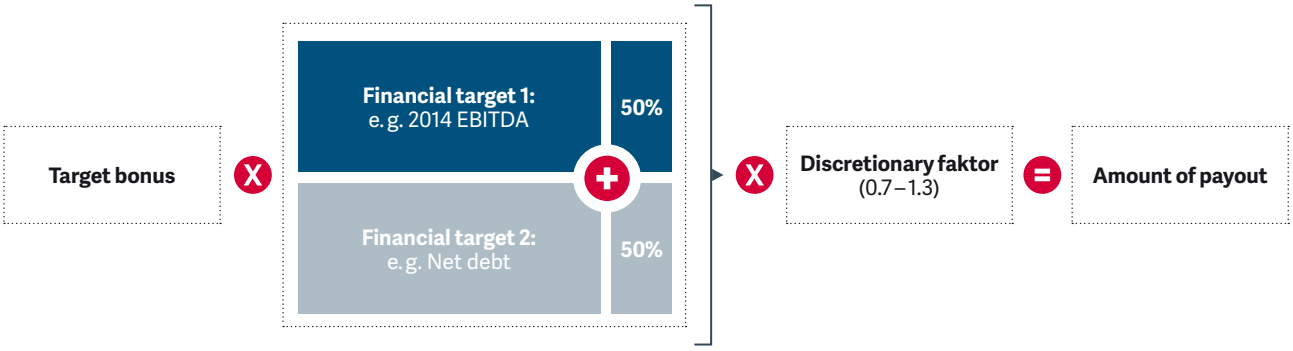
The performance-related components comprise annual variable remuneration (SGL Carbon Bonus Plan) and a multi-year variable remuneration component (SGL Carbon Long Term Incentive Plan – LTI).

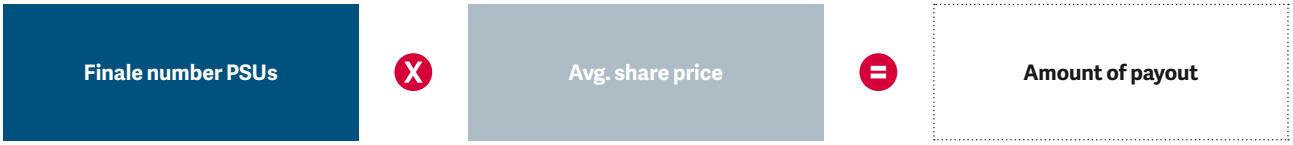
SGL Carbon Bonus Plan

The annual variable remuneration for the members of the Board of Management is measured based on a target bonus defined individually for each Board member (Dr. Koehler € 420,000, Dr. Majerus € 350,000, and Dr. Wingefeld €350,000 per year). The amount paid out depends on financial and individual performance targets being reached during a fiscal year.

In determining the annual variable remuneration, as a general rule the Supervisory Board sets two financial performance targets per year, which can change year by year. These carry an equal weighting of 50%. Depending on the target, these can be reached at between 0% and 200%. Up to an achievement of 120%, the bonus is determined on a linear basis. Above an achievement of 120% the supervisory board can determine an over- or underproportional bonus remuneration.

In order to determine the annual variable remuneration, the value resulting from the financial performance targets is multiplied by a discretionary performance factor of between 0.7 and 1.3 (see graph). The Supervisory Board determines the discretionary performance factor using the individual degree of target achievement for various personal targets that are set at the start of the year for each member of the Board.





The payout is capped at 200% of the target bonus.

SGL Carbon long-term incentive plan

Members of the Board of Management are entitled to multi-year variable remuneration in the form of the Long-Term Incentive Plan (LTI). LTI aims to honor the company's sustained, long-term growth. This is mapped using the multi-year $ROCE_{EBIT}$ (performance target) and share price. One tranche of the plan is granted each year. The Supervisory Board sets the target $ROCE_{EBIT}$ including the relevant minimum and maximum threshold for a period of four years.

Upon granting, an allocation value in euros has been set for each Board member (Dr. Köhler €700,000, Dr. Majerus €545,000, and Dr. Wingefeld €545,000 per year; in the case of Dr. Majerus a pro-rata amount of € 476,875 was allocated for 2014). This value is used to calculate a preliminary number of virtual shares (performance share units, PSU) every year. The number of preliminary PSUs is calculated at the start of the corresponding performance period by dividing the allocation value by the fair value per share for the PSU. This fair value is computed by an independent third party.

After a period of three or four years, the degree of ROCE-target attainment is identified. A payment is only made if at least the lowest ROCE target is reached. The final number of PSUs is limited and can be between 0% and 150% of the preliminary number of PSUs. The possible amount paid is given by the final number of PSUs multiplied with the rounded share price for 60 trading days at the end of the four-year performance period. The total amount to be paid out is capped at 200% of the allocation value on the date granted (Cap). Payouts are made in cash.

Shareholding requirements

The members of the Board of Management are required to permanently hold a fixed quantity of shares of SGL Carbon SE for their period as a Board member. For the CEO the number of shares to be held corresponds to his fixed annual salary. For the other members of the Board of Management, the number of shares to be held corresponds to 85% of their fixed annual salary. This number is identified based on a rounded share price at the beginning of the performance period. The number of shares to be held must be built up successively over four years, to the extent that the member of the Board of Management does not fulfill the shareholding requirement.

The Supervisory Board is entitled to change the number of shares to be held when the Board of Management is reappointed in line with the described method.

Maximum total remuneration

In the remuneration system the annual gross remuneration of the members of the Board of Management that could theoretically be paid (including contributions to the company pension scheme) is subject to a cap, considering all of the remuneration components. The maximum amount of the annual maximum remuneration is €3,600,000 for Dr. Koehler and €3,100,000 in each case for Dr. Majerus and Dr. Wingefeld.

Payments in the event of termination of activities

If the appointment as a member of the Board of Management is prematurely terminated – by mutual consent, cancellation, resignation or by termination as a result of company law proceedings under the UmwG – the Board members receive maximum compensation of two annual salaries in line with the German Corporate Governance Code. If the residual period of the employment contract for the member of the Board of Management is less than two years, the compensation is reduced on a pro rata basis. The amount of the annual remuneration to be paid is governed by the total amount of the fixed salary and the variable remuneration components, based on targets being 100% achieved without non-cash compensation and other incidental payments for the last full fiscal year prior to the end of the employment agreement for the Board member. There are no agreements to make payments due to premature termination of activities as a member of the Board of Management as a result of a change of control.

As a rule, the Board members are subject to a one-year ban on competition after their contract ends. As compensation, the company pays the members of the Board of Management compensation of 50% of their annual remuneration for the duration of the no competition clause. The amount of the annual remuneration to be paid is governed by the total amount of the fixed salary and the variable remuneration components, based on targets being 100% achieved without non-cash compensation and other incidental payments for the last full fiscal year prior to the end of the employment agreement for the Board member. Other income for the Board member is netted with this compensation.

In connection with the mutual agreement to terminate his activities as the Chief Financial Officer as of June 30, 2014, Mr. Muth received a compensation payment of €5,374,378, of which €4,958,783 was paid in 2014. In this connection 30,000 SARs and entitlements to 4,136 MSPs (for information on the MSP plan see **Note 30**) were compensated.

Remuneration for the Board of Management in 2014 according to the German Corporate Governance Code

From fiscal year 2014, the German Corporate Governance Code in the version dated June 24, 2014, requires the presentation of the remuneration for each member of the Board of Management in an expanded form. In order to fulfil the requirements of the German Corporate Governance Code, the presentation of the remuneration for members of SGL Carbon SE's Board of Management includes

- all of the benefits granted. This includes fringe benefits and the maximum and minimum remuneration which can be reached.
- the allocation for the fiscal year from fixed remuneration and variable remuneration, differentiated according to the respective years in which this was paid
- expenses for retirement benefits.

The remuneration data is included in the contribution table and the allocations table according to the German Corporate Governance Code.

Total remuneration for the Board of Management in 2014 (benefits granted)

Total target remuneration for the members of the Board of Management in fiscal year 2014 (based on benefits granted) totaled €7,006,212 (2013: €14,117,907). Of this total remuneration, €1,560,000 (2013: €2,734,000) was due to fixed remuneration, €90,080 was due to fringe benefits (2013: €184,507), €1,224,000 was due to one-year variable remuneration (2013: €3,280,800), €2,218,825 was due to multi-year variable remuneration (2013: €5,033,600) and €1,912,579 (2013: €2,885,000) was due to retirement benefits. The members of the Board of Management are granted PSUs from the LTI as their multi-year variable remuneration. There were no allocations from the SAR plan, the MSP plan and the LTCI plan in fiscal year 2014.

The LTI tranche granted in fiscal year 2014 was devided as follows for Dr. Köhler and Dr. Wingefeld: 75% of the PSUs granted were measured over a three-year period (2014–2016), while 25% of the PSUs were based on a four-year performance period (2014–2017). The PSUs granted to Dr. Majerus are exclusively based on a four-year performance period. Please refer to the 2013 annual report for the individual remuneration for the members of the Board of Management who left in 2013.

The following remuneration was granted to the active members of the Company's Board of Management in 2014 (individualized presentation):

Benefits granted (Euro)	Dr. Jürgen Köhler Chief Executive Officer (since Jan. 1, 2014)*				Dr. Gerd Wingefeld Chief Technology Officer			
	2013	**2014**	Min.	Max.	2013	**2014**	Min.	Max.
Fixed remuneration	187,000	630,000	630,000	630,000	465,000	465,000	465,000	465,000
Fringe benefits	16,468	30,138	30,138	30,138	42,213	37,039	37,039	37,039
Total	**203,468**	**660,138**	**660,138**	**660,138**	**507,213**	**502,039**	**502,039**	**502,039**
Annual variable remuneration	224,400	420,000	0	840,000	558,000	350,000	0	700,000
Multi-year variable remuneration [1]	0	700,000	0	1,400,000	948,600	545,000	0	1,090,000
MSP entitlement – 2013 [2]	0	0	0	0	213,000	0	0	0
SAR grant – 2013 [2]	0	0	0	0	402,600	0	0	0
LTCI 2013 – 2015 [2]	0	0	0		333,000	0	0	0
LTI 2014 – 2016	0	525,000	0	1,050,000	0	408,750	0	817,500
LTI 2014 – 2017	0	175,000	0	350,000	0	136,250	0	272,500
Total	**427,868**	**1,780,138**	**660,138**	**2,900,138**	**2,013,813**	**1,397,039**	**502,039**	**2,292,039**
Retirement benefits	593,000	678,348	678,348	678,348	658,000	723,732	723,732	723,732
Total remuneration (German Corporate Governance Code)	**1,020,868**	**2,458,486**	**1,338,486**	**3,600,000**	**2,671,813**	**2,120,771**	**1,225,771**	**3,100,000**

* Dr. Jürgen Köhler is a member of the Board of Management since June 1, 2013

[1] The figures related to the multi-year variable remuneration reported for the fiscal years 2013 and 2014 correspond to the allotment values in case of a target achievement of 100%

[2] MSP, SAR and LTCI were remuneration elements of the old remuneration system for the Board of Management. Please refer to **Note 30** of the notes to the consolidated financial statements for details regarding these plans

Benefits granted (Euro)	Dr. Michael Majerus Chief Financial Officer since July 1, 2014*				Jürgen Muth Chief Financial Officer until June 30, 2014*			
	2013	**2014**	Min.	Max.	2013	**2014**	Min.	Max.
Fixed remuneration	–	232,500	232,500	232,500	465,000	232,500	232,500	232,500
Fringe benefits	–	6,703	6,703	6,703	28,250	16,928	16,928	16,928
Total	**–**	**239,203**	**239,203**	**239,203**	**493,250**	**249,428**	**249,428**	**249,428**
Annual variable remuneration	–	175,000	0	350,000	558,000	279,000	0	558,000
Multi-year variable remuneration [1]	–	476,875	0	953,750	863,600	496,950	0	993,900
MSP entitlement – 2013 [2]	–	0	0	0	128,000	0	0	0
SAR grant – 2013 [2]	–	0	0	0	402,600	0	0	0
LTCI 2013 – 2015 [2]	–	0	0	0	333,000	0	0	0
LTI 2014 – 2016	–	0	0	0	0	0	0	0
LTI 2014 – 2017	–	476,875	0	953,750	0	496,950	0	993,900
Total	**–**	**891,078**	**239,203**	**1,542,953**	**1,914,850**	**1,025,378**	**249,428**	**1,801,328**
Retirement benefits	–	91,563	91,563	91,563	762,000	418,937	418,937	418,937
Total remuneration (German Corporate Governance Code)	**–**	**982,641**	**330,766**	**1,550,000**	**2,676,850**	**1,444,315**	**668,365**	**1,427,450**

* Jürgen Muth retired from the Board of Management as of June 30, 2014; his contract of employment ended as of August 31, 2014
Dr. Majerus was appointed to the Board of Management as of July 1, 2014; therefore, grants are on pro-rata basis

[1] The figures related to the multi-year variable remuneration reported for the fiscal years 2013 and 2014 correspond to the allotment values in case of a target achievement of 100%

[2] MSP, SAR and LTCI were remuneration elements of the old remuneration system for the Board of Management. Please refer to **Note 30** of the notes to the consolidated financial statements for details regarding these plans

Total remuneration for the Board of Management in 2014 (allocations)

The allocations for the Board of Management in fiscal year 2014 totaled €4,848,365 (2013: €8,853,507). Of this total allocation, €1,560,000 (2013: €2,734,000) was due to fixed remuneration, €90,080 was due to fringe benefits (2013: €184,507), €927,987 was due to one-year variable remuneration (2013: €1,913,000), €357,290 was due to multi-year variable remuneration (2013: €1,137,000) and €1,912,579 (2013: €2,885.00) was due to benefit expenses.

The following table for the active members of the Board of Management in the current fiscal year shows the effective allocations in the respective calendar year, broken down into fixed remuneration, incidental payments, one-year variable remuneration, multi-year remuneration – broken down into individual plans – and benefit expenses.

Principle of allocation (Euro)	**Dr. Jürgen Köhler** Chief Executive Officer since Jan. 1, 2014		**Dr. Gerd Wingefeld** Chief Technology Officer		**Dr. Michael Majerus** Chief Financial Officer since July 1, 2014		**Jürgen Muth** Chief Financial Officer until June 30, 2014*	
	2014	2013	**2014**	2013	**2014**	2013	**2014**[1]	2013
Fixed remuneration	630,000	187,000	465,000	465,000	232,500	–	232,500	465,000
Fringe benefits	30,138	16,468	37,039	42,213	6,703	–	16,928	28,250
Total	**660,138**	**203,468**	**502,039**	**507,213**	**239,203**	**–**	**249,428**	**493,250**
Annual variable remuneration	412,305	60,000	343,588	149,000	171,794	–	0	149,000
Multi-year variable remuneration[2]	5,548	0	175,871	214,067	0	–	175,871	171,285
MSP match 2012/2011	5,548	0	175,871	214,067	0	–	175,871	171,285
SAR exercise	0	0	0	0	0	–	0	0
Total	**1,077,991**	**263,468**	**1,021,498**	**870,280**	**410,997**	**–**	**425,299**	**813,535**
Retirement benefits	678,348	593,000	723,732	658,000	91,563	–	418,937	762,000
Total remuneration (German Corporate Governance Code)	**1,756,339**	**856,468**	**1,745,230**	**1,528,280**	**502,560**	**–**	**844,236**	**1,575,535**

* Jürgen Muth retired from the Board of Management as of June 30, 2014; his contract of employment ended as of August 31, 2014

[1] In connection with the retirement of Mr. Muth, an additional compensation payment of €5,374,378 was granted, of which an amount of €4,958,783 was actually paid in 2014

[2] The amount paid for the annual variable remuneration in fiscal 2014 will be determined not until the Supervisory Board meeting on March 17, 2015
The value reported here represents a preliminary payment taking into consideration a discretionary performance factor of 1.0

Additional disclosures on share-based payment instruments in fiscal year 2014

The remuneration system for the Board of Management was restructured in 2014 – as described above. As a result, no new LTCIs, MSPs and SARs were issued for the members of the Board of Management. Corresponding plans were replaced by the LTI.

SAR	Balance as of December 31, 2013		Forfeited 2014	Exercise	Balance as of December 31, 2014	
	Number	Weighted base pricet			Number	Weighted base price*
Dr. Köhler [1)]	46,000	32.10€	0	0	46,000	31.46€
Jürgen Muth	90,000	32.40€	30,000	0	60,000	31.76€
Dr. Wingefeld	112,500	30.23€	0	0	112,500	29.59€

MSP	Balance as of December 31, 2013		Forfeited 2014	Due 2014	Balance as of December 31, 2014	
	Number	Average price upon purchase		Match	Number	Average price upon purchase
Dr. Köhler [1)]	884	32.05€	0	235	649	30.83€
Jürgen Muth	10,096	33.55€	4,136	5,960	0	0€
Dr. Wingefeld	14,342	33.22€	0	7,449	6,893	30.83€
Average share price at grant date				35.44€		
Share price at match date				23.61€		

* The capital increase in Q4/2014 resulted in a reduction of the base price of €0.64 per SAR

1) Earned before the appointment as member of the Board of Management on June1, 2013

The existing SARs could not be exercised on December 31, 2014.

Company retirement benefits

Members of the Board of Management who were newly appointed in the fiscal year and to be appointed in future will receive company retirement benefits in the form of a defined contribution scheme. This includes retirement benefits upon reaching statutory retirement age, invalidity and death. There is entitlement to premature payment when the Board member reaches the age of 62.

For the duration of their employment and for each past service year, SGL Carbon SE pays a contribution into a benefits account for each member of the Board of Management. The benefit account is interest bearing until benefits start to be paid. If the investment in the benefit account should bear higher interest than the respective applicable guaranteed interest rate in the life insurance sector, this is also credited to the benefit account in the event that an insured event occurs (surplus). In the event of invalidity or death prior to the age-related insured event, the benefits account is credited with contributions up to the age of 60, however the replenishment is limited to a maximum of ten contribution payments. The payout in an insured event is made as a one-off payment or, upon application, in ten annual installments.

The company retirement benefit plan for Dr. Koehler has been migrated to the new system. In order to replace vested, non-forfeitable entitlements, €2,289,940 was paid into a re-insurance policy in 2014. One-off expenses of €592,460 resulted from this transition. The former system continues to apply for Dr. Wingefeld. In this system, the amount of the post-employment benefit commitment and the pension benefit depends on the number of terms of appointment and the number of years of service on the Board of Management, and it represents a percentage of the last fixed monthly salary. The maximum entitlement for Dr. Wingefeld is 70% of the last fixed monthly salary he received, and is currently 55%. The pension benefit entitlement is increased by 5% starting with each year of Board membership; at the beginning of the ninth year, the maximum entitlement of 70% is reached.

Active members of the Board of Management as of Dec. 31, 2014	**Present value of defined benefit obligation**		**Service cost**	
Mio. €	**2014**	2013	**2014**	2013
Dr. Köhler	2,361	1,697	638	593
Dr. Majerus	92	0	92	0
Dr. Wingefeld	6,420	4,368	723	658
Retired Board members				
Jürgen Muth	7,158	4,770	838	762
Robert Koehler	12,632	10,209	0	0
Armin Bruch	7,758	6,713	0	872
Total	**36,421**	**27,757**	**2,291**	**2,885**

The total remuneration for former members of the Board of Management, executive management, and their surviving dependents amounted to €0.6 million in 2014 (2013: €0.5 million). Provisions of €56.4 million (2013: €16.4 million) had been recognized 2014 to cover pension obligations to former members of executive management and their surviving dependents.

Supervisory Board remuneration

In addition to the reimbursement of expenses, each member of the Supervisory Board receives fixed annual remuneration of €50 thousand, payable after the end of a fiscal year. The Chairman of the Supervisory Board receives two-and-a-half times that amount, and the Deputy Chairman receives one-and-a-half times that amount. Each member of the Personnel Committee, the Governance Committee, the Ethics Committee, the Strategy Committee, and the Technology Committee receives €2 thousand for each meeting attended, and each member of the Audit Committee receives €3 thousand for each meeting attended. The chairmen of the Personnel, Governance, Ethics, Strategy, and Technology Committees receive €3 thousand per meeting, and the Chairman of the Audit Committee receives €6 thousand per meeting.

				Remuneration		
€ thousand	Member since	Age as of the date of release of the 2014 annual report	Period of service (appointed up to)	Basic Remu-neration	Additional remu-neration	**Total**
Susanne Klatten (Chairwoman)	2009[1)]	52	HV 2015	125.0	9.6	134.6
Dr. Ing. Hubert H. Lienhard (Deputy Chairman)	1996	64	HV 2018	75.0	7.6	82.6
Helmut Jodl (Deputy Chairman)	2008	53	HV 2018	75.0	5.6	80.6
Dr. Christine Bortenlänger	2013	48	HV 2018	50.0	18.6	68.6
Dr. Daniel Camus	2008[2)4)]	62	HV 2018	50.0	13.2	63.2
Ana Cristina Ferreira Cruz	2013	51	HV 2018	50.0	1.6	51.6
Edwin Eichler	2010	56	HV 2016	50.0	3.2	53.2
Michael Leppek	2013	44	HV 2018	50.0	10.6	60.6
Andrew H. Simon	1998[3)]	69	HV 2015	50.0	21.6	71.6
Marcin Rzemiński	2013	54	HV 2018	50.0	3.6	53.6
Markus Stettberger	2013	43	HV 2018	50.0	10.6	60.6
Hans-Werner Zorn	2013	60	HV 2018	50.0	9.6	59.6
Total				**725.0**	**115.4**	**840.4**

1) Chairwoman of the Personnel Committee
2) Chairman of the Strategy/Technology Committee
3) Chairman of the Audit Committee
4) Chairman of the Governance & Ethics Committee

Disclosures pursuant to Sections 289 (4), 315 (4) and 289a of the German Commercial Code (HGB)

The following outlines the disclosures required in accordance with Sections 289 (4) and 315 (4) of the HGB:

Composition of subscribed capital

As of December 31, 2014, the issued capital of the Company was €234,041,666.56, divided into 91,422,526 no-par-value bearer shares, each with a notional value of €2.56 (see **Note 22** of the notes to the consolidated financial statements).

Restrictions on voting rights and the transfer of shares

The SGL shares issued to plan participants in connection with the individual employee participation programs of SGL Group are subject to a certain extent to a one-year lock-up period, with a two-year lock-up period for LTCI and the matching share plan (see **Note 30**). Moreover, the members of the Company's Board of Management are obligated to permanently hold a fixed quantity of shares in SGL Carbon SE during their membership on the Board, with the Chairman of the Board of Management holding an amount equal in value to one year's fixed salary and the other Board of Management members holding an amount equal in value to 85% of their annual fixed salaries. Otherwise, no restrictions exist with respect to voting rights or the transfer of shares. This does not affect mandatory statutory provisions, however, particularly those in accordance with Section 71b of the German Stock Corporation Act (AktG), which prohibits voting rights with respect to the Company's own shares, as well as the voting rights prohibition in cases of conflicts of interest in accordance with section 136 (1) of the AktG.

Direct or indirect interests in the Company's capital

The Company was informed of the following holdings of direct or indirect shares in its capital exceeding ten percent of voting rights: (i) SKion GmbH, Bad Homburg, with a holding of approximately 27.46% at year-end 2014 by way of voting rights notifications in accordance with Sections 21 et seq. of the German Securities Trading Act (WpHG) and (ii) Bayrische Motorenwerke Aktiengesellschaft (BMW AG), Munich, last reported a holding of approximately 18.44% in October 2014 by way of voting rights notifications submitted at that time. The voting rights of SKion GmbH are attributable to Mrs. Susanne Klatten, Germany, who therefore indirectly held a share of approximately 27.46% in the voting rights of SGL Carbon SE at year end.

Holders of shares with special rights

The Company has not issued any shares with special rights conferring control authority over the Company.

Type of voting rights control in the case of employee shareholders

There are no voting rights control provisions for employees having an interest in the Company's issued capital.

Statutory regulations and provisions in the Articles of Incorporation concerning the appointment and dismissal of members of the Board of Management and amendments to the Articles of Incorporation

The statutory provisions of Article 39 of the SE Regulation, Section 16 of the Act implementing the SE Regulation and Sections 84 and 85 of the German Stock Corporation Act as well as Section 6 of the Company's Articles of Incorporation apply to the appointment and dismissal of members of the Board of Management. The members of the Board of Management are accordingly appointed and dismissed by the Supervisory Board. Board of Management members can be appointed for a maximum term of five years, with reappointment permitted. The Supervisory Board can dismiss a Board of Management member if good cause exists. Good cause includes, but is not limited to, gross negligence of Board of Management duties or a vote of no confidence by the Annual General Meeting. The Supervisory Board decides on appointments and dismissals at its own due discretion.

Changes to the Articles of Incorporation are decided by adoption of a resolution by the Annual General Meeting. Under Section 17 (4) of the Articles of Incorporation, such decisions require a simple majority of the votes cast on the resolution, provided at least half of the issued capital is represented; the foregoing does not apply if a higher majority, including a higher capital majority, is prescribed by law.

Authority of the Board of Management to issue and buy back shares

Subject to the consent of the Supervisory Board, the Board of Management is authorized to issue new shares from authorized or conditional capital (see Section 3 (6) to Section 3 (9) and Section 3 (12) to Section 3 (14) of the Articles of Incorporation as well as **Note 22** of the notes to the consolidated financial statements). Subject to the consent of the Supervisory Board, the Board of Management has also been authorized by the Annual

General Meeting to buy back the Company's own shares pursuant to Section 71 (8) of the German Stock Corporation Act (AktG) on or before April 29, 2015 in an amount of up to 10% of the issued capital existing on the date of adoption of the resolution. The share repurchase may occur via the stock exchange or by way of a public purchase offer addressed to all shareholders at the discretion of the Board of Management. The Board of Management is authorized to sell the repurchased shares either (a) via the stock exchange, (b) by way of a public offer addressed to all shareholders, (c) subject to the consent of the Supervisory Board, to third parties in return for cash payment, provided the price of an SGL share does not fall significantly below the stock exchange price at the time of sale, or (d) subject to the consent of the Supervisory Board, to third parties, provided the transaction is made for the purpose of acquiring companies, parts of companies, or shares in companies or to service option and/or convertible bond issues. The shares may also be offered for purchase to employees of the Company or its Group companies, and up to a maximum of 300,000 shares may be transferred to Board of Management members as part of the Matching Share Plan. The Board of Management is further authorized to retire the purchased shares and to reduce the issued capital by the share in the issued capital attributable to the retired shares.

Significant agreements subject to the condition of a change in control following a takeover bid

The corporate bond issued by the Company in the amount of €250 million and maturing in 2021 entitles investors to demand early repayment of their notes in return for payment of 101% of the principal amount, provided (a) all or nearly all of the assets of SGL Carbon SE and its Group companies are transferred, (b) SGL Carbon SE is in the process of liquidation or wind-up, (c) a single individual acquires, either directly or indirectly, more than 35% of the voting shares in SGL Carbon SE, or (d) SGL Carbon SE is merged with a company and the previous owners of the voting shares in SGL Carbon SE no longer hold the majority of the Company's voting shares after the transaction.

Each of the convertible bonds issued by the Company (due in 2016 and 2018) entitles the bondholders to repayment of their outstanding notes at the principal amount in the event of a change in control, provided the bondholders declare such intention on or before the reference date to be determined by the Company; such reference date may not be fewer than 40 or more than 60 calendar days after the change in control. Alternatively, the notes may be converted into shares on or before the reference date, which could result in a better conversion ratio for bondholders based on the staggered conversion price with respect to the residual terms to maturity of the convertible bond in question. For the purposes of the two convertible bonds, a change in control exists if one or more individuals acquires control over the Company, with control being (a) direct or indirect ownership of more than 30% of the voting shares or (b) in the case of an acquisition offer, when the shares controlled by the bidder or individuals cooperating with the bidder plus the shares with regard to which the acquisition offer has been accepted exceed 50% of the voting rights in SGL Carbon SE and the acquisition offer becomes unconditional.

Pursuant to the joint venture agreement between SGL Group and BMW AG establishing SGL ACF, if one of the parties to the joint venture undergoes a change in control (i.e. if a third party directly or indirectly acquires 50% or more of the voting rights in a party to the joint venture, or 25% of the voting rights if such third party is a competitor of the other party to the joint venture), the other party to the joint venture is entitled to purchase the shares belonging to the party to the joint venture affected by the change in control or to tender its shares in the joint venture at market value to the party to the joint venture affected by the change in control.

Compensation agreements with the Board of Management and employees in the event of a takeover bid

The Company had entered into compensation agreements with the Company's senior managers to be triggered in the event of a change in control; those agreements ended as of December 31, 2014 (see **Note 22** of the notes to the consolidated financial statements).

Declaration pursuant to Section 289a of the German Commercial Code (HGB)

As required by Section 289a of the HGB, we have published a corporate governance declaration on our website at www.sgl-group.com under Investor Relations/Corporate Governance.

Wiesbaden, March 2, 2015

SGL Carbon SE

The Board of Management

Dr. Jürgen Köhler **Dr. Michael Majerus** **Dr. Gerd Wingefeld**

Consolidated Financial Statements

Consolidated Income Statement

for the period from January 1 to December 31

€m	Note	2014	2013*
Sales revenue	4, 29	**1,335.6**	**1,422.6**
Cost of sales		–1,114.6	–1,158.0
Gross profit		**221.0**	**264.6**
Selling expenses		–145.0	–155.9
Research and development costs	4	–38.0	–44.4
General and administrative expenses	4	–60.9	–73.6
Other operating income	5	37.9	42.8
Other operating expenses	5	–19.0	–10.7
Restructuring expenses	6	–33.9	–83.8
Impairment losses	7	–10.6	–39.0
Operating loss/profit		**–48.5**	**–100.0**
Result from investments accounted for At-Equity	8	–6.4	–9.0
Interest income	9	1.0	1.3
Interest expense	9	–40.9	–43.5
Other financing result	9	–9.6	–9.9
Result from continuing operations before income taxes		**–104.4**	**–161.1**
Income tax expense	10	–21.4	–91.3
Result from continuing operations		**–125.8**	**–252.4**
Result from discontinued operations, net of tax	11	**–119.2**	**–60.3**
Net result for the year		**–245.0**	**–312.7**
Attributable to:			
Non-controlling interests		2.0	4.3
Consolidated net result (attributable to shareholders of the parent company)		**–247.0**	**–317.0**
Earnings per share (€)			
Basic and diluted	12	–3.26	–4.47
Earnings per share – continuing operations (€)			
Basic and diluted	12	–1.69	–3.62

* Prior-year comparatives adjusted, see notes to the consolidated financial statements, **Note 3**

Consolidated Statement of Comprehensive Income

for the period from January 1 to December 31

€m	Note	2014	2013*
Net result for the year		**–245.0**	**–312.7**
Items that may be reclassified subsequently to profit or loss			
Changes in the fair value of securities available for sale [1]		0.1	–1.9
Cash flow hedges [2]		–3.0	–1.6
Currency translation		5.9	–28.4
Items that will not be reclassified to profit or loss			
Actuarial gains/losses on pensions and similar obligations [3]	23	–55.5	15.5
Other comprehensive income		**–52.5**	**–16.4**
Comprehensive income		**–297.5**	**–329.1**
Of which attributable to shareholders of the parent company		*–300.1*	*–332.9*
Of which attributable to non-controlling interests		*2.6*	*3.8*

* Prior-year comparatives adjusted, see notes to the consolidated financial statements, **Note 3**

1) Includes tax effects of minus €0.1 million (2013: minus €0.1 million)

2) Includes tax effects of €1.3 million (2013: €0.4 million)

3) Includes tax effects of €26.5 million (2013: minus €15.3 million)

Consolidated Balance Sheet

as of December 31

ASSETS €m	Note	Dec. 31, 2014	Dec. 31, 2013*	Jan. 1, 2013*
Non-current assets				
Goodwill	13	21.1	44.0	60.9
Other intangible assets	13	24.2	41.0	47.0
Property, plant and equipment	14	893.9	895.4	977.3
Investments accounted for At-Equity	8	41.7	34.2	34.2
Other non-current assets	15	8.4	19.8	24.9
Deferred tax assets	21	69.4	54.9	114.3
		1,058.7	**1,089.3**	**1,258.6**
Current assets				
Inventories	16	463.3	478.4	529.9
Trade receivables	17	175.5	189.0	288.4
Other receivables and other assets	18	47.1	60.9	53.5
Liquidity	19	347.5	235.1	359.4
Time deposits		*40.5*	*0.0*	*130.0*
Cash and cash equivalents		*307.0*	*235.1*	*229.4*
		1,033.4	**963.4**	**1,231.2**
Assets held for sale	20	**78.2**	**6.4**	**7.7**
Total assets		**2,170.3**	**2,059.1**	**2,497.5**

* Prior-year comparatives adjusted, see notes to the consolidated financial statements, **Note 3**

EQUITY AND LIABILITIES €m	Note	**Dec. 31, 2014**	Dec. 31, 2013*	Jan. 1, 2013*
Equity				
Issued capital	22	234.0	181.7	180.8
Capital reserves	22	914.4	695.0	680.0
Accumulated losses/Retained earnings		–580.8	–269.0	81.4
Equity attributable to the shareholders of the parent company		**567.6**	**607.7**	**942.2**
Non-controlling interests		17.1	16.2	15.3
Total equity		**584.7**	**623.9**	**957.5**
Non-current liabilities				
Provisions for pensions and similar employee benefits	23	384.7	298.6	329.8
Other provisions	24	53.7	56.2	12.0
Interest-bearing loans	25	592.2	547.9	668.4
Other liabilities	25	52.5	41.1	41.8
		1,083.1	**943.8**	**1,052.0**
Current liabilities				
Other provisions	24	98.6	110.7	95.9
Current portion of interest-bearing loans	25	112.6	143.6	142.1
Trade payables	25	176.4	191.2	195.3
Other liabilities	25	57.4	45.9	53.6
		445.0	**491.4**	**486.9**
Liabilities in connection with assets held for sale	20	**57.5**	**0.0**	**1.1**
Total equity and liabilities		**2,170.3**	**2,059.1**	**2,497.5**

* Prior-year comparatives adjusted, see notes to the consolidated financial statements, **Note 3**

Consolidated Cash Flow Statement

for the period from January 1 to December 31

€m	Note	2014	2013*
Cash flow from operating activities			
Result from continuing operations before income taxes		–104.4	–161.1
Adjustments to reconcile the result from continuing operations to cash flow from operating activities:			
Interest expense (net)		39.9	42.2
Depreciation/amortization expense		81.4	80.0
Impairment losses	7	10.6	39.0
Restructuring expenses	6	33.9	83.8
Result from investments accounted for At-Equity		6.4	9.0
Amortization of refinancing costs		2.8	5.0
Interest received		1.0	2.0
Interest paid		–26.1	–22.3
Income taxes paid	10	–7.0	–24.8
Changes in provisions, net		–61.5	19.7
Changes in working capital			
Inventories		16.7	37.4
Trade receivables		12.9	32.8
Trade payables		18.7	22.1
Changes in other operating assets/liabilities		–7.9	–3.2
Cash flow from operating activities – continuing operations		**17.4**	**161.6**
Cash flow from operating activities – discontinued operations		–19.3	–5.6
Cash flow from operating activities – continuing and discontinued operations		**–1.9**	**156.0**

* Prior-year comparatives adjusted, see notes to the consolidated financial statements, **Note 3**

€m	Note	2014	2013*
Cash flow from investing activities			
Payments to purchase intangible assets and property, plant and equipment		–132.6	–117.0
Proceeds from the sale of intangible assets and property, plant and equipment		9.3	5.2
Payments for the acquisition of subsidiaries, net of cash acquired (2013: proceeds from the sale of financial assets)		–0.8	3.6
Payments for capital contributions concerning investments accounted for At-Equity and investments in other financial assets		–14.6	–11.4
Cash flow from investing activities – continuing operations		**–138.7**	**–119.6**
Changes in time deposits		–40.5	130.0
Cash flow from investing activities and cash management activities – continuing operations		**–179.2**	**10.4**
Cash flow from investing activities and cash management activities – discontinued operations		–8.1	–14.2
Cash flow from investing activities and cash management activities – continuing and discontinued operations		**–187.3**	**–3.8**
Cash flow from financing activities			
Proceeds from issuance of financial liabilities		50.9	266.5
Repayment of financial liabilities		–51.6	–383.9
Proceeds from the capital increase		267.5	0.0
Payments in connection with financing activities		–6.0	–10.8
Dividend payments for the prior year		0.0	–14.2
Other financing activities		–1.1	–1.6
Cash flow from financing activities – continuing and discontinued operations		**259.7**	**–144.0**
Effect of foreign exchange rate changes		1.4	–2.5
Net change in cash and cash equivalents		**71.9**	**5.7**
Cash and cash equivalents at beginning of year		235.1	229.4
Cash and cash equivalents at end of year		**307.0**	**235.1**
Time deposits		40.5	0.0
Total liquidity	19	**347.5**	**235.1**

* Prior-year comparatives adjusted, see notes to the consolidated financial statements, **Note 3**

Consolidated Statement of Changes in Equity

for the period from January 1 to December 31

				Equity attributable	
€m	Issued capital	Capital reserves	Accumulated profit/loss	Consolidated net result	
Balance as of January 1, 2013 – as previously reported	180.8	680.0	199.0	5.9	
Effects from retrospective changes in financial reporting principles [1]			–146.6	20.9	
Balance as of January 1, 2013 [1]	180.8	680.0	52.4	26.8	
Net result for the year [1]				–317.0	
Other comprehensive income [1]			15.5		
Comprehensive income [1]			**15.5**	**–317.0**	
Dividends			–14.2		
Capital increase from share-based payment plans	0.9	15.0			
Appropriation of consolidated net result 2012			26.8	–26.8	
Other changes in equity[3]			–3.3		
Balance as of December 31, 2013	**181.7**	**695.0**	**77.2**	**–317.0**	
Balance as of January 1, 2014 – as previously reported	181.7	695.0	202.9	–396.4	
Effects from retrospective changes in financial reporting principles [1]			–125.7	79.4	
Balance as of January 1, 2014 [1]	181.7	695.0	77.2	–317.0	
Net result for the year				–247.0	
Other comprehensive income			–55.5		
Comprehensive income			**–55.5**	**–247.0**	
Dividends					
Capital increase from share-based payment plans	0.6	9.6			
Capital increase [2]	51.7	209.8			
Appropriation of consolidated net result 2013			–317.0	317.0	
Other changes in equity [3]			–11.7		
Balance as of December 31, 2014	**234.0**	**914.4**	**–307.0**	**–247.0**	

[1] Adjusted for effects from changes in financial reporting principles, see notes to the consolidated financial statements, **Note 3**

[2] After deduction of transaction costs of €6.0 million

[3] In particular in connection with non-controlling interests in partnerships

to the shareholders of the parent company							
Retained earnings/Accumulated losses							
	Accumulated other comprehensive income						
	Currency translation	Cash flow hedges (net)	Results from the mark-to-market valuation of securities	Total retained earnings/ accumulated losses	Equity attributable to the shareholders of the parent company	Non-controlling interests	**Total equity**
	–4.7	4.1	1.9	206.2	1,067.0	15.3	1,082.3
	0.9			–124.8	–124.8		–124.8
	–3.8	4.1	1.9	81.4	942.2	15.3	957.5
				–317.0	–317.0	4.3	–312.7
	–27.9	–1.6	–1.9	–15.9	–15.9	–0.5	–16.4
	–27.9	**–1.6**	**–1.9**	**–332.9**	**–332.9**	**3.8**	**–329.1**
				–14.2	–14.2	–0.3	–14.5
				0.0	15.9		15.9
				0.0	0.0		0.0
				–3.3	–3.3	–2.6	–5.9
	–31.7	**2.5**	**0.0**	**–269.0**	**607.7**	**16.2**	**623.9**
	–34.9	2.5	0.0	–225.9	650.8	16.2	667.0
	3.2			–43.1	–43.1		–43.1
	–31.7	2.5	0.0	–269.0	607.7	16.2	623.9
				–247.0	–247.0	2.0	–245.0
	5.3	–3.0	0.1	–53.1	–53.1	0.6	–52.5
	5.3	**–3.0**	**0.1**	**–300.1**	**–300.1**	**2.6**	**–297.5**
				0.0	0.0	–1.1	–1.1
				0.0	10.2		10.2
				0.0	261.5		261.5
				0.0	0.0		0.0
				–11.7	–11.7	–0.6	–12.3
	–26.4	**–0.5**	**0.1**	**–580.8**	**567.6**	**17.1**	**584.7**

Notes to the Consolidated Financial Statements

1. General information

SGL Carbon SE, with registered offices at Söhnleinstrasse 8, Wiesbaden (Germany), together with its subsidiaries (the Company or SGL Group), is a global manufacturer of carbon and graphite products. The SGL Group has prepared its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), and the additional provisions pursuant to section 315a (1) of the German Commercial Code (Handelsgesetzbuch, HGB). The consolidated financial statements for the period ended December 31, 2014 was prepared by the Board of Management on March 2, 2015.

The consolidated financial statements are generally prepared on the basis of historical cost, unless otherwise stated in **Note 2** "Summary of significant accounting policies." The consolidated financial statements were prepared in euros (€) and are presented in millions of euros (€ million), rounded to the nearest €0.1 million unless otherwise indicated. The accounting policies applied correspond to those applied for fiscal 2013, except for the changes in financial reporting principles set out in **Note 3**. Prior-year figures were adjusted accordingly.

2. Summary of significant accounting policies

The consolidated financial statements are prepared on the basis of the following principles of consolidation, accounting and valuation.

Consolidation principles

The consolidated financial statements include SGL Carbon SE and its subsidiaries over which SGL Group exercises control. The SGL Group controls an investee if it has the power over the investee. This means that the SGL Group has existing rights that give it the current ability to direct the relevant activities, which are the activities that significantly affect the SGL Group's return. In addition, the SGL Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those through its power over the investee. When SGL Group holds less than the majority of voting rights, other facts and circumstances (including contractual arrangements that give the SGL Group the power over the investee) may result in the SGL Group controlling the investee. Consolidation begins from the date the SGL Group obtains control of the subsidiary and ceases when the SGL Group loses control of the investee. In the context of preparing consolidated financial statements, all assets and liabilities, income and expenses as well as cash flows of SGL Carbon SE are aggregated with those of its subsidiaries. Intragroup transactions are fully eliminated. As of December 31, 2014, the scope of consolidation included 13 German (2013: 14) and 45 (2013: 45) foreign subsidiaries in addition to SGL Carbon SE. Five (2013: six) jointly controlled companies and two associates (2013: two) were accounted for using the equity method (At-Equity). Two (2013: two) jointly controlled companies were consolidated on a pro-rata basis. The list of companies included in the consolidated financial statements as well as the full list of shares held of the SGL Group in accordance with section 313 par.2 HGB can be found in **Note 32**.

In 2014, SGL Tokai Carbon Ltd, Shanghai, China ("STS") was included for the first time in the consolidated financial statements after a further 24.01% shares had been acquired. Accordingly, the SGL Group holds a total of 75.01% of the shares in STS. The resulting effect on SGL Group's consolidated financial statements were not significant since the sum total of the assets acquired and liabilities assumed, income and expenses, and purchase price were all in the lower single-digit million euro range.

Joint ventures and associates

Interests in joint ventures and associates are included in the consolidated financial statements At-Equity. Associates are companies where a significant influence can be exercised over financial and operating policies and that are no subsidiaries, joint ventures or joint operations. The carrying amounts of these companies are increased or decreased annually based on the pro-rata results, dividends paid and other changes in equity. If there are indications of a permanent reduction of the value of an investment, an impairment loss is recognized in profit or loss.

Joint operations

A joint operation is a joint arrangement whereby the parties have rights to assets, and obligations for the liabilities, relating to the arrangement. The SGL Group, as joint operator, recognizes assets and liabilities that are controlled by the SGL Group, in relation to its interest in a joint operation and also its share of any assets held jointly or of any liabilities incurred jointly. In addition, the SGL Group recognizes sales revenue from the sale of its share of the output, including any related expenses, and also its share of the revenue arising from the joint operation and the jointly controlled expenses (pro-rata consolidation).

Foreign currency conversion

Transaction of items denominated in foreign currency:

In the financial statements of the individual consolidated companies, amounts receivable and payable denominated in foreign currency are revalued at the year-end middle rates, irrespective of whether they are hedged. The exchange differences arising from the revaluation of items denominated in foreign currency are recognized in the income statement as other operating expense and/or other operating income.

Translation of financial statements prepared in foreign currency:

Separate financial statements denominated in foreign currencies for companies included in the scope of consolidation are translated on the basis of the functional currency concept (IAS 21) in accordance with the modified closing rate method. From a financial, commercial, and organizational perspective, all subsidiaries operate their respective businesses independently, and the functional currency is therefore identical to their respective local currency. As a consequence, balance sheet items are translated at the year-end closing rate and income statement items at average rates for the year. Currency translation differences are reported as a separate item of equity. Translation differences on non-current intercompany receivables are treated as net investments in foreign operations and recognized directly in equity. The exchange rates of those currencies significant to the consolidated financial statements have changed as follows:

Currencies		Middle rate at balance sheet date		Annual average rates	
1 € =	ISO-Code	**Dec. 31, 2014**	Dec. 31, 2013	**2014**	2013
US dollar	USD	1.2141	1.3791	1.3285	1.3282
Pound sterling	GBP	0.7789	0.8337	0.8061	0.8493
Canadian dollar	CAD	1.4063	1.4671	1.4661	1.3685
Polish zloty	PLN	4.2623	4.1472	4.1843	4.1969
Chinese yuan	CNY	7.4556	8.4189	8.1857	8.1655
Malaysian ringgit	MYR	4.2473	4.5221	4.3446	4.1855
Japanese yen	JPY	145.23	144.72	140.31	129.66

Income and expenses

Income for the fiscal year is recognized when realized; expenses as incurred. Sales revenue is recognized upon transfer of risk, which is generally upon delivery of a product or rendering of services, net of any cash or volume discounts and rebates. SGL Group grants its customers cash discounts for early payment of outstanding amounts. SGL Group also grants customers volume discounts based on quantities purchased over a specific period. These volume discounts are recognized as a reduction in sales revenue. Operating expenses are recognized when a product is delivered, a service is used, or the expense is incurred. Interest income is allocated to the periods in which it is earned and interest expense to the periods in which it is incurred. Dividends are generally recognized at the time of distribution. Advertising and sales promotion expenses as well as other customer-related expenses are recognized as incurred. Provisions for estimated product warranty obligations are recognized upon sale of the product concerned.

Earnings per share

Basic earnings per share are calculated by dividing the result from continuing operations, the result from discontinued operations and the net result for the year after tax, each of which attributable to the shareholders of the parent company, by the weighted average number of shares outstanding during the fiscal year. Diluted earnings per share take into account all potentially dilutive convertible bonds and share-based payment plans, assuming conversion or exercise.

Goodwill

Goodwill is not amortized, but must be tested for impairment annually, or on such occasions that events or changes in circumstances indicate that it might be impaired. The impairment test involves allocating the goodwill to the group of cash generating units, which represent the lowest level within the organization at which goodwill is monitored for the purposes of internal management and control. At SGL Group, these are the business units. The amount of the impairment, if any, is defined as the difference between the carrying amount and the recoverable amount of the cash-generating unit to which the goodwill has been allocated. At SGL Group, impairment tests are performed in accordance with the procedure described in the section entitled "Impairment tests of property, plant and equipment and other intangible assets."

Other intangible assets

On initial recognition, intangible assets acquired for a consideration are measured at cost. If a substantial period of time (generally more than six months) is necessary for acquisition or production in order to bring the asset to its intended working condition, directly attributable borrowing costs incurred until such working condition is achieved are capitalized as part of the cost of the asset. Intangible assets with a finite useful life are generally amortized on a straight-line basis over their useful lives. The amortization period for intangible assets with a finite useful life is up to ten years. Internally generated intangible assets are only capitalized if the Company can demonstrate the technical feasibility of completing the intangible asset and its intention to complete the asset and use or sell it is proven. The Company must also be able to demonstrate the future economic benefits to be generated by the intangible asset, the availability of adequate resources to complete development and its ability to reliably measure the expenditure attributable to the intangible asset during its development. Research costs cannot be recognized as intangible assets and are therefore expensed as incurred. Non-repayable government grants are recognized immediately in the income statement under other operating income.

Property, plant and equipment

Items of property, plant and equipment used in the business operations for more than one year are measured at cost less straight-line depreciation and any impairment losses. The same applies to investment properties which comprise properties held by the Company to earn rentals and/or for capital appreciation and which are not used in production or for administrative purposes. The reported fair values for investment properties are determined using the discounted cash flow method (corresponds to Level 3 of the fair value hierarchy of IFRS 13). The cost of internally developed assets includes a proportion of material and production overheads in addition to direct costs. If a substantial period of time (generally more than six

months) is required for the acquisition or production of an asset in order to bring the asset to its intended working condition, directly attributable borrowing costs incurred until such working condition is achieved are capitalized as part of the cost of the asset. Repair and maintenance costs that do not extend useful life are expensed directly as incurred. The costs of any improvements that prolong the useful life or increase the opportunities for future utilization of an asset are generally capitalized. If items of depreciable property, plant and equipment comprise significant identifiable components, each with a different useful life, these components are treated as separate assets and depreciated over their respective useful lives. Investment grants for the purchase or construction of items of property, plant and equipment result in a decrease of the recognized cost of the respective assets. Other grants or subsidies received are recognized over the contractual life or the foreseeable useful life of the asset.

As in prior years, the following useful lives are used throughout the Group as the basis for calculating depreciation on property, plant and equipment:

Property, plant and equipment – useful lives

Buildings	10 to 41 years
Plant and machinery	4 to 25 years
Other equipment	3 to 15 years
Office furniture and equipment	3 to 15 years

Leases

Leases are classified either as finance leases or as operating leases. Leases in which substantially all the risks and rewards associated with the use of the leased asset for a consideration are transferred to SGL Group as the lessee are classified as finance leases. In such cases, SGL Group recognizes the leased asset on its balance sheet at the lower of fair value and the present value of the minimum lease payments and then depreciates the asset over the shorter of the asset's estimated useful life or the lease term (if there is no reasonable certainty that SGL will obtain ownership by the end of the lease term). At the same time, SGL recognizes a corresponding liability, which is measured at amortized cost using the effective interest method. In the case of leases in which SGL Group is the lessee and the lessor retains the risks and rewards with respect to the leased asset (operating leases), SGL Group does not recognize the asset on its balance sheet, but allocates the lease payments as an expense on a straight-line basis over the lease term.

Impairment tests of property, plant and equipment and other intangible assets

SGL Group assesses at each balance sheet date whether there are indications that its intangible assets and its property, plant and equipment are impaired. If such an indication is identified, the recoverable amount is estimated in order to quantify the amount of the impairment loss. The recoverable amount is the higher of fair value less costs to sell (net selling price) or value in use, with the net selling price being determined first. If this amount is higher than the carrying amount, the value in use will not be calculated. SGL Group determines these amounts using measurement methods based on discounted future cash flows. If an asset does not generate cash flows that are largely independent of those from other assets, the impairment test is not conducted on the level of the individual asset, but instead on the level of the cash-generating unit (CGU) to which the asset belongs. Pursuant to the definition of a CGU, the individual business units (BUs) are considered cash-generating units at SGL Group. The discounted cash flows are themselves based on five-year plans for the individual CGUs that have been prepared using a bottom-up approach and that have been analyzed and approved by the Board of Management of SGL Group.

These plans are based on internal expectations and assumptions that have been checked against external data and adjusted where necessary. For each year and each CGU, the plan includes budgeted unit sales, sales revenue and cost planning together with the associated projected operating profit and cash flows. In the first step, sales revenue and profit trends are budgeted at product or product group level, based on expected market, economic and competitive trends for the subsequent five years. In the second step, these budgets are then aggregated at CGU level. After the fifth year of the plan, cash flows are extrapolated using individual growth rates. The estimated future cash flows are discounted to their present value using a discount rate reflecting current market expectations for interest rates and the specific risks related to the asset or the CGU. The most significant assumptions on which the determination of the recoverable amount is based include estimated cash flows (especially sales and margin developments), growth rates and weighted average cost of capital. These assumptions and the underlying methodology may have a significant impact on each amount and, ultimately, on the amount of any impairment loss applied to the asset. As soon as there is any evidence that the reasons for impairment have ceased to exist, SGL Group determines whether a full or partial reversal of an impairment loss is required.

Discontinued operations and individual assets held for sale

Discontinued operations are reported as soon as a component of an entity comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the entity, is classified as held for sale or has been disposed of and (1) represents a separate major line of business and (2) is part of a single co-ordinated plan to dispose of a separate major line of business. Assets and liabilities of discontinued operations are reported separately in the balance sheet in the line items "Assets held for sale" and "Liabilities in connection with assets held for sale." Earnings from discontinued operations are reported in the consolidated income statement separately from expenses and income from continuing operations in the line items "Result from discontinued operations, net of tax;" prior year figures are reported on a comparable basis. In the consolidated cash flow statement, cash flows from discontinued operations are presented separately from cash flows from continuing operations; prior year figures are reported on a comparable basis.

An individual non-current asset is classified as held for sale if its carrying amount will be recovered principally through a sales transaction rather than through continuing use. The asset is shown in the balance sheet separately in the line item "Assets held for sale."

Non-current assets held for sale as well as discontinued operations are recognized at the lower of carrying amount and fair value less costs to sell; they are no longer subject to depreciation/amortization.

Financial instruments

A financial instrument in accordance with IAS 32 is a contractually agreed right or a contractually agreed obligation which results in an inflow or outflow of financial assets and in the issue of equity instruments. This includes primary, i. e. non-derivative, financial instruments such as trade receivables and payables, securities and financial assets, borrowings and other financial liabilities. It also includes derivative financial instruments that are used to hedge against risk arising from changes in exchange rates and interest rates.

Original (primary) financial instruments

Primary financial instruments are classified under one of the following three categories according to the purpose for which they are held. The classification is reviewed at each balance sheet date and affects whether the asset is reported as non-current or current as well as determining whether measurement is at cost or fair value.

Within SGL Group, financial instruments are allocated to the following categories:

- Loans and trade receivables are measured at amortized cost less impairment losses. Impairment losses on trade receivables are recognized in allowance accounts, while allowances on other assets are deducted directly from the assets' carrying amount. Receivables are derecognized if they are uncollectible. Notes receivable and interest-free or low-interest-bearing receivables due after more than one year are discounted.

- Available-for-sale financial assets are those non-derivative financial assets which are not allocated to one of the other categories. They are recognized at fair value. Unrealized gains or losses are recorded in equity outside profit or loss until the asset is derecognized. Impairment losses are recognized in profit or loss as incurred in case of a significant or sustained decrease of the fair value below cost

- Financial liabilities measured at amortized cost

SGL Group does not make use of the categories of *held-to-maturity investments* and *financial assets/liabilities held for trading*, nor has SGL Group elected to make use of the option to designate financial assets or liabilities as at fair value through profit and loss at inception (fair value option).

There were no reclassifications between these categories.

Financial instruments are recognized as soon as SGL Group enters into a contract for the financial instrument. Financial instruments are initially recognized at their fair value. Transaction costs directly attributable to the acquisition or issue of financial instruments are only recognized in determining the carrying amount.

The subsequent measurement of financial assets and liabilities depends on the category of the instrument concerned. Please refer to the following sections related to the relevant categories and **Note 28** for further information.

Financial assets are derecognized when the contractual rights to cash flows from the financial asset in question expire or have been extinguished. Financial liabilities are derecognized when the liability has been repaid, i. e. when all financial obligations specified in the agreement have been settled, canceled definitively or have expired. The difference between the carrying amount of the liability settled and the consideration paid is recognized in profit or loss. A purchase or sale of financial assets at market conditions is recognized as of the settlement date.

Hybrid financial instruments

Financial instruments that contain both a debt and an equity component are classified in separate balance sheet items according to their character. Convertible bonds are examples of instruments treated as such. The fair value of the share conversion rights is recognized separately in capital reserves at the date the bond is issued and therefore deducted from the bond liability. The fair values of conversion rights from bonds with below-market interest rates are calculated based on the present value of the difference between the coupon rate and the market interest rate. The interest expense for the debt component is calculated over the term of the bond based on the market interest rate at the date of the issue for a comparable bond without a conversion right. The difference between the deemed interest and the coupon rate accrued over the term increases the carrying amount of the bond liability. The issuing costs of the convertible bond are deducted directly from the carrying amount of the debt component and the equity component in the same proportion.

Derivative financial instruments

In accordance with IAS 39, all derivative financial instruments are recognized in the balance sheet at their fair value. Financial instruments are recognized as soon as SGL Group enters into a contract for a financial instrument. The financial instruments are recognized as of the date on which the relevant transaction is entered into. The Company determines upon inception of a derivative whether it will be used as a cash flow hedge. Cash flow hedges are used to hedge against fluctuations in future cash flows resulting from highly probable forecast transactions. Individual derivatives do not fulfill the hedge accounting criteria stipulated by IAS 39, although in substance, they represent a hedge.

Changes in the fair value of derivatives are recognized as follows:

1. **Cash flow hedges:** The effective portion of the changes in the fair value of derivatives used as cash flow hedges is recognized directly in accumulated other comprehensive income. Amounts recognized in this item are transferred to the income statement when the hedged item is taken to income. The ineffective portion of the fair value changes of the hedge must be recognized in income.

2. **Hedges of a net investment in a foreign operation:** In case of a hedge of a net investment in a foreign operation, the effective portion of the gains or losses from the changes in value of the hedging instrument is recognized directly in equity. The ineffective portion is recognized in the income statement. If the investment is disposed of, the measurement gains or losses of the hedging instrument recognized in equity are transferred to the income statement.

3. **Stand-alone derivatives (no hedging relationship):** Changes in the fair value of derivatives that do not meet the hedge accounting criteria are recognized in the income statement in accordance with the procedure used for financial instruments of the held-for-trading category and, therefore, must be accounted for at fair value through profit or loss.

The settlement date is used as the date for first-time recognition if the trade date and the settlement date are not the same. See **Note 28** for further information on financial instruments.

Inventories

Inventories are carried at acquisition or conversion cost using the weighted average cost method. Where required, the lower net realizable value is recognized. The net realizable value is determined using the estimated selling prices less costs to complete and costs to sell as well as other factors relevant for sales. In addition to directly attributable costs, the cost of conversion also includes an appropriate portion of material and production overheads. Directly attributable costs primarily comprise labor costs (including pensions), write-downs, and directly attributable cost of materials. Borrowing costs are not capitalized. Impairment losses are recognized as cost of sales.

Liquidity

Liquidity is comprised of cash and cash equivalents as well as time deposits. Cash and cash equivalents consist of cash funds and bank balances with an original maturity of less than three months. Bank balances with an original maturity of more than three months are reported as time deposits.

Deferred taxes

In accordance with IAS 12, deferred tax assets and liabilities are recognized for temporary differences between the tax base and the carrying amount in the IFRS consolidated balance sheet as well as for tax loss carryforwards, including tax write-downs carried forward, for interest carryforwards and tax credits carried forward. Deferred tax assets are taken into account only to the extent that it is probable that the relevant tax benefits can be utilized. The calculation of deferred taxes is based on those tax rates applicable as of the balance sheet date or expected to apply as of the date on which the tax benefits are utilized. SGL Group uses tax rates that have been enacted

through national tax laws of the respective local tax jurisdiction or for which the legislative process is substantively completed. Changes in deferred taxes recognized in the balance sheet mainly lead to deferred tax expense or deferred tax income. However, in the event items resulting in a change in deferred taxes are recognized directly in equity, the change in deferred taxes is also recorded directly in equity.

Accumulated other comprehensive income and accumulated profit/loss (Consolidated Statement of Changes in Equity)

Accumulated other comprehensive income includes currency translation differences as well as unrealized gains or losses from the mark-to-market valuation of available-for-sale securities (classified as financial assets available for sale) and of financial derivatives used as cash flow hedges or as a hedge of a net investment in a foreign operation, with the gains or losses being recognized outside profit or loss as a component of other comprehensive income in accordance with IAS 39. In addition, actuarial gains and losses from defined benefit plans are recognized directly in equity as accumulated profit/loss in the year in which they occur and in the full amount. Accordingly, deferred taxes recognized in connection with the above-mentioned items are also recorded directly in equity.

Provisions for pensions and similar employee benefits

SGL Group's pension obligations include both defined benefit and defined contribution pension plans. Provisions for pensions and other post-employment benefits in connection with defined benefit plans are determined using the projected unit credit method. This method takes into account known annuities and vested pension rights as of the balance sheet date as well as future expected salary and pension increases. If the benefit entitlements are funded through plan assets, SGL Group offsets the fair value of plan assets with the present value of the defined benefit obligation (DBO) and reports the net amount so determined in the provisions for pensions and similar employee benefits.

The DBO is determined on the balance sheet date using the respective interest rate for first-grade corporate bonds of a similar term. The assumptions used for the calculation of the DBO as of last year's balance sheet date apply for the determination of current service cost as well as the interest income and interest expenses in the following fiscal year. Net interest income or expense for a fiscal year are calculated by multiplying the discount rate applicable for the relevant fiscal year with the net asset or the net liability as of last year's balance sheet date and is recognized in net financing costs. Actuarial gains and losses arising from experience adjustments and changes to actuarial assumptions are recognized in other comprehensive income (accumulated profit/loss) in the period in which they occur, together with related deferred taxes. Payments made under defined contribution plans are expensed as incurred.

Other provisions

Other provisions are recognized when there is a present obligation towards third parties as a result from past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Non-current provisions are discounted using market interest rates. The accounting treatment and recognition of provisions for obligations in connection with incentive plans for management and employees is described in **Note 30**.

SGL Group recognizes tax provisions as soon as such an obligation is deemed to be probable and the amount of the obligation can be reasonably estimated. Expected tax refunds are not offset but recognized as a separate asset to the extent that these do not refer to the same tax type for the same fiscal year.

Product warranty provisions are expensed at the time of recognition as costs of sale. The amount of the provision is established on a case-by-case basis. In the context of the measurement of provisions, SGL Group takes into account experience related to the actual warranty expense incurred in the past as well as technical information concerning product deficiencies discovered in the design and test phases. Provisions for restructuring measures are recognized when a detailed formal restructuring plan has been adopted and has been communicated to the parties concerned. Provisions for expected losses from onerous contracts are recognized when the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Share-based payments

SGL Group operates a number of equity-settled share-based payment models (Matching Share Plan, Stock Appreciation Rights Plan, and Bonus Program for Employees). SGL Group does not maintain any cash-settled share-based payment plans. The obligation arising from equity-settled share-based payment transactions is measured at fair value on the grant date and the fair value of the obligation is recognized as a personnel expense over the vesting period. In the case of the Bonus Share Plan, the fair value of the services received is equivalent to the bonus claim of the plan participants measured in cash plus a 20% share premium. Payments under the Stock Option Plan and the Stock Appreciation Rights (SAR) Plan are measured indirectly, taking into account the fair value of the equity instruments granted. The fair value is determined using recognized valuation methods (e. g. the Monte Carlo model). Further information on the individual share-based payment plans can be found in **Note 30**.

Financial liabilities

SGL Group initially recognizes financial liabilities at their fair value including transaction costs. In subsequent periods, financial liabilities (with the exception of derivative financial instruments) are measured at amortized cost using the effective interest method. For further information on the presentation of the convertible bond, please refer to the section on **hybrid financial instruments.**

Trade payables and other current financial liabilities are recognized at amortized cost. This amount is normally equivalent to the principal amount of the liability.

Shares in subsidiaries held by non-Group shareholders that may be returned to the Company in return for payment of the market price (minority interests in partnerships) represent puttable instruments in accordance with IAS 32 and are therefore classified by the Group as debt and are also reported as financial liabilities. In the context of accounting for non-controlling interests, SGL Group assumes that as a result of specific arrangements, the repayment of the financial instrument cannot be influenced by the Group, for which reason the financial instrument must be classified as a financial liability (IAS 32). The fair value of the non-controlling interest is derived from the cost of the majority interest as of the date of acquisition. This corresponds to the value at which a non-controlling shareholder may redeem its shareholding in return for cash in the amount of its relevant share in equity. The changes in the value of financial liabilities resulting from remeasurement at fair value are recognized directly in equity as an equity transaction in accordance with IAS 10.23 (i. e. as a transaction with owners acting in their capacity as owners) by adjusting the item "equity attributable to the shareholders of the parent company." This is based on applying the provisions related to a change in the proportion of ownership interests held in a subsidiary that does not result in a loss of control. The fair value is normally determined by SGL Group using the discounted cash flow method, which is based on the future cash flow projections prepared within the framework of corporate planning.

Significant accounting judgments, estimates and assumptions

The preparation of consolidated financial statements under IFRS requires estimates and assumptions that may affect the reported amounts of assets and liabilities as well as of income and expenses. Such estimates and assumptions can change over time and may have a significant impact on SGL Group's financial position and performance.

A number of the Group's accounting methods and disclosures require determining the fair values of financial and non-financial assets and liabilities. Based on the inputs used in valuation techniques, the fair values are allocated to different levels of the fair value hierarchy:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted market prices that are available either as directly (e. g. prices) or indirectly (e. g. derived from prices) observable market data.

Level 3: Inputs for assets and liabilities that are not based on observable market data.

Additional information regarding the assumptions used in determining fair values are included in **Note 13** "Intangible assets," **Note 20** "Assets held for sale/Liabilities in connection with assets held for sale," **Note 28** "Additional disclosures on financial instruments" as well as **Note 30** "Management and employee participation plans."

For further information on actuarial calculation and estimates used in accounting for pensions, please refer to **Note 23**. Provisions are based on management judgment with regard to amount and probability of future utilization. Significant estimates and assumptions are required for the calculation of provisions related to material uncertain tax positions, asset retirement obligations, closures, restructuring, and personnel measures. Please refer to **Note 24** ("Other provisions") for further clarification. Further material estimates relate to the realizability of tax receivables and deferred tax assets on temporary measurement differences and tax loss carryforwards (please refer to **Note 21** on deferred taxes) as well as the classification of joint arrangements as joint operations (**Note 3**)

3. Changes in accounting principles

Since January 1, 2014, SGL Group has applied IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities as well as the follow-up amendments of IAS 27 Separate Financial Statements (revised in 2011) and IAS 28 Investments in Associates and Joint Ventures (amended in 2011). Based on a comprehensive concept of control, IFRS 10 governs which companies have to be included in the consolidated financial statements. The new definition of "control" does not lead to any changes in the scope of consolidation at SGL Group. IFRS 12 introduces comprehensive disclosure requirements for any type of interests in other entities. The application of IFRS 12 resulted in additional disclosures in the notes, see **Note 8** "Investments accounted for At-Equity".

IFRS 11 – Joint Arrangements

Up until the end of 2013, SGL Group included in the consolidated financial statements companies that were managed together with partners on the basis of the At-Equity method in accordance with IAS 31. Pursuant to IFRS 11, which governs the accounting for joint arrangements, a distinction is now made between joint ventures and joint operations. In the case of joint ventures, the partners hold an interest in the net assets of a jointly controlled, legally independent entity by virtue of their position as partners. In the case of joint operations, the jointly controlling parties have direct rights to the assets, and obligations for the liabilities, relating to the arrangement. This prerequisite is fulfilled, above all, when the production of the joint arrangement is almost entirely disposed to the partners and when there is no access to external financing sources. Interests in joint ventures have to be accounted for At-Equity. In the case of joint operations, the pro-rata share of assets, liabilities, income and expenses has to be recognized.

In the case of companies that were classified as joint arrangements after the analysis of their structures, we examined whether the criteria for classification as a joint venture or as a joint operation in accordance with IFRS 11 were met. Accordingly, we conducted an analysis of the structure of the joint arrangement and, where the joint arrangement is structured through a separate vehicle, of the legal form of the separate vehicle, the terms of the contractual arrangement, and all other facts and circumstances. The following two companies were classified as joint operations based on the application of the new IFRS 11: SGL Automotive Carbon Fibers, Moses Lake, Washington (USA) and SGL Automotive Carbon Fibers GmbH & Co. KG, Munich, (Germany), which, together with BMW Group, are operated to produce carbon fibers and carbon fiber fabrics. SGL Group holds a 51% stake in each company and controls the companies jointly with BMW. The companies sell their products directly to the partners and have no access to external financing sources. Therefore, the companies were consolidated on a pro-rata basis as joint operations within the meaning of IFRS 11. In connection with the application of the rules set out in IFRS 11, various issues related to application are currently discussed at the IFRIC (International Financial Reporting Interpretations Committee). The IFRIC has not issued a final decision as of the date of preparing the consolidated financial statements. It cannot be ruled out that the IFRIC will issue decisions regarding the application of IFRS 11 which are not in line with the procedure adopted by SGL Group, in which case SGL Group would be required to adjust the accounting with regard to joint operations.

IAS 8.42 - Correction of errors

Within the context of a review pursuant to section 37n et seqq. of the German Securities Trading Act (Wertpapierhandelsgesetz, WpHG), the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht, BaFin) determined that the consolidated financial statements of SGL Carbon SE for the period ended December 31, 2011 were incorrect. The objections raised by BaFin were as follows:

(1) Sales revenue reported in the 2011 consolidated financial statements was overstated, because the necessary conditions for applying a method for recognizing income and expenses which is based on the percentage of completion (PoC) method within the meaning of IAS 11 were not met, due to the fact that at the time of the accounting decisions, the corresponding orders for carbon composite parts to be delivered to companies in the aerospace industry had not been placed and were also uncertain (non-compliance with of IAS 18.14) (**"PoC adjustments"**).

(2) The value of goodwill recognized in the reporting segment Carbon Fibers & Composites in the 2011 consolidated financial statements was overstated: firstly, because the impairment test was erroneously performed on the basis of the higher-level segment – Carbon Fibers & Composites – instead of at the level of the business units Carbon Fibers & Composite Materials, Rotor Blades and Aerostructures, which represent the lowest level within the Company at which goodwill is monitored (non-compliance with IAS 36.80a), and secondly, because within the context of determining fair values less costs to sell for the business units, the expected future cash flows for the months of October, November and December 2011 were not discounted at all, and the discount rates for the months from January 2012 onward were too low (non-compliance with IAS 36.55 et seq.) (**"Impairment adjustments"**).

After a detailed examination of the facts, the Board of Management of SGL Carbon SE decided not to file an objection against the decision of BaFin; thus the findings became legally binding. The identified errors led to a retrospective correction in accordance with IAS 8.42. The corrections were reflected in this annual report for the period ended December 31, 2014 by restating the comparative figures for 2013 and, to the extent earlier periods were affected, the opening balance sheet for 2013 (as of January 1, 2013) was corrected. The identified errors were published in the electronic German Federal Gazette (elektronischer Bundesanzeiger) on August 8, 2014.

The following overview shows the effects of (1) the correction of the errors ("PoC adjustments" and "impairment adjustments") and (2) the transition from the equity method to proportional consolidation within the framework of the first-time adoption of IFRS 11 to the opening consolidated balance sheet as of January 1, 2013:

Adjustment of SGL Group's opening consolidated balance sheet as of January 1, 2013 as a result of revised accounting and reporting standards

€m	Dec. 31, 2012 (as reported)	PoC adjustments	Impairment adjustments	Effect first time adoption IFRS 11	Opening balance sheet Jan. 1, 2013
ASSETS					
Non-current assets					
Goodwill	130.1		–69.2		60.9
Other intangible assets	29.0	17.8		0.2	47.0
Property, plant and equipment	931.3	8.8		37.2	977.3
Investments accounted for At-Equity	43.9			–9.7	34.2
Receivables from long term construction contracts	19.8	–19.8			0.0
Other non-current assets	24.9				24.9
Deferred tax assets	113.5	0.8			114.3
	1,292.5	**7.6**	**–69.2**	**27.7**	**1,258.6**
Current assets					
Inventories	532.1	–9.5		7.3	529.9
Trade receivables	318.8	–30.9		0.5	288.4
Other receivables and other assets	52.7			0.8	53.5
Liquidity	355.9			3.5	359.4
Time deposits	*130.0*				*130.0*
Cash and cash equivalents	*225.9*			*3.5*	*229.4*
	1,259.5	**–40.4**	**0.0**	**12.1**	**1,231.2**
Assets held for sale	**7.7**				**7.7**
Total assets	**2,559.7**	**–32.8**	**–69.2**	**39.8**	**2,497.5**

€m	Dec. 31, 2012 (as reported)	PoC adjustments	Impairment adjustments	Effect first time adoption IFRS 11	Opening balance sheet Jan. 1, 2013
EQUITY AND LIABILITIES					
Equity					
Issued capital	180.8				180.8
Capital reserves	680.0				680.0
Retained earnings	206.2	–55.6	–69.2		81.4
Equity attributable to the shareholders of the parent company	**1,067.0**	**–55.6**	**–69.2**	**0.0**	**942.2**
Non-controlling interests	15.3				15.3
Total equity	**1,082.3**	**–55.6**	**–69.2**	**0.0**	**957.5**
Non-current liabilities					
Provisions for pensions and similar employee benefits	329.8				329.8
Other provisions	12.0				12.0
Interest-bearing loans	633.9			34.5	668.4
Other liabilities	41.8				41.8
	1,017.5	**0.0**	**0.0**	**34.5**	**1,052.0**
Current liabilities					
Other provisions	94.3			1.6	95.9
Current portion of interest-bearing loans	142.1				142.1
Trade payables	169.6	22.8		2.9	195.3
Other liabilities	52.8			0.8	53.6
	458.8	**22.8**	**0.0**	**5.3**	**486.9**
Liabilities in connection with assets held for sale	**1.1**				**1.1**
Total equity and liabilities	**2,559.7**	**–32.8**	**–69.2**	**39.8**	**2,497.5**

IFRS 5 – Discontinued operations

In fiscal 2014, SGL Group decided to dispose of the business unit Aerostructures (AS) by selling the subsidiary Hitco CARBON COMPOSITES Inc., Gardena, USA. The criteria for classifying AS as held for sale and as a discontinued operation in accordance with IFRS 5 were met in mid-2014. Accordingly, any income and expenses of AS included in the consolidated income statement were reported under discontinued operations for all the periods presented. For further information, see **Notes 11** and **20**.

The following is an overview of the effects on fiscal year 2013 resulting from the correction of errors in accordance with IAS 8.42, the amendments to IFRS 11, and the reclassification of expenses and income of the business unit AS made in accordance with IFRS 5.

Adjustment of SGL Group's consolidated income statement for fiscal year 2013 as a result of revised accounting and reporting standards

€m	2013 (as reported)	PoC adjustments	Impairment adjustments	Reclassification according to IFRS 5	Effect first time adoption IFRS 11	2013 (adjusted)
Sales revenue	**1,477.0**	**–1.5**		**–71.6**	**18.7**	**1,422.6**
Cost of sales	–1,231.4	8.0	–0.5	88.8	–22.9	–1,158.0
Gross profit	**245.6**	**6.5**	**–0.5**	**17.2**	**–4.2**	**264.6**
Selling expenses	–158.6			3.3	–0.6	–155.9
Research and development costs	–42.8				–1.6	–44.4
General and administrative expenses	–78.2			6.0	–1.4	–73.6
Other operating income	41.9			1.1	–0.2	42.8
Other operating expenses	–10.5			–0.1	–0.1	–10.7
Restructuring expenses	–84.2			0.4		–83.8
Impairment losses	–120.6		74.0	7.6		–39.0
Operating loss/profit	**–207.4**	**6.5**	**73.5**	**35.5**	**–8.1**	**–100.0**
Result from investments accounted for At-Equity	–18.3				9.3	–9.0
Interest income	1.3					1.3
Interest expense	–42.1			–0.2	–1.2	–43.5
Other financing result	–9.9					–9.9
Result from continuing operations before income taxes	**–276.4**	**6.5**	**73.5**	**35.3**	**0.0**	**–161.1**
Income tax expense	–84.5	0.6		–7.4		–91.3
Result from continuing operations	**–360.9**	**7.1**	**73.5**	**27.9**	**0.0**	**–252.4**
Result from discontinued operations, net of tax	–31.2		–1.2	–27.9		–60.3
Net result for the year	**–392.1**	**7.1**	**72.3**	**0.0**	**0.0**	**–312.7**
Attributable to:						
Non-controlling interests	4.3					4.3
Consolidated net result (attributable to shareholders of the parent company)	**–396.4**	**7.1**	**72.3**	**0.0**	**0.0**	**–317.0**
Earnings per share (€) basic and diluted	–5.59	0.10	1.02	0.00	0.00	–4.47
Earnings per share for continuing operations (€) basic and diluted	–5.15	0.10	1.04	0.39	0.00	–3.62

Adjustment of the net result for the year and items of other comprehensive income for fiscal year 2013 as a result of revised accounting and reporting standards

€m	2013 (as reported)	Adjustments	2013 adjusted
Net result for the year	–392.1	79.4	–312.7
Items that may be reclassified subsequently to profit or loss			
Changes in the fair value of securities available for sale [1]	–1.9		–1.9
Cash flow hedges [2]	–1.6		–1.6
Currency translation	–30.7	2.3	–28.4
Items that will not be reclassified to profit or loss			
Actuarial gains/losses on pensions and similar obligations [3]	15.5		15.5
Other comprehensive income	–18.7	2.3	–16.4
Comprehensive income	**–410.8**	**81.7**	**–329.1**
Of which attributable to shareholders of the parent company	*–414.6*	*81.7*	*–332.9*
Of which attributable to non-controlling interests	*3.8*	*0.0*	*3.8*

[1] Includes tax effects of € minus 0.1 million

[2] Includes tax effects of €0.4 million

[3] Includes tax effects of € minus 15.3 million

Adjustment of SGL Group's consolidated balance sheet as of December 31, 2013 as a result of revised accounting and reporting standards

€m	Dec. 31, 2013 (as reported)	PoC adjustments	Impairment adjustments	Effect first time adoption IFRS 11	Dec. 31, 2013 (adjusted)
ASSETS					
Non-current assets					
Goodwill	50.4		–6.4		44.0
Other intangible assets	26.0	14.9		0.1	41.0
Property, plant and equipment	819.5	8.4	9.7	57.8	895.4
Investments accounted for At-Equity	49.0			–14.8	34.2
Other non-current assets	19.8				19.8
Deferred tax assets	53.6	1.3			54.9
	1,018.3	**24.6**	**3.3**	**43.1**	**1,089.3**
Current assets					
Inventories	470.7	–2.1		9.8	478.4
Trade receivables	225.4	–39.1		2.7	189.0
Other receivables and other assets	60.6			0.3	60.9
Liquidity	227.8			7.3	235.1
Time deposits	*0.0*				*0.0*
Cash and cash equivalents	*227.8*			*7.3*	*235.1*
	984.5	**–41.2**	**0.0**	**20.1**	**963.4**
Assets held for sale	**6.4**				**6.4**
Total assets	**2,009.2**	**–16.6**	**3.3**	**63.2**	**2,059.1**

€m	Dec. 31, 2013 (as reported)	PoC adjustments	Impairment adjustments	Effect first time adoption IFRS 11	Dec. 31, 2013 (adjusted)
EQUITY AND LIABIILTIES					
Equity					
Issued capital	181.7				181.7
Capital reserves	695.0				695.0
Retained earnings	–225.9	–46.4	3.3		–269.0
Equity attributable to the shareholders of the parent company	**650.8**	**–46.4**	**3.3**	**0.0**	**607.7**
Non-controlling interests	16.2				16.2
Total equity	**667.0**	**–46.4**	**3.3**	**0.0**	**623.9**
Non-current liabilities					
Provisions for pensions and similar employee benefits	298.6				298.6
Other provisions	56.2				56.2
Interest-bearing loans	500.9			47.0	547.9
Other liabilities	41.1				41.1
	896.8	**0.0**	**0.0**	**47.0**	**943.8**
Current liabilities					
Other provisions	106.0	1.6		3.1	110.7
Current portion of interest-bearing loans	139.9			3.7	143.6
Trade payables	155.1	28.1		8.0	191.2
Other liabilities	44.4	0.1		1.4	45.9
	445.4	**29.8**	**0.0**	**16.2**	**491.4**
Liabilities in connection with assets held for sale	**0.0**				**0.0**
Total equity and liabilities	**2,009.2**	**–16.6**	**3.3**	**63.2**	**2,059.1**

Adjustment of SGL Group's consolidated cash flow statement from the period January 1 to December 31, 2013 as a result of revised accounting and reporting standards

€m	2013 (as reported)	PoC Adjustments	Impairment Adjustments	Reclassi-fications according to IFRS 5	Effect first-time adoption IFRS 11	2013 (restated)
Cash flow from operating activities						
Result from continuing operations before income taxes	–276.4	6.5	73.5	35.3		–161.1
Adjustments to reconcile the result from continuing operations to net cash provided by operating activities:						
Interest expense (net)	40.8			0.2	1.2	42.2
Depreciation/amortization expense	82.6	7.1	0.5	–12.6	2.4	80.0
Impairment losses	120.6		–74.0	–7.6		39.0
Restructuring expenses	84.2			–0.4		83.8
Project adjustments	22.1	–22.1				0.0
Result from investments accounted for At-Equity	18.3				–9.3	9.0
Amortization of refinancing costs	5.0					5.0
Interest received	2.0					2.0
Interest paid	–21.2				–1.1	–22.3
Income taxes paid	–24.8					–24.8
Changes in provisions, net	21.3			–3.1	1.5	19.7
Changes in working capital						
Inventories	37.7	–2.1		4.2	–2.4	37.4
Trade receivables	70.8	–39.1		3.3	–2.2	32.8
Trade payables	–4.9	28.1		–6.2	5.1	22.1
Changes in other operating assets/liabilities	–27.0	26.4		–5.3	2.7	–3.2
Cash flow from operating activities – continuing operations	**151.1**	**4.8**	**0.0**	**7.8**	**–2.1**	**161.6**
Cash flow from operating activities – discontinued operations	2.2	–	–	–7.8	–	–5.6
Cash flow from operating activities – continuing and discontinued operations	**153.3**	**4.8**	**0.0**	**0.0**	**–2.1**	**156.0**
Cash flow from investing activities						
Payments to purchase intangible assets and property, plant and equipment	–95.5	–4.8		8.4	–25.1	–117.0
Proceeds from the dispoal of intangible assets, property, plant and equipment	5.2					5.2
Payments for capital contributions concerning investments accounted for At-Equity and payments for other financial assets	–26.2				14.8	–11.4

Adjustment of SGL Group's consolidated cash flow statement from the period January 1 to December 31, 2013 as a result of revised accounting and reporting standards

€m	2013 (as reported)	PoC Adjustments	Impairment Adjustments	Reclassi-fications according to IFRS 5	Effect first-time adoption IFRS 11	2013 (restated)
Proceeds from the sale of financial assets	3.6					3.6
Cash flow from investing activities – continuing operations	**–112.9**	**–4.8**	**0.0**	**8.4**	**–10.3**	**–119.6**
Change in time deposits	130.0					130.0
Cash flow from investing and cash management activities – continuing operations	**17.1**	**–4.8**	**0.0**	**8.4**	**–10.3**	**10.4**
Cash flow from investing and cash management activities – discontinued operations	–5.8			–8.4		–14.2
Cash flow from investing and cash management activities – continuing and discontinued operations	**11.3**	**–4.8**	**0.0**	**0.0**	**–10.3**	**–3.8**
Cash flow from financing activities						
Proceeds from issuance of financial liabilities	250.3				16.2	266.5
Repayment of financial liabilities	–383.9					–383.9
Dividend payments for the prior year	–14.2					–14.2
Payments in connection with refinancing	–10.8					–10.8
Other financing activities	–1.6					–1.6
Cash flow from financing activities – continuing and discontinued operations	**–160.2**	**0.0**	**0.0**	**0.0**	**16.2**	**–144.0**
Effect of foreign exchange rate changes	–2.5					–2.5
Net change in cash and cash equivalents	**1.9**	**0.0**	**0.0**	**0.0**	**3.8**	**5.7**
Cash and cash equivalents at beginning of period	225.9				3.5	229.4
Cash and cash equivalents at end of period	**227.8**	**0.0**	**0.0**	**0.0**	**7.3**	**235.1**
Time deposits	0.0					0.0
Total liquidity	**227.8**	**0.0**	**0.0**	**0.0**	**7.3**	**235.1**

The adjustments relating to fiscal year 2013 also required adjustments to the consolidated statement of changes in equity as well as to the comparative figures for 2013 in the notes to the consolidated financial statements. In addition, it was necessary to make a correction to the consolidated statement of changes in equity as of the date of the opening balance sheet (January 1, 2013).

Accounting pronouncements required to be adopted in the future

The financial reporting standards issued by the IASB listed below are not yet effective and have not yet been adopted by SGL Group.

In July 2014, the IASB completed its project to replace IAS 39 Financial Instruments: Recognition and Measurement through the publication of the final version of IFRS 9 Financial Instruments. IFRS 9 introduces a single approach for the classification and measurement of financial assets. Classification and measurement are based on the contractual cash flow characteristics and the business model for managing the financial assets. In addition, IFRS 9 introduces a new impairment model based on expected credit losses. IFRS 9 also includes new rules for the application of hedge accounting which aim to improve the presentation of risk management activities, above all in view of the management of non-financial risks. The new standard is required to be applied for fiscal years beginning on or after January 1, 2018. Earlier application is permitted. The European Financial Reporting Advisory Group has delayed its recommendation to adopt IFRS 9. SGL Group is currently evaluating which impact the application of IFRS 9 will have on the Company's consolidated financial statements.

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers. The new standard stipulates that the recognition of sales revenue must depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Sales revenue is recognized when the customer obtains control of the related goods or services. IFRS 15 also includes disclosure requirements in relation to existing performance surpluses or performance obligations. These are assets and liabilities from customer contracts that arise depending on the relationship between the Company's performance and the customer's payment. In addition, IFRS 15 requires the disclosure of a number of quantitative and qualitative information to enable users of consolidated financial statements to understand the nature, amount, timing, and uncertainty of sales revenue and cash flows arising from contracts with customers. IFRS 15 replaces IAS 11 Construction Contracts and IAS 18 Revenue as well as the related interpretations. The standard is required to be applied for fiscal years beginning on or after January 1, 2017. Earlier application is permitted. SGL Group is currently evaluating which impact the application of IFRS 15 will have on the consolidated financial statements.

4. Sales revenue, functional costs

The breakdown of sales revenues by segments, the intersegment revenue, as well as the regional distribution of sales revenue are presented in **Note 29** "Segment reporting".

The future competitiveness of SGL Group is safeguarded through sustained development of new products, applications, and processes. This is also reflected in the Group's research and development costs, which remained high at €38.0 million (2013: €44.4 million). Broken down by business segment, research and development costs were as follows: €7.7 million (2013: €9.8 million) in the reporting segment Performance Products (PP), €7.6 million (2013: €9.4 million) in the reporting segment Graphite Specialties (GS), and €9.1 million (2013: €9.5 million) in the reporting segment Carbon Fibers & Materials (CFM). In addition, research and development costs on a corporate level including business unit Process Technology (PT) amounted to €13.6 million (2013: €15.7 million).

General and administrative expenses declined by 17.3% compared to the prior year. The decline resulted from savings related to SGL2015, above all at the administrative offices in Wiesbaden (Germany) and Charlotte, North Carolina (USA) as well as from lower expenses for variable salary components (bonus components) under the Group's remuneration system.

Additional disclosures based on the nature-of-expense method are provided below:

Personnel expenses

€m	2014	2013
Wages and salaries (including bonus)	304.4	335.0
Social security contributions, post-employment and other employee benefit costs (thereof for pensions: 2014: €40.7 million; 2013: €43.3 million)	78.4	79.4
Total	**382.8**	**414.4**

The item "wages and salaries" includes personnel measures initiated under the SGL2015 program in a total amount of €9.1 million (2013: €35.6 million).

Depreciation and amortization

Due to the disposal of Rotec, amortization of intangible assets and depreciation of property, plant and equipment was below the prior-year level at €86.7 million (2013: €93.3 million). Amortization of intangible assets amounted to €5.5 million (2013: €9.3 million) and related primarily to capitalized development costs, process know-how as well as to SAP software specifically customized to SGL Group requirements. Depreciation of property, plant and equipment totaled €81.2 million in 2014 (2013: €84.0 million).

Personnel expenses, depreciation and amortization expense are included in all functional costs, such as the cost of sales, selling expenses, research and development costs, and general and administrative expenses.

Number of employees

As of the end of fiscal year 2014, the number of Group employees had slightly decreased compared to the prior year. The reason for this was the reduction in the number of employees as a result of personnel measures within the context of SGL2015 in particular. This was offset by the increase of 112 in the pro-rata number of employees at SGL ACF and the integration of 65 employees at the Banting site in Malaysia who are responsible for maintenance and infrastructure.

The tables below provide an overview of the number of employees by reporting segment and region:

Number	2014	2013	Change
Performance Products	1,990	2,076	–4%
Graphite Specialties	2,160	2,209	–2%
Carbon Fibers & Materials	1,054	920	15%
Corporate & Others	655	705	–7%
Total continued operations	**5,859**	**5,910**	**–1%**
Discontinued operations (Hitco)	483	477	1%
Total SGL Group	**6,342**	**6,387**	**–1%**

Number	2014	2013
Germany	2,259	2,309
Europe excluding Germany	1,997	1,988
North America	1,347	1,395
Asia	739	695
Total	**6,342**	**6,387**

The average number of employees in the individual functional areas was as follows:

Number	2014	2013
Production and auxiliary plants	5,070	5,246
Sales and marketing	384	392
Research	133	150
Administration, other functions	784	866
Total [1)]	**6,371**	**6,654**

[1)] Of which attributable to companies included on a pro-rata basis 189 (2013: 87) employees

5. Other operating income and expenses

Other operating income

€m	2014	2013
Currency hedges/exchange-rate gains	11.3	12.7
Costs allocated to investments accounted for At-Equity	9.2	10.2
Grants received	4.4	3.7
Gains on the sale of intangible assets and property, plant and equipment	1.2	0.5
Insurance compensation	0.8	0.4
Extraordinary income from the reversal of provisions	0.3	1.1
Miscellaneous other operating income	10.7	14.2
Total	**37.9**	**42.8**

Cost allocation refers to services provided at various locations.

Other operating expenses

€m	2014	2013
Currency hedges/exchange-rate losses	6.5	5.6
Losses on the sale of non-current assets	0.7	0.9
Miscellaneous other operating expenses	11.8	4.4
Total	**19.0**	**10.7**

Currency transaction gains and losses arising from the measurement of receivables and liabilities denominated in a currency other than the functional currency of the reporting entity at the closing rate are presented in their gross amounts under other income or other expense, as are allocated gains and losses from derivative currency hedges. Income from exchange rate differences comprise realized gains from currency hedges in the amount of €2.0 million (2013: €10.0 million).

Miscellaneous other operating expense of the reporting period includes non-recurring expense items relating to a legal dispute.

In addition, miscellaneous other operating income and miscellaneous other operating expenses included a number of insignificant individual transactions carried out by the 59 (2013: 60) fully consolidated companies.

6. Restructuring expenses

€m	2014	2013
Expenses for initiated restructuring measures	33.9	83.8
Total	**33.9**	**83.8**

The restructuring expenses were incurred in connection with the implementation of the global cost savings program SGL2015. The restructuring expenses for fiscal 2014 consist of impairment losses of non-current assets in connection with location optimization in the reporting segment CFM in the amount of €10.1 million as well as restructuring expenses, including changes to the Board of Management, in the amount of €23.8 million. In the prior year, the restructuring expenses consisted of impairment losses of non-current assets in the amount of €31.9 million, write-downs of inventories of €5.1 million (in connection with site closures in Lachute, Canada, and Narni, Italy) and other restructuring expenses of €46.8 million.

7. Impairment losses

€m	2014	2013
Impairment losses on		
Goodwill	10.6	13.8
Property, plant and equipment	0.0	25.2 [1]
Total	**10.6**	**39.0**

[1] Including a reversal of an impairment loss in the amount of €5.0 million, see **Note 14**

The calculations related to impairment of goodwill, property, plant and equipment, and other intangible assets were conducted as described in the section entitled "Impairment of property, plant and equipment and other intangible assets" in **Note 2** using the following procedure.

As a result of the strong decrease in sales revenue and EBIT compared to the prior year in the graphite electrodes business in the reporting segment PP (business unit GCE) as well as in the cathode business (business unit CFL) and the adjusted planning, SGL Group conducted event-driven impairment tests of goodwill and property plant and equipment for the business units mentioned above during the second quarter of 2014. No impairment was identified in either case. In addition, impairment losses on goodwill in the amount of €10.6 million were recognized within the framework of the regular annual impairment tests for the business units. Further information on goodwill impairment is included in **Note 13** "Intangible assets."

Previous year (2013), SGL conducted event driven impairment tests in the second and forth quarter as a result of the fact that the expected recovery did not materialize in the graphite electrodes business in the reporting segment PP (business unit GCE), in the graphite specialties business in GS (reporting segment GS), or in the carbon fiber business in the business unit Carbon Fibers & Composite Materials (CF/CM) of the reporting segment CFM and the resulting adjustment of mid-term planning. No impairment was identified with regard to GCE or GS. The impairment identified for CF/CM led first in full impairment of goodwill in the amount of €13.8 million. The remaining portion of the impairment referred to property, plant and equipment in the amount of €27.7 million. In addition, during the financial year of 2013, a reversal of impairment losses in the net amount of €2.5 million was recognized as a result of the remeasurement of land and buildings that continue to be held by SGL Group after the deconsolidation of Rotec. The regular annual impairment review of goodwill as of September 30, 2013 did not indicate any requirement to recognize further impairment losses in addition to those identified during the event-driven impairment test, i.e. the business units' recoverable amounts determined on the basis of the fair values less costs to sell were estimated to be higher than their relevant carrying amounts. Further information is also included in **Note 13** "Intangible assets."

8. Investments accounted for At-Equity

Result from investments accounted for At-Equity

€m	2014	2013
Pro-rata share in net result for the year	–4.1	–9.0
thereof: joint ventures	*–3.9*	*–9.2*
thereof: associates	*–0.2*	*0.2*
Other adjustments affecting profit or loss [1]	–2.3	0.0
thereof: joint ventures	*–2.3*	*0.0*
thereof: associates	*0.0*	*0.0*
Result from investments accounted for At-Equity	**–6.4**	**–9.0**

[1] Mainly amortization of long-term loans

€m	2014	2013
Interests in joint ventures	38.8	31.5
Interests in associates	2.9	2.7
Carrying amount as of December 31	**41.7**	**34.2**

Joint ventures

As of the end of the year under review and the previous year, SGL Group held interests in two significant joint ventures: Brembo SGL Carbon Ceramic Brakes S.p.A., Stezzano, Italy, and Benteler-SGL GmbH & Co. KG, Paderborn, Germany. The joint venture with Brembo develops and produces carbon ceramic brake discs, and Benteler primarily develops and produces carbon fiber reinforced plastic (CFRP) components for the automotive industry. 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.

Companies accounted for At-Equity

€m	2014	2013
Ownership interest	**50%**	**50%**
Income statement		
Sales revenue	159.5	106.3
Operating profit/loss	3.1	–6.6
Net financing result	–2.4	–1.3
Net result for the year (100%)	–0.4	–8.1
Share of SGL Group in the net result for the year (50%)	–0.2	–4.1
Share of SGL Group in the changes of other comprehensive income (50%)	–0.4	0.0
Total comprehensive income of the companies	–0.6	–4.1
Balance sheet		
Non-current assets	74.6	67.2
Current assets	92.8	66.0
thereof cash and cash equivalents	*27.8*	*6.1*
Non-current liabilities	51.3	35.1
thereof financial liabilities	*8.4*	*3.7*
Current liabilities	47.2	44.0
thereof financial liabilities	*40.9*	*40.8*
Net assets (100%)	**68.9**	**54.1**
Share of SGL Group in net assets (50%)	34.5	27.1
Goodwill/customer base	4.0	4.1
Carrying amount of material joint ventures	**38.5**	**31.2**

SGL Group also holds interests in a number of joint ventures and associates that are not individually material. The following table is a breakdown of the carrying amount and the share in the profit/loss of the individually insignificant companies:

€m	2014*	2013*
Joint ventures		
Carrying amount of interests in joint ventures	0.3	0.3
Share in net result for the year	–3.7*	–5.1*
Associates		
Carrying amount of interests in associates	2.9	2.7
Share in net result for the year	–0.2	0.2

* The pro-rata losses exceeding the carrying amount of the interests are offset against non-current loans

9. Net financing result

€m	2014	2013
Interest on other securities, other interest and similar income	**1.0**	**1.3**
Interest on financial liabilities and other interest expense [1]	–29.4	–19.1
Interest component of additions to provisions for pensions	–10.9	–11.6
Imputed interest on convertible bonds [1]	0.7	–11.4
Imputed interest on finance leases [1]	–1.3	–1.4
Interest expense	**–40.9**	**–43.5**
Interest expense, net	**–39.9**	**–42.2**
Amortization of refinancing costs [1]	–2.8	–5.0
Foreign currency valuation of Group loans	–1.6	–2.5
Impairment losses of investments	–4.8	–0.3
Other financial expenses	–0.4	–2.1
Other financing result	**–9.6**	**–9.9**
Net financing result	**–49.5**	**–52.1**

[1] Total interest expense from financial instruments €32.8 million (2013: €36.9 million)

Interest on financial liabilities and other interest expense primarily include interest expenses for the corporate bond and the cash coupon for the 2009/2016 and 2012/2018 convertible bonds of 3.5% p.a. and 2.75% p.a., respectively. The increase in

interest expenses is attributable to the corporate bond issued in December 2013 with a fixed coupon of 4.875%, which replaced the 2007 floating-rate corporate bond. The latter had a coupon equivalent to the 3-month-EURIBOR plus a margin of 1.25%; the average interest rate for the corporate bond was 1.46% in the prior year.

In addition to the cash coupon, IFRS requires the recognition of a non-cash interest cost component on the 2009/2016 and 2012/2018 convertible bonds in order to present interest coupons at market conditions overall. The calculations performed in June 2009 and April 2012 assumed comparable market interest rates of 8.5% p.a. and 4.9% p.a., respectively. This is the rate at which SGL Group would have been able to secure alternative financing. In fiscal 2014, the interest cost component was offset by income from discounting the 2009/2016 convertible bond in the amount of €9.6 million. This was the result of a reassessment of the convertible bond's maturity, which had a one-time investor put option as of June 30, 2014. The exercise of the option would have required SGL Group to repay the convertible bonds at nominal value. As a consequence, interest was accrued on the bond as of the above date based on its nominal value of €134.7 million (in accordance with the repayment obligation). Due to the fact that the creditors of the convertible bond did not exercise their put option and the repayment obligation was thus extended to June 30, 2016 (change of estimate), the bond was recorded based on its newly determined present value of €125.1 million.

During the year under review, borrowing costs in the amount of €2.6 million (2013: €3.5 million) were capitalized in connection with long term investment projects, which resulted in positive non-cash interest income. Interest expenses on borrowings improved correspondingly.

In the previous year, amortization of refinancing costs included the special write-down of deferred refinancing costs related to these financing instruments in the amount of €1.9 million, which had become necessary following the repayment of the 2007 corporate bond and the renegotiation of a syndicated credit facility.

10. Income tax expense

The corporate income tax rate of 15% (2013: 15%) is used as the basis for determining the income tax rate in Germany. Moreover, a solidarity surcharge of 5.5% (2013: 5.5%) is added to the corporate income tax rate. Furthermore, German corporations are subject to trade tax. The trade tax rate depends on the municipality in which a business operation is located. The average trade tax rate of SGL Group companies was 13.6% in 2014 (2013: 13.6%). This results in a total tax rate in Germany of 29.4% for current taxes and for deferred taxes (2013: 29.4%). The income tax rate for foreign companies was between 11% and 38.9% (2013: between 16.5% and 39.2%).

The breakdown of tax expense from continuing operations is as follows:

€m	**2014**	2013
Current income tax expense		
Germany	–1.4	1.5
Other countries	–11.7	–49.8
Deferred tax expense		
Germany	–4.5	–24.9
Other countries	–3.8	–18.1
Total	**–21.4**	**–91.3**

In 2014, the tax expense decreased to €21.4 million (2013: €91.3 million) based on a loss before tax of €104.4 million (2013: loss before tax of €161.1 million). The Group tax rate for 2014 amounted to 20.5%, compared with the Group tax rate of 56.7% in 2013. Income tax expenses were incurred from current taxation at domestic and foreign companies in the amount of €13.1 million. Taxes included in the tax expenses for prior years amounted to minus €0.4 million (2013: €35.6 million). Tax payments amounted to €7.0 million in 2014 (2013: €24.8 million).

The Group's reported tax expense differs from the Group's anticipated tax expense (calculated on the basis of an expected tax rate of 29.4%) as follows:

€m	2014	2013
Result from continuing operations before income taxes	**–104.4**	**–161.1**
Losses from discontinued operations before taxes	**–113.3**	**–65.3**
Consolidated net result for the period before taxes	**–217.7**	**–226.4**
Expected tax income at 29.4% (2013: 29.4%)	**64.1**	**66.6**
Increase/decrease in income tax charge from:		
Income adjustments	–5.0	–9.6
Change in expected tax rate	14.5	–3.1
Change in loss carryforwards and valuation allowances on deferred taxes	–98.2	–98.2
Goodwill impairment (not deductable)	–2.4	2.3
Tax effect of investments accounted for At-Equity	–1.4	–6.3
Tax rate changes	0.3	0.0
Tax from prior periods	0.4	–35.6
Other	0.4	–2.4
Effective tax expense	**–27.3**	**–86.3**
thereof:		
Income tax expense from continuing operations	–21.4	–91.3
Income tax expense attributable to discontinued operations (2013: tax income)	–5.9	5.0

The income adjustments relate primarily to non-deductible operating expenses, non-deductible write-downs in Germany for investments, adjustments for the purpose of calculating German trade tax and non-deductible interest. The reduction to reflect the differing tax rate primarily takes account of the effects of withholding taxes and local taxes as well as taxation differences between Germany and other countries as a result of varying income tax rates. The changes in tax loss carryforwards and valuation allowances for deferred taxes take into account write-downs of deferred tax assets on loss carryforwards based on their future usability, with such write-downs being recognized in profit or loss. Valuation allowances amounting to €45.9 million refer mainly to deferred taxes on loss carryforwards due to lower earnings expectations in Germany and the USA, as well as unrecognized deferred taxes on impairment losses in relation to the assets of discontinued operations in the amount of €32.1 million.

11. Result from discontinued operations

Income and expenses incurred in the business unit Hitco in 2014 and 2013 are reported separately under discontinued operations. The previous year's figure also includes expenses and income of the business unit Rotor Blades (RB). The transfer of ownership of Rotec to the acquirers was completed on December 31, 2013. Please refer to **Note 2** for a definition of discontinued operations.

Result from discontinued operations

€m	2014*	2013**
Total revenue from discontinued operations	73.4	180.4
Total expenses from discontinued operations	– 104.2	– 225.9
Result from operating activities of discontinued operations before income taxes	**– 30.8**	**– 45.5**
Attributable tax expense/tax income	– 5.9	5.0
Result from operating activities of discontinued operations, net of tax	**– 36.7**	**– 40.5**
Impairment losses arising on the measurement of assets included in disposal groups at fair value less costs to sell	– 82.5	– 19.4
Result from the deconsolidation of discontinued operations	–	– 0.4
Result from discontinued operations [1)]	**– 119.2**	**– 60.3**
Earnings per share – discontinued operations in € – basic and diluted	**– 1.57**	**– 0.85**

* The result from operating activities of discontinued operations for the year 2014 represents the result for the period from January 1, 2014 to December 31, 2014

** The result from operating activities of discontinued operations for the year 2013 represents the result for the period from January 1, 2013 to December 31, 2013 (Hitco) and up to December 16, 2013 (Rotec)

1) Attributable of the shareholders of the parent company

The **cash flows from discontinued operations** are shown in the consolidated cash flow statement.

The impact of the sale of Rotec on the balance sheet items in 2013 is as follows:

€m	2013
Property, plant and equipment	– 5.6
Inventories	– 3.7
Trade and other receivables	–18.7
Cash and cash equivalents	– 4.5
Trade and other payables	13.1
Net assets and liabilities	**– 19.4**
Consideration received, satisfied in cash	0.0
Cash and cash equivalents disposed of	– 4.5
Net outflow of cash	**– 4.5**

12. Earnings per share

Earnings per share are calculated by dividing the net result for the year attributable to the shareholders of SGL Group by the average number of outstanding shares during the year under review.

The calculation of diluted earnings per share assumes that outstanding debt securities (convertible bonds) are converted to shares or other contracts for the issue of common shares such as stock appreciation rights are exercised.

The table below details the calculation of earnings per share for fiscal years 2014 and 2013:

Reconciliation between basic to diluted earnings per share

€m	Overall potentially dilutive financial instruments 2014	Dilutive financial instruments used for the calculation – continuing operations 2014	Share of net result attributable to the share-holders of the parent company 2014	Share of net result attributable to the share-holders of the parent company 2013
Numerator for basic earnings per share (share of net result attributable to the shareholders of the parent company	**–247.0**	**–127.8**	**–247.0**	**–317.0**
Numerator for diluted earnings	**–239.0**	**–127.8**	**–247.0**	**–317.0**
Number of shares				
Denominator for basic earnings per share (weighted average number of shares)	**75,704,910**	**75,704,910**	**75,704,910**	**70,897,021**
Potentially dilutive securities (weighted average, in each case)				
Convertible bond 2009 (see **Note 23**)	4,610,672	0	0	0
Convertible bond 2012 (see **Note 23**)	5,474,535	0	0	0
Stock Appreciation Rights (see **Note 31**)	28,534	0	0	0
Denominator for potentially diluted earnings per share	**85,818,651**			
thereof to be included for dilution (adjusted weighted average)		**75,704,910**	**75,704,910**	**70,897,021**
Basic earnings per share (€)		–1.69	–3.26	–4.47
Diluted earnings per share (€)		–1.69	–3.26	–4.47

As of December 31, 2014, the 2009/2016, and 2012/2018 convertible bonds and the Stock Appreciation Rights were still outstanding. As a result of the loss-making situation, potentially dilutive financial instruments were not taken into account in the calculation of diluted earnings per share since these instruments would not have a dilutive effect. For the same reason, the consolidated net result is not adjusted by the interest cost for convertible bonds. In the future, these instruments may become fully dilutive.

13. Intangible assets

€m	Industrial rights, software and similar rights	Customer relationships	Capitalized development costs	Goodwill	**Total**
Historical cost					
Balance as of Jan. 1, 2014	62.8	5.2	46.4	59.0	173.4
Foreign currency translation	1.7	0.0	0.3	1.9	3.9
Reclassifications [1]	0.0	–2.6	–31.9	–14.2	–48.7
Additions	1.1	0.0	1.3	0.0	2.4
Disposals	–0.7	0.0	0.0	0.0	–0.7
Balance as of Dec. 31, 2014	**64.9**	**2.6**	**16.1**	**46.7**	**130.3**
Accumulated amortization					
Balance as of Jan. 1, 2014	49.2	3.3	20.9	15.0	88.4
Foreign currency translation	0.8	0.1	0.2	0.0	1.1
Reclassifications [1]	0.0	–2.6	–17.6	0.0	–20.2
Additions	2.4	0.5	2.6	0.0	5.5
Impairment losses	0.0	0.0	0.0	10.6	10.6
Disposals	–0.4	0.0	0.0	0.0	–0.4
Balance as of Dec. 31, 2014	**52.0**	**1.3**	**6.1**	**25.6**	**85.0**
Net carrying amount as of Dec. 31, 2014	**12.9**	**1.3**	**10.0**	**21.1**	**45.3**
Historical cost					
Balance as of Jan. 1, 2013	63.7	11.9	45.8	60.9	182.3
Foreign currency translation	0.7	–0.2	–2.1	–1.9	–3.5
Reclassifications	0.1	0.0	0.0	0.0	0.1
Additions	4.2	0.0	2.7	0.0	6.9
Disposals	–5.9	–6.5	0.0	0.0	–12.4
Balance as of Dec. 31, 2013	**62.8**	**5.2**	**46.4**	**59.0**	**173.4**
Accumulated amortization					
Balance as of Jan. 1, 2013	51.7	7.2	15.5	0.0	74.4
Foreign currency translation	–0.5	–0.3	–1.0	0.0	–1.8
Additions	2.8	0.6	5.9	0.0	9.3
Impairment losses	0.0	1.6	0.5	15.0	17.1
Disposals	–4.8	–5.8	0.0	0.0	–10.6
Balance as of Dec. 31, 2013	**49.2**	**3.3**	**20.9**	**15.0**	**88.4**
Net carrying amount as of Dec. 31, 2013	**13.6**	**1.9**	**25.5**	**44.0**	**85.0**

[1] Related to the reclassification of Hitco as of June 30, 2014, to the balance sheet item "Assets held for sale"; see **Note 20**

Industrial rights, software and similar rights mainly comprise purchased and internally developed IT software. Additions in the year under review primarily reflect the expansion of the standard Group-wide SAP system (SGL-ONE) in the amount of €0.6 million (2013: €0.6 million). Of this amount, a total of €0.2 million of own work was capitalized in connection with the SGL-ONE project in 2014 (2013: €0.4 million). Together with the capitalized development costs shown separately, a total of €1.5 million of internal development costs were capitalized in 2014 (2013: €3.1 million).

No borrowing costs were capitalized in either the reporting period or in the prior year.

Goodwill

The regular annual impairment test was conducted as of September 30, 2014 in accordance with the method described in **Note 2**. In order to determine the recoverable amount, the discounted future cash flows of the relevant cash-generating unit have to be determined. The estimate of the discounted future cash flows comprises significant assumptions, largely in relation to return on sales (which, in turn, is based on future selling prices, sales volumes, and costs), the long-term growth rate and discount rates. While the assumptions made reflect the best estimate made by the management in relation to the economic conditions, future events may deviate from forecasts which may result in the need to adjust the carrying amounts. The result of the impairment test was that the recoverable amount for the business unit GCE was estimated to be lower than its carrying amount. The impairment identified resulted in a full impairment loss on goodwill in the amount of €10.6 million. No requirement to recognize an impairment loss was identified for the other business unit, i.e. the business unit's recoverable amount determined on the basis of the fair values less costs to sell was estimated to be higher than its carrying amount. The net realizable values determined for business units were allocated to Level 3 of the fair value hierarchy.

The following table shows the most significant assumptions used to determine fair value less costs to sell for impairment tests as of September 30 related to the business units to which goodwill was allocated:

€m	Recognized goodwill*	Discount rate after tax	Long-term growth rate
Sept. 30, 2014			
Business unit GCE	0.0	7.7%	1.0%
Business unit GS	18.7	8.1%	1.0%
Business unit PT	1.9	8.1%	1.0%
Sept. 30, 2013			
Business unit GCE	10.6	9.4%	1.0%
Business unit GS	17.6	9.8%	1.0%
Business unit PT	1.9	9.8%	1.0%
Business unit AS	14.3	8.3%	2.0%
Business unit CF/CM	0.0	9.8%	2.0%

* Corresponds to the carrying amount after impairment tests

The net realizable value is mainly determined on the basis of the terminal value (present value of the terminal value), which is especially sensitive to changes in the above-mentioned assumptions regarding return on sales, long-term growth rates

and discount rates. The discount factors reflect the current market assessment of the specific risks of each individual business unit and are based on the weighted average cost of capital of the business units. The business unit GS has the highest goodwill recognized in the financial statements. The fair value less cost to sell of GS currently exceeds its carrying amount by €48.5 million. A change in the assumptions used for the determination of the recoverable amount as of September 30, 2014 in the business unit GS could have the effect that the carrying amount corresponds to the recoverable amount (all other things being equal): reduction of return on sales in the last year of the planning period by 1.5 percentage points (by 12.2% to 10.7%), increase of discount rate by 0.8 percentage points (from 8.1% to 8.9%) and reduction of the long-term growth rate by 1.1 percentage points (from 1% to –0.1%), reduction of the average annual growth in sales revenue by 3.7% (from 7.6% to 3.9%).

In the previous year, SGL Group had conducted an event-driven impairment test related to goodwill attributed to GCE, GS, and CF/CM in accordance with the procedure described in **Note 2**. An impairment of €13.8 million was identified for goodwill attributed to CF/CM. This impairment resulted in a full impairment loss required to be recognized for CF/CM's goodwill. Please refer to **Note 7** "Impairment losses" for further details. The regular annual impairment test for the remaining goodwill was conducted as of September 30, 2013. No requirement was identified to recognize further impairment losses in addition to those identified during the impairment test performed as of June 30, 2013, i.e. the business units' recoverable amounts determined on the basis of the fair values less costs to sell was estimated to be higher than their relevant carrying amounts.

14. Property, plant and equipment

€m	Land, land rights and buildings	Plant and machinery	Office furniture and equipment	Advance payments and assets under construction	Investment properties	Total
Historical cost						
Balance as of Jan. 1, 2014	532.8	1,570.1	79.9	84.8	19.6	2,287.2
Foreign currency translation	18.4	53.8	0.9	6.2	0.0	79.3
Reclassifications [1]	–31.5	–44.9	–3.9	–55.2	0.0	–135.5
Additions	8.4	56.9	2.4	66.2	0.2	134.1
Disposals	–0.5	–15.3	–3.7	0.0	0.0	–19.5
Balance as of Dec. 31, 2014	**527.6**	**1,620.6**	**75.6**	**102.0**	**19.8**	**2,345.6**
Accumulated depreciation						
Balance as of Jan. 1, 2014	254.7	1,063.2	67.5	1.6	4.8	1,391.8
Foreign currency translation	6.5	31.7	0.9	0.0	0.0	39.1
Reclassifications [1]	–12.2	–37.3	–3.2	0.0	0.0	–52.7
Additions	13.0	63.6	3.7	0.2	0.7	81.2
Impairment losses	5.0	5.1	0.0	0.0	0.0	10.1
Disposals	–0.3	–14.1	–3.4	0.0	0.0	–17.8
Balance as of Dec. 31, 2014	**266.7**	**1,112.2**	**65.5**	**1.8**	**5.5**	**1,451.7**
Net carrying amount as of Dec. 31, 2014	**260.9**	**508.4**	**10.1**	**100.2**	**14.3**	**893.9**
Historical cost						
Balance as of Jan. 1, 2013	537.7	1,511.2	84.8	148.9	0.0	2,282.6
Foreign currency translation	–16.4	–41.5	–1.0	–5.0	0.0	–63.9
Reclassifications	18.5	68.5	0.9	–107.5	19.6	0.0
Additions	12.5	55.5	2.8	49.0	0.0	119.8
Disposals	–19.5	–23.6	–7.6	–0.6	0.0	–51.3
Balance as of Dec. 31, 2013	**532.8**	**1,570.1**	**79.9**	**84.8**	**19.6**	**2,287.2**
Accumulated depreciation						
Balance as of Jan. 1, 2013	256.0	978.6	70.0	0.7	0.0	1,305.3
Foreign currency translation	–4.2	–20.8	–0.7	0.0	0.0	–25.7
Reclassifications	–1.4	–2.8	–0.1	–0.5	4.8	0.0
Additions	13.8	66.0	4.1	0.1	0.0	84.0
Reversal of impairment losses	–5.0	0.0	0.0	0.0	0.0	–5.0
Impairment losses	6.1	60.6	0.3	0.6	0.0	67.6
Disposals	–10.6	–18.4	–6.1	0.7	0.0	–34.4
Balance as of Dec. 31, 2013	**254.7**	**1,063.2**	**67.5**	**1.6**	**4.8**	**1,391.8**
Net carrying amount as of Dec. 31, 2013	**278.1**	**506.9**	**12.4**	**83.2**	**14.8**	**895.4**

[1] Relating to reclassification of Hitco as of June30, 2014, to the balance sheet item "Assets held for sale", see **Note 20**

Capital expenditure on property, plant and equipment amounted to €134.1 million in the year under review, an increase of €14.3 million from the 2013 figure of €119.8 million. The major portion of our investment activities in 2014 (€70.0 million) referred to the further expansion of production capacities at SGL ACF, our joint operations with BMW Group. In our established businesses, capital expenditure mainly concerned the transition of the textile fiber production lines to precursor production lines at Fisipe (Portugal) (€15.9 million), replacements and environmental protection, especially for the new green manufacturing plant in La Coruña (Spain) (€8.3 million), and efficient and eco-friendly graphitization at our site in Ozark, Arkansas (USA) (€8.3 million). Further necessary replacement investments related to quality improvement and environmental protection measures were made at our U.S. site in St. Marys, Pennsylvania, in Racibórz (Poland), and in Steeg (Austria).

Depreciation of property, plant and equipment in the amount of €81.2 million was slightly below the prior-year level of €84.0 million. Impairment losses are reported in the consolidated income statement as restructuring expenses to the extent they relate to restructuring measures initiated under the SGL2015 program. Impairment losses that do not meet the definition of restructuring expenses within the meaning of IAS 37.70 ff. are reported separately in the item "impairment losses" in the consolidated income statement because of their significance. The impairment losses recognized in the amount of €10.1 million were incurred in connection with optimizing locations based on the SGL2015 program. Of the impairment losses of €67.6 million reported in the previous year, an amount of €31.9 million was presented as restructuring expenses. Please refer to **Note 6** "Restructuring expenses" and **Note 7** "Impairment losses" for further details.

The borrowing costs capitalized in the reporting period amounted to €2.6 million (December 31, 2013: €3.5 million), and were determined on the basis of a borrowing rate of 5.0%.

Investment property

The fair values of the non-operating land and buildings correspond to their carrying amounts. Rental income from such land amounted to €1.3 million in fiscal year 2014 (2013: €1.3 million). Expenses amounted to €0.7 million (2013: €0.7 million).

After the deconsolidation of Rotec as of December 2013, SGL Group has retained those parts of land and buildings that are pooled within the real estate company SGL/A&R Services Lemwerder GmbH. Upon the disposal of Rotec, the previously recognized impairment loss for the buildings ceased to exist, which required a full reversal of such impairment to be recorded in the amount of €5.0 million in 2013. The reversal was reported under "impairment losses" in the consolidated income statement. These properties continue to be leased out to Rotec and reported as investment property in accordance with IAS 40.

15. Other non-current assets

This item comprises securities that are held at foreign subsidiaries for the purpose of covering pension entitlements, as well as a loan to Fisigen, an equity-accounted investment. In the prior year, the item also included exchange-listed securities as well as the shareholding in the company operating the SGL Arena.

16. Inventories

€m	**Dec. 31, 2014**	Dec. 31, 2013
Raw materials and supplies	141.1	153.1
Work in progress	208.7	223.3
Finished goods and merchandise	113.5	102.0
Total	**463.3**	**478.4**

In fiscal year 2014, cost of sales included a utilization of inventories in the amount of €1,034.3 million (2013: €1,062.4 million), which was recognized as an expense. The total carrying amount of inventories measured at net realizable value was €14.2 million as of December 31, 2014 (2013: €12.2 million). Write-downs of inventories led to an increase in the overall cost of

sales recognized by €4.3 million (2013: €10.1 million). Reversal of write downs resulting from disposals in the amount of €2.4 million (December 31, 2013: €1.3 million) reduced the cost of sales.

17. Trade receivables

€m	Dec. 31, 2014	Dec. 31, 2013
From customers	170.4	184.3
From investments accounted for At-Equity	5.1	4.7
Trade receivables	**175.5**	**189.0**

The following table shows the extent of the credit risk related to total receivables:

€m	Dec. 31, 2014	Dec. 31, 2013
Trade receivables neither impaired nor overdue	**143.0**	**162.3**
Overdue trade receivables not impaired on an individual basis		
less than 30 days	22.6	18.2
30 to 60 days	4.1	4.6
61 to 90 days	1.5	0.4
more than 90 days	3.9	3.1
Total	**32.1**	**26.3**
Receivables impaired on an individual basis (gross)	8.4	8.2
less valuation allowances	–8.0	–7.8
Trade receivables	**175.5**	**189.0**

The majority of our trade receivables are paid by the contractually agreed upon due dates. As of the balance sheet date, receivables not subject to impairment amounted to €175.1 million (2013: €188.6 million). The total valuation allowances on receivables amounted to €8.0 million as of the reporting date (2013: €7.8 million). The specific valuation allowances were calculated on the basis of uniform Group accounting policies and reflect the expected default risk based on the trend in customer sectors as well as the specific situation of the customer concerned. The calculation of valuation allowances on doubtful receivables involves our sales organization making estimates and assessments of the individual receivables on the basis of the creditworthiness of the respective customer, historical experience and current economic trends as well as existing collateral in the form of credit insurance. The portfolio of receivables is subject to continuous quality monitoring as part of our credit management system. Further explanations can be found in **Note 28** referred to as "Credit Risk."

The following table shows the change in valuation allowances:

€m	Dec. 31, 2014	Dec. 31, 2013
Balance as of January 1	7.8	8.4
Additions recognized as expense	2.5	1.1
Reversals	–2.3	–1.6
Utilizations	–0.2	–0.1
Exchange differences	0.2	0.0
Balance as of December 31	**8.0**	**7.8**

18. Other receivables and other assets

€m	Dec. 31, 2014	Dec. 31, 2013
Other tax claims	16.5	14.3
Income tax assets	7.5	8.1
Advance payments for leases and insurance premiums	5.4	5.7
Other receivables from suppliers	4.9	0.3
Receivables from employees	2.2	2.2
Positive fair values of financial instruments (currency and interest rate derivatives)	2.0	8.8
Other receivables due from investments accounted for At-Equity	0.1	3.3
Other assets	8.5	18.2
Other receivables and other assets	**47.1**	**60.9**

19. Liquidity

After the successful capital increase (see **Note 22** "Equity" for more information), the Company had liquidity totaling €347.5 million as of the balance sheet date (December 31, 2013: €235.1 million). Liquidity consists of cash and cash equivalents in the amount of €307.0 million and time deposits in the amount of €40.5 million, maturing on April 13, 2015. In the previous year, liquidity in the amount of €235.1 million exclusively comprised cash and cash equivalents with an original maturity of less than three months. The breakdown of liquidity as of December 31, 2014 was as follows: 91% in euros (2013: 85%), 4% in U.S. dollars (December 31, 2013: 8%), 2% in Japanese yen (December 31, 2013: 3%), and 3% in other currencies (December 31, 2013: 4%). As in the prior year, there was no significant amount of cash on hand as of the balance sheet date.

20. Assets held for sale/Liabilities in connection with assets held for sale

In June 2014, the management committed itself to a plan to sell the subsidiary Hitco, which is part of the reporting segment Corporate & Others (C&O). Accordingly, assets and liabilities attributable to Hitco are presented as held for sale. The selling efforts have begun and a sale is expected to occur prior to the end of 2015.

As of December 31, 2014, Hitco was carried at its fair value less costs to sell and comprised the following assets and liabilities.

€m	Dec. 31, 2014
Property, plant and equipment	38.9
Inventories	28.3
Trade and other receivables	11.0
Assets held for sale	**78.2**
Trade and other payables	51.3
Provisions	6.2
Liabilities in connection with assets held for sale	**57.5**

When the divestment process for Hitco was initiated in the middle of the year under review, management assumed that it would be sold to a strategic investor in its entirety. Initial divestment procedures were supported by extensive expert opinions, market studies, and preliminary discussions with interested parties. In the process of carrying out due diligence with respect to potential buyers, increased consideration was given to alternative divestment possibilities for Hitco during the fourth quarter, including whether to sell Hitco off in parts to various investors or target groups. At the end of the year under review, the sale of all of Hitco's essential business operations was taken as the basis for its valuation. The fair value of €20.7 million for the disposal group (after costs to sell of about €10 million), was calculated to be a Level 3 fair value (see **Note 3**), based on the input factors of the valuation techniques that were used. The valuation technique that was used to determine the fair value of the disposal group depended on the business operation that was being considered for sale, as did the relevant input factors not based on observable market data. For a portion of the operations available for sale, SGL Group determined their value based on a market-oriented valuation technique (EBITDA multiples method; EBITDA = earnings before interest, taxes, depreciation, and amortization). When using the multiples method, the value of the product group is calculated based on prices that have been paid as part of transactions involving comparable products. SGL Group assumes EBITDA multiples ranging from 4 to 6.

When disposing of other operations, it has been assumed that a potential interested party would take over the underlying customer orders and manufacture the products concerned at its own sites. On such occasions, the balance sheet figures were derived from the net asset values. The fair values of non-current assets were determined using the nature-of-expense method, which in this case corresponded to the fair value of land and buildings, including property, plant and equipment. The fair values of land and buildings were calculated based on commissioned expert opinions. The values of certain items of property, plant and equipment were estimated at 40–50% of their actual carrying amounts, while zero sale proceeds were assumed for the remaining items of property, plant and equipment (after deducting transaction costs).

In the prior year, one non-operating plot of land and two non-operating machines were reported as held for sale.

21. Deferred taxes

Deferred tax assets mainly refer to deferred taxes on loss carryforwards, including tax write-downs carried forward, interest carryforwards, and deferred taxes on measurement timing differences between IFRS and the tax base resulting from differences in the measurement of provisions and non-current assets. Deferred tax liabilities primarily arise from differences in the depreciation and amortization methods between the IFRS consolidated financial statements and the tax accounts.

As of December 31, 2014, domestic tax loss carryforwards in the amount of €355.2 million (2013: €283.4 million) related to corporate income tax, €206.6 million (2013: €147.3 million) to municipal trade tax and interest carryforwards to €6.9 million (2013: €0 million). In addition, usable foreign tax loss carryforwards relate mainly to USD289.0 million for federal taxes in the U.S. (2013: USD231.4 million), £68.6 million for the UK (2013: £65.6 million), and MYR719.2 million for Malaysia (2013: MYR604.6 million). As of December 31, 2014, interest carryforwards existed in the U.S. in the amount of €33.1 million (2013: €20.1 million). The loss carryforwards in Germany, the UK and Malaysia may be carried forward without limitation in accordance with currently applicable laws. In the U.S., the loss carryforwards will expire starting in 2022. Deferred taxes for loss carryforwards were capitalized in the amount of €12.1 million (December 31, 2013: €22.7 million), of which €8.4 million (December 31, 2013: €15.9 million) referred to loss carryforwards in the amount of €23.9 million for federal taxes in the U.S. (December 31, 2013: €45.4 million).

The recoverability of deferred tax assets is reviewed as of each balance sheet date. A valuation allowance is recognized for deferred tax assets to the extent it is not probable that future taxable profits exist that may be offset by future deductible measurement differences as well as unused tax losses, write-downs, interest and tax credits. The assessment in relation to future taxable profits is made by SGL Group for each company or tax group that has unused tax losses, based on expectations as regards profits and losses in the past years and internal expectations related to the business and earnings trend. The internal expectations related to the business and earning trend is based on five-year planning for the individual CGUs that have been prepared using a bottom-up approach and that have been analyzed and approved by the Board of Management of SGL Group. Please refer to **Note 2** "Impairment tests of property, plant and equipment and other intangible assets" for details on the five-year planning.

The specific uncertainties within the framework of tax planning in relation to the recognition of deferred tax assets are accounted for by limiting the planning horizon to 3 years. In addition, the reversal of future deductible and taxable measurement differences is reflected in tax planning. The assessment in relation to future taxable profits may change as a result of future developments. Deferred taxes in the amount of €21.6 million (December 31, 2013: €24.7 million) were recognized based on tax planning, of which an amount of €12.1 million (December 31, 2013: €19.6 million) referred to loss carryforwards and €9.5 million (December 31, 2013: €5.1 million) to interest carryforwards.

No deferred tax assets were recognised for the following items as of December 31, 2014 and December 31, 2013 due to uncertainty regarding their usability:

€m	**Dec. 31, 2014**	Dec. 31, 2013
Deductible temporary differences		
from impairment tests	80.8	111.6
from other recognition and measurement differences	37.0	41.2
Tax loss carryforwards, interest carryforwards and tax credits	1,021.2	487.0
Total	**1,139.0**	**639.8**

Deferred taxes predominantly have a maturity of more than one year.

Deferred tax assets and liabilities are derived as follows from loss carryforwards or differences between the tax base and the IFRS financial statements:

€m	**Deferred tax assets Dec. 31, 2014**	**Deferred tax liabilities Dec. 31, 2014**	Deferred tax assets Dec. 31, 2013	Deferred tax liabilities Dec. 31, 2013
Non-current assets	33.4	–77.3	26.5	–77.1
Inventories	4.4	–5.1	5.5	–4.3
Receivables/other assets	2.4	–6.2	11.1	–9.4
Provisions for pensions and similar employee benefits	84.5	–6.5	56.2	–7.1
Other provisions	13.2	–0.7	22.7	–1.7
Liabilities/other liabilities	3.6	–3.2	3.9	–1.2
Tax loss carryforwards, interest carryforwards and tax credits	258.4	0.0	191.0	0.0
Other	3.7	–3.7	3.1	–4.7
Gross amount	**403.6**	**–102.7**	**320.0**	**–105.5**
Allowance	–234.3	0.0	–162.5	0.0
Netting	–99.9	99.9	–102.6	102.6
Carrying amount	**69.4**	**–2.8**	**54.9**	**–2.9**

Deferred tax assets and liabilities are netted to the extent that they involve income taxes levied by the same taxable entity.

The balance of deferred tax assets and liabilities increased by €14.6 million in 2014 (2013: decrease of €54.0 million) to a total of €66.6 million (2013: €52.0 million). The total change effecting profit or loss was a decrease of €8.3 million in 2014 (2013: decrease of €36.2 million), of which an amount of €6.0 million (December 31, 2013: €9.9 million) relates to the changes in deferred tax assets and liabilities due to the recognition and the reversal of timing differences between IFRS and the tax base and an amount of €2.3 million (December 31, 2013: €26.3 million) relates to changes in deferred tax assets due to the recognition and utilization of loss carryforwards, interest carryforwards and tax credits. The total amount of the change affecting profit or loss of €8.3 million (December 31, 2013: €36.2 million) includes income of €2.8 million (December 31, 2013: €0 million) which is attributable to the recognition of deferred tax assets that previously had not been recognized. Deferred taxes increase by €2.2 million (December 31, 2013: decrease of €2.9 million) as a result of changes in foreign exchange rates. The total effect on earnings was a increase of €26.6 million (December 31, 2013: €12.7 million) and refers to items recognized in equity. These primarily includes the increase in deferred tax assets recognized in equity resulting from valuation differences in pension provisions due to the actuarial losses recognized in equity. Other changes affecting equity result from deferred tax assets related to cash flow hedges, future tax benefits in relation to share-based payment plans as well as unrecognized deferred taxes on tax loss carryforwards reported in equity. The reclassification of Hitco to the balance sheet item "assets/liabilities held for sale" also involved the reclassification of deferred taxes in the amount of €5.9 million. In the previous year, the deconsolidation of the Rotec companies led to a reduction of deferred taxes in the amount of €2.3 million.

A deferred tax liability of €0.5 million (December 31, 2013: €3.7 million) was also recognized with respect to foreseeable future dividend payments by foreign operations. Recognition of this liability resulted from the fact that a portion of foreign dividend income is not tax-free in Germany in addition to withholding taxes. Any further profits of foreign operations that will not be distributed in the foreseeable future would lead to an additional deferred tax liability of €4.6 million (December 31, 2013: €3.6 million).

22. Equity

Issued capital

As of December 31, 2014, the Company's issued capital amounted to €234,041,666.56 (2013: €181,801,454.08) and was divided into 91,422,526 (December 31, 2013: 71,016,193) no-par-value ordinary bearer shares, each with a notional value of €2.56. The shares are traded on various markets in Germany (including Frankfurt).

Capital structure Authorized capital as of December 31, 2014

Articles of Incorporation	Date of resolution/ limitation	€/Number of shares	Capital increase via:	Pre-emptive rights are excluded
Section 3 (6)	May 10, 2012/limited until May 9, 2017	€268,444.16 = 104,861 shares	Cash contribution and/or contribution in kind	– if new shares are issued to (Group) employees from the Matching Share Plan in an amount of up to €596,480.00 = 233,000 shares – in case of an issue against contributions in kind for the acquisition of companies, parts of companies or investments in companies – if new shares are issued up to a max. of 10% of the Company's issued capital, provided the issue price of the new shares is not significantly lower than the stock exchange price
Section 3 (8)	May 3, 2011/limited until May 2, 2016	€3,532,800.00 = 1,380,000 shares	Cash contribution and/or contribution in kind	– if new shares are issued to (Group) employees

The Board of Management is authorized, subject to the consent of the Supervisory Board, to increase the Company's issued share capital from the above-mentioned authorized capital by way of an issue of new no-par-value bearer shares on one or more occasions.

Generally, shareholders have to be granted subscription rights when utilizing Authorized Capital pursuant to section 3 (6) of the Articles of Incorporation. However, pre-emptive rights are provided for and may be disapplied, subject to the consent of the Supervisory Board, in the context of shares issued to (Group) employees, shares issued in return for contributions in kind to support the acquisition of companies, parts of companies, or investments in companies, and the issuance of shares of up to 10% of the issued share capital. Shareholders' subscription rights are disapplied in relation to Authorized Capital pursuant to section 3 (8) of the Articles of Incorporation.

Changes in the number of shares compared to December 31, 2013 relate to the reduction of authorized capital due to capital increases.

Conditional Capital

The Annual General Meeting has approved contingent capital increases to service the share-based management incentive plans (see **Note 30**) as well as to service convertible bonds (see **Note 25**).

Conditional capital as of December 31, 2014

Articles of Incorporation	Date of resolution/ limitation	€/Number of shares	Capital increase via:	Disapplication of pre-emptive rights/ execution of the capital increase
Section 3 (9)	April 27, 2000	€1,870,080.00 = 730,500 shares	Stock-Option-Plan[1] 2000 – 2004	Share capital increase will be executed if participants make use of their subscription rights.
Section 3 (7)	April 30, 2004	€763,545.60 = 298,260 shares	SAR-Plan[2] 2005 – 2009	Share capital increase will be executed if participants make use of their subscription rights.
Section 3 (12)	April 29, 2009	€4,875,517.44 = 1,904,499 shares	SAR-Plan[2] 2010 – 2014	Share capital increase will be executed if participants make use of their subscription rights.
Section 3 (13)	April 29, 2009	€15,663,132.16 = 6,118,411 shares	To be used for the 2009 convertible bond	Share capital increase will be executed if creditors of the convertible bond exercise their conversion rights.
Section 3 (14)	April 30, 2010	€35,840,000.00 = 14,000,000 shares	To be used for the 2012 convertible bond	Share capital increase will be executed if creditors of the convertible bond exercise their conversion rights.

[1] As of year-end, there were no exercisable subscription rights under the Stock Option Plan

[2] SAR-Plan = Stock Appreciation Rights Plan (see **Note 30**)

Changes in the number of shares compared with December 31, 2013 relate to the reduction of conditional capital due to the exercise of conversion rights.

Increase in the Company's share capital

Number of shares	**2014**	2013
Balance as of January 1	71,016,193	70,636,538
Stock Option Plan 2000 – 2004	0	8,300
SAR Plan 2005 – 2009	1,736	35,828
SAR Plan 2010 - 2014	1,124	22,000
New shares issued to employees for bonus entitlements	170,000	250,000
New shares issued to share plan participants	53,473	63,527
Capital increase 2014	20,180,000	n/a
Balance as of December 31	**91,422,526**	**71,016,193**

A total of 223,473 new shares were issued from the Company's authorized capital for the purpose of servicing bonus entitlements as well as entitlements of employees in relation to the 2012 Matching Share Plan (see **Note 30**). The new shares were issued at a price of €2.56 each, increasing issued capital to a total of €572,090.88. A total of 170,000 new shares were issued to employees of the Company at price equivalent to the opening price in XETRA trading on March 17, 2014 in order to satisfy bonus entitlements in accordance with the terms of the agreed bonus arrangements. 53,473 new shares for participants of the 2012 Matching Share Plan were issued to employees of Group companies after the expiration of the holding period.

On October 14, 2014, the Company completed the capital increase from authorized capital in return for cash contributions. A total of 20,180.000 new no-par value bearer shares, each with a proportional share in the issued capital of €2.56, were issued; this led to net proceeds of €261.5 million (after expenses of €6.0 million). The new shares were issued through subscription rights and carry full dividend entitlement for 2014. A total of 99.65% of the subscription rights were exercised, and 19,870,312 new shares were issued at a subscription price of €13.25 per share. The remaining 309,688 new shares (including fractional amounts excluded from the subscription right) were place within the framework of stock market transactions at a weighted average price of around €13.75.

On January 26, 2015, the Board of Management approved a €982,635.52 increase in issued capital through the issue of 383,842 new shares by making partial use of authorized capital. The new shares are designated for employees of the Company (325,000 shares) and are intended to support the 2013 Matching Share Plan (58,842 shares); they carry dividend rights for 2014.

As of December 31, 2014, 24,513 (2013: 21,056) treasury shares were held at a carrying amount of €62,753.28 (December 31, 2013: €53,903.36).

Disclosures on capital management

In addition to ensuring liquidity, one of the primary objectives of capital management is to optimize financing structures on a continuous basis. In order to achieve this objective, various methods are used to reduce the cost of capital and improve the capital structure as well as to ensure effective risk management. Capital management includes both equity and debt components. Key financial figures include net debt, gearing (net debt/equity), and the equity ratio. Net debt is defined as borrowings at their principal amount less cash, cash equivalents, and time deposits. Measures initiated in the reporting year include the capital increase resolved by the Board of Management in the amount of €261.5 million. The prior-year measures included the refinancing in the context of which the floating-rate corporate bond issued in 2007 as well as the syndicated credit line was replaced by a fixed-income corporate bond and syndicated credit line for general corporate pruposes. There were no changes as regards the approach to capital management in the year under review.

The key figures developed as follows:

€m	**Dec. 31, 2014**	Dec. 31, 2013
Net debt	389.9	491.1
Equity attributable to the shareholders of the parent company	567.6	607.7
Gearing	0.69	0.81
Equity ratio	26.2%	29.5%

SGL Group pursues active debt management as one of its capital management tools. The Group is under an obligation to comply with certain covenants with respect to our lenders and bondholders. Adherence to these covenants is monitored continuously. In addition, financial risks are continuously monitored and controlled using certain indicators and regular internal reports as part of internal risk management. These risks include, among other things, the internal financing framework for subsidiaries determined on the basis of their budget requirements and their utilization, the hedged currency exposure, the change in actual cash flows, the change in the fair value of the derivatives portfolio, and maintenance and utilization of guarantee credit lines.

Since 2004, SGL Group has commissioned rating agencies Moody's and Standard & Poor's (S&P) to prepare an issuer rating, which supports both private and institutional investors in evaluating the Group's credit quality. At present, SGL Group has ratings of "B2" from Moody's and "B+" from Standard & Poor's (prior year: "B1" and "BB–", respectively). The corporate bond issued in 2013 has received an investment grade rating from S&P ("BB") (prior year: "BB+"), while the convertible bonds issued in 2009 and 2012 are rated "B" by S&P (prior year: "BB–"). Moody's has given the new corporate bond a "B1" rating.

Change in control agreement

Various members of the Board of Management and of the Group's senior management each had the right to terminate their contracts of employment and were entitled to an associated severance pay in the event of a change in control, i. e. if (i) the Company is notified that a third party has gained 25% or more of the voting rights in the Company and providing that attendance at the most recent Annual General Meeting of the Company was below 50%, (ii) a third party, alone and/or together with voting rights attributable to the third party, holds at least 30% or, based on attendance at the Annual General Meeting of the Company, the majority of voting rights in the Company, (iii) the Company enters into an agreement within the meaning of section 291 et seq. of the German Stock Corporation Act (AktG) as a dependent company or is taken over, or (iv) SGL Carbon SE is merged with another company or changes its legal form in general.

Each of the convertible bonds issued by the Company (due in 2016 and 2018) entitles the bondholders to repayment of their outstanding notes at the principal amount in the event of a change in control, provided the bondholders declare such intention prior to or on the reference date to be determined by the Company; such reference date may not be fewer than 40 or more than 60 calendar days after the change in control. Alternatively, the notes may be converted into shares up to the reference date, which could result in a better conversion ratio for bondholders based on the staggered conversion price with respect to the residual terms to maturity of the convertible bond in question. For the purposes of the two convertible bonds, a change in control exists if one or more individuals acquires control over the Company, with control being (a) direct or indirect ownership of more than 30% of the voting shares or (b) in the case of an acquisition offer, when the shares controlled by the bidder or individuals cooperating with the bidder plus the shares with regard to which the acquisition offer has been accepted exceed 50% of the voting rights in SGL Carbon SE and the acquisition offer becomes unconditional.

Pursuant to the joint venture agreement between SGL Group and BMW Group establishing SGL ACF, if one of the parties to the joint venture undergoes a change in control (i.e. if a third party directly or indirectly acquires 50% or more of the voting rights in a party to the joint venture, or 25% of the voting rights if such third party is a competitor of the other party to the joint venture), the other party to the joint venture is entitled to purchase the shares belonging to the party to the joint venture affected by the change in control or to tender its shares in the joint venture at market value.

Other

In 2014, SGL Carbon SE, as the parent company of SGL Group, reported a net loss for the year of €286.9 million in accordance with the German Commercial Code (HGB). Taking into account the loss brought forward in the amount of €64.5 million, the accumulated loss totals €351.4 million. In accordance with the German Stock Corporation Act, dividends may only be paid out of the accumulated net profit reported by SGL Carbon SE in its annual financial statements prepared pursuant to the provisions of the German Commercial Code (HGB). In fiscal 2013, SGL Carbon SE paid a dividend to its shareholders in the amount of €14.2 million (€0.20 million per share) from its 2012 net retained profit.

23. Provisions for pensions and similar employee benefits

The employees of SGL Group worldwide benefit from various pension plans that provide retirement benefits for employees and their surviving dependents. These benefits are granted in accordance with the specific situations in the various countries. Some of the arrangements are linked to the level of employee remuneration, whereas others are based on fixed amounts that are based on employee ranking in terms of both salary classification and position within the Company hierarchy. Some arrangements also provide for future increases based on an inflation index.

Germany

The various pension arrangements for the employees of SGL Group in Germany were standardized on April 1, 2000 and pooled in the legally independent pension fund for employees of Hoechst Group VVaG. In case of defined contribution plans for basic pension plans in relation to employees below the income threshold for contribution assessment, the Company pays contributions to pension insurance providers on the basis of statutory or contractual requirements. The Company generally has no further obligations other than to pay the contributions. The Hoechst VVaG pension fund (Penka I) is a defined benefit multi-employer plan in Germany. There is insufficient information available about this pension plan to allow the Company to classify it as a defined benefit plan because the plan assets cannot be allocated among the participating companies. The pension fund benefits are funded based on the

demand coverage method (Bedarfsdeckungsverfahren). The amount of the employer contributions is therefore determined on the basis of the amount of capital gains of the fund. Accordingly, the employer contributions may fluctuate depending on the amount of capital gains of the fund. The contributions made by SGL Group to the pension fund (Penka I) in 2014 amount to 400% of the employee contributions. The employer contribution may increase in the future as a result of the continued low interest rate level. Effective April 1, 2009, the pension plan was closed for new beneficiaries and changed from a defined benefit plan to a defined contribution plan. The employer contributions remained constant at 230% of the employee contributions. All obligations were fulfilled by making contribution payments to Höchster Pensionskasse VVaG (Penka II). Effective January 1, 2013, the participants of Penka II in Germany were transferred to the new pension plan – "Altersversorgung- plus (AV-plus)." The employee contributes 2.0% from pensionable gross remuneration as deferred compensation to AV plus (Penka II), while the employer contributes twice that amount in the form of a direct pension commitment which is covered by assets held in a trust vehicle (Contractual Trust Arrangement, CTA). Employees may contribute an additional amount of 1.0% to Penka II, in which case the matching employer's contribution to the direct pension commitment amounts to 100% of the employee's contribution. The employee acquires a direct entitlement to benefits from the pension fund upon making his contributions to the pension fund. The employer's payments under the direct pension commitment are subject to a guaranteed minimum return of 2.25%. Any benefit payments (one-off disbursement or payment in form of an annuity) are determined based on the higher of guaranteed minimum return or the current individual value of assets. In addition, employees are able to participate in deferred compensation plans and similar models.

The direct pension commitment for the defined benefit plan for the senior management level (with income above the threshold for a contribution assessment as determined by the German government pension insurance plan (Deutsche Rentenversicherung) was closed to participants as of December 31, 2014 - with only a few exceptions that relate to partial retirement agreements as well as persons shortly before retirement – and was replaced by a defined contribution plan. The entitlements earned by the participants have been frozen and are no longer subject to indexation until benefits commence. Even if employees may no longer earn entitlements from legacy commitments, the Company is still exposed to actuarial risks such as longevity and pension indexation. In relation to the new defined contribution plan, the Company grants contributions at a defined rate based on pensionable income. The contributions are subject to a minimum interest rate, which is the maximum rate for life insurance policies plus one percentage point (currently 2.25% p.a. in total). In addition, the amounts are contributed to a portfolio of assets held in a trust vehicle (Contractual Trust Arrangement, CTA). If an insured event occurs, any benefit payments (one-off disbursement or payment in form of an annuity) are determined based on the higher of guaranteed minimum return or the current individual value of assets.

USA

The North American subsidiaries have country-specific pension plans which are largely covered by pension funds. The funding ratio for the U.S. pension plan amounts to 73.5% (December 31, 2013: 86.6%). This plan is subject to the legal and regulatory framework of the U.S. Employee Retirement Income Security Act (ERISA). In accordance with this framework, defined benefit plans have to ensure a minimum funding level in order to avoid a reduction of benefit payments. Furthermore, there are post-employment healthcare plans as well as an additional pension plan for senior managers, both of which are unfunded.

In the U.S. pension fund, the plan assets are invested solely for the purpose of providing future pension benefits to the beneficiaries and minimizing the costs of administering the assets. SGL Group regularly reviews the assumptions on the expected return on plan assets of the North American, fund-financed pension plan. As part of the review, independent actuaries calculate a range for expected long term returns on total plan assets. Net interest is determined based on plan assets measured using the discount interest rate at the end of the previous year. In 2014, the effective return of plan assets was 8.2% in the USA and 15.2% in Canada, which is above the discount rates of 4.00% in the USA and 3.85% in Canada (2013: 6.6% and 11.6% above the discount rate of –4.75% and 4.75%, respectively).

The investment policy of SGL Group is geared more heavily toward fixed-income bonds and bank balances as compared to assets from growth-oriented equities and interests in companies. As of December 31, 2014, 33.4% of the plan assets in the USA were invested in equities and interests in companies (December 31, 2013: 36.5%), 55.6% in fixed-interest securities (December 31, 2013: 53.3%), 9.5% in hedge funds (December 31, 2013: 9.3%), and 1.5% in cash (December 31, 2013: 0.9%).

The future benefit obligations in relation to healthcare plans are calculated using actuarial methods based on prudent estimates of the relevant parameters. The calculation parameters may be influenced to a significant degree by the assumptions with respect to the increase in costs within the healthcare sector. In the year under review, the assumed rates of increase for medical costs (first/last/year) amounted to (7.55%/5.0%/2025) for beneficiaries of less than 65 years of age and (7.05%/5.0%/2023) for beneficiaries of more than 65 years of age. The assumed rates for 2013 were (7.8%/5.0%/2025) and (7.3%/5.0%/2023), respectively. An increase or decrease in the assumed growth rate for healthcare costs of 1 percentage point would have led to an increase (decline) in the present value of the defined benefit obligation of €0.2 million (minus €0.2 million) and an increase (decline) in the service and interest cost of €0.0 million (€0.0 million) as of the end of fiscal year 2014.

Canada

In 2015, the closure of the Canadian facility and the related personnel measures will lead to a payment and the dissolution of the plan assets to the benefit of unionized plan members in the amount of approx. €6.0 million, while retired employees participating in the plan for salaried plan members may no longer earn further entitlements.

Most of the obligations with respect to current pension benefits, termination benefits and projected pension benefits in the other companies are covered by the provisions reported on the balance sheet.

Actuarial assumptions

In addition to biometrical bases for calculation and the current long term market interest rate, this method takes into account particular assumptions with respect to future salary and pension increases.

The following parameters are applied in Germany and the USA, the countries with the most significant post-employment benefit obligations:

Basis of calculation and parameters for pension provisions

	German plans		US plans	
	2014	2013	**2014**	2013
Discount rate	2.00%	3.50%	4.00%	4.75%
Projected salary increase	2.25%	2.50%	3.00%	3.00%
Projected pension increase	1.75%	2.00%	–	–
Return on plan assets	3.50%	3.50%	4.75%	3.75%
Duration (years)	17.1	15.8	14.2	12.0

The change in pension obligations relating to direct commitments and post-employment healthcare obligations, the change in plan assets and the financing status of the pension plans are described in the following table.

The funded status for 2014 was as follows:

€m	Germany 2014	USA 2014	Other 2014	**Total 2014**
Present value of the defined benefit obligation at beginning of year	263.7	119.7	32.1	415.5
Service cost	7.2	2.6	0.7	10.5
Interest cost	9.1	5.7	1.3	16.1
Actuarial losses (+)/gains (–)	57.3	24.7	3.6	85.6
Benefits paid	–9.7	–6.7	–4.8	–21.2
Plan amendments	–3.4	0.0	0.0	–3.4
Other changes	2.0	0.5	1.0	3.5
Currency differences	0.0	16.5	0.6	17.1
Present value of the defined benefit obligation at end of year [1)]	**326.2**	**163.0**	**34.5**	**523.7**
Fair value of plan assets at beginning of year	29.4	81.0	12.6	123.0
Actual return on plan assets	0.8	6.7	1.8	9.3
Employer contributions	6.7	2.0	1.4	10.1
Employee contributions	0.3	0.2	0.0	0.5
Benefits paid	–0.5	–6.7	–3.1	–10.3
Currency differences	0.0	11.2	0.5	11.7
Fair value of plan assets at end of year [2)]	**36.7**	**94.4**	**13.2**	**144.3**
Funded status as of December 31	**289.5**	**68.6**	**21.3**	**379.4**
Reclassification due to asset ceiling	0.1	0.0	0.0	0.1
Amount recognized	**289.6**	**68.6**	**21.3**	**379.5**
Termination benefits	0.0	0.7	4.5	5.2
Provisions for pensions and similar employee benefits	**289.6**	**69.3**	**25.8**	**384.7**

[1)] Of which €19.4 million relate to post-retirement healthe care benefits

[2)] This item also includes assets of €4.7 million to cover pension entitlements recognized as other non-current assets

The funded status for 2013 was as follows:

€m	Germany 2013	USA 2013	Other 2013	**Total 2013**
Present value of the defined benefit obligation at beginning of year	263.3	140.3	37.2	440.8
Change in scope of consolidation	–0.4	–	–	–0.4
Service cost	9.0	3.1	1.4	13.5
Interest cost	9.1	5.1	1.2	15.4
Actuarial losses (+)/gains (–)	–9.1	–17.3	–1.4	–27.8
Benefits paid	–9.0	–6.0	–2.4	–17.4
Plan amendments	0.5	0.4	–1.8	–0.9
Other changes	0.3	0.3	0.0	0.6
Currency differences	0.0	–6.2	–2.1	–8.3
Present value of the defined benefit obligation at end of year [1)]	**263.7**	**119.7**	**32.1**	**415.5**
Fair value of plan assets at beginning of year	23.4	83.3	11.7	118.4
Actual return on plan assets	0.6	5.4	1.4	7.4
Employer contributions	5.6	1.7	1.3	8.6
Employee contributions	0.3	0.3	0.0	0.6
Benefits paid	–0.5	–6.0	–0.4	–6.9
Currency differences	0.0	–3.7	–1.4	–5.1
Fair value of plan assets at end of year [2)]	**29.4**	**81.0**	**12.6**	**123.0**
Funded status as of December 31	**234.3**	**38.7**	**19.5**	**292.5**
Reclassification due to asset ceiling	0.2	0.0	0.0	0.2
Amount recognized	**234.5**	**38.7**	**19.5**	**292.7**
Termination benefits	0.0	0.7	5.2	5.9
Provisions for pensions and similar employee benefits	**234.5**	**39.4**	**24.7**	**298.6**

1) Of which €14.5 million relate to post-retirement healthcare benefits

2) This item also includes assets of €4.2 million to cover pension entitlements recognized as other non-current assets

The consolidated statement of comprehensive income includes the following amounts:

€m	Germany 2014	USA 2014	Other 2014	**Total 2014**	Total 2013
Actuarial gains (+)/losses (–) on pensions	–57.7 [1]	–24.7	–3.6	–86.0	27.8
Actuarial gains (+)/losses (–) on other long-term benefits	–0.2	0.0	0.0	–0.2	–0.6
Actual return on plan assets	0.8	6.7	1.8	9.3	7.4
Less expected return on plan assets	0.0	–0.3	0.3	0.0	0.0
Currency impact	0.8	3.8	0.6	5.2	3.8
Gains (+) / losses (–) of the reporting year (gross) recognized in equity	**–57.9**	**–21.5**	**–2.7**	**–82.1**	**30.8**
Tax effect	16.9	8.2	1.5	26.6	–15.3
Gains (+) / losses (–) of the reporting year (net) recognized in equity	**–41.0**	**–13.3**	**–1.2**	**–55.5**	**15.5**

[1] Including minus €0.4 million actuarial losses relating to joint ventures accounted for At-Equity

The cumulative net amount of actuarial losses recognized in other comprehensive income pursuant to IAS 19.93a was €176.5 million (2013: €121.0 million). The losses increased above all due to a reduction in the interest rate in Germany and the USA and the imact of new mortality tables in the USA.

In fiscal year 2014, the present value of the defined benefit obligation decreased, among other things due to a reduction in the discount rate for the pension plans by €75.0 million (2013: minus €15.5 million), new mortality tables in the USA by €9.3 million (2013: €0.0 million) as well as experience adjustments resulting from differences between actuarial assumptions and actual outcome in the amount of €1.3 million (December 31, 2013: decrease of €0.8 million). A change in the discount factor, the salary trend and the return on plan assets by +0.5%/–0.5%, respectively, would lead to a change in the present value of the defined benefit obligation by –7.1%/+7.9% (discount factor), +0.6%/–0.6% (salary trend) and 0.1%/–0.1% (plan assets). A change in longevity by +1/–1 year would lead to a change in the present value of the defined benefit obligation by +2.7%.

Pension provisions with a maturity of less than one year amounted to approximately €25.1 million (2013: €29.7 million).

SGL Group has pension and healthcare obligations in the amount of €144.4 million (2013: €107.2 million) arising from fund-financed pension plans. Pension obligations arising from non-fund-financed pension plans amounted to €379.3 million (2013: €308.3 million). The actual return on plan assets in 2014 amounted to a total of €10.0 million (2013: €7.4 million).

To cover the pension obligations to members of the Board of Management, the Company has entered into reinsurance policies with three large insurance companies. As of December 31, 2014, the asset value included in the pension provisions totaled €28.7 million (2013: €22.5 million). The expected return corresponds to the discount rate of the pension obligations. In fiscal year 2014, one-time payments totaling €5.9 million were made to reinsurers (2013: €4.7 million). The benefits under the insurance policies have been pledged to the relevant members of the Board of Management. The pension expense for active members of the Board of Management is detailed in **Note 27**.

The breakdown of pension expenses for 2014 and 2013 is as follows:

€m	Germany 2014	USA 2014	Other 2014	**Total 2014**	Total 2013
Service cost	7.2	2.6	0.7	10.5	13.5
Plan adjustments	1.6	0.0	0.0	1.6	0.9
Curtailment gains	–3.4	0.2	0.0	–3.2	–3.2
Service cost	**5.4**	**2.8**	**0.7**	**8.9**	**11.2**
Interest cost	9.1	5.7	1.3	16.1	15.4
Expected return on plan assets	–0.8	–3.8	–0.6	–5.2	–3.8
Nettozinsaufwand	**8.3**	**1.9**	**0.7**	**10.9**	**11.6**
Expenses for defined benefit plans	**13.7**	**4.7**	**1.4**	**19.8**	**22.8**
Expenses for defined contribution plans	6.6	0.0	0.0	6.6	6.7
Interest cost from termination payments	0.0	0.0	1.1	1.1	0.1
Pension expenses	**20.3**	**4.7**	**2.5**	**27.5**	**29.6**

The amounts recognized in profit or loss for the defined contribution plans in Germany totaled to €6.6 million (December 31, 2013: €6.7 million) in fiscal year 2014. Contributions to state plans of the SGL Group amounted to €25.2 million in 2014 (December 31, 2013: €25.4 million). Employer contributions to plan assets and reinsurance policies in 2015 are estimated at €9.2 million (December 31, 2013: €10.9 million). As of December 31, 2014, the anticipated future pension benefit payments by SGL Group to its former employees or their surviving dependants were as follows:

Pension payments to employees

Year	€m
2014	21.2
Payable in 2015	25.1
Payable in 2016	20.5
Payable in 2017	21.7
Payable in 2018	23.0
Payable in 2019	24.0
Payable in 2020–2024	129.5

24. Other provisions

€m	Taxes	Personnel expenses	Warranties, price reduction and guarantees	Restructuring	Other	Total
Balance as of Jan. 1, 2014	44.1	43.8	8.0	48.2	22.8	166.9
Utilizations	–2.8	–21.0	–1.0	–40.7	–16.8	–82.3
Releases	–0.7	–3.0	–1.7	–0.8	–2.6	–8.8
Additions	5.4	27.3	8.1	18.4	19.0	78.2
Other changes/exchange differences	0.2	–0.8	–1.1	–0.7	0.7	–1.7
Balance as of Dec. 31, 2014	**46.2**	**46.3**	**12.3**	**24.4**	**23.1**	**152.3**
thereof with a maturity of up to one year	*5.4*	*38.0*	*12.2*	*20.0*	*23.0*	*98.6*
thereof with a maturity of more than one year	*40.8*	*8.3*	*0.1*	*4.4*	*0.1*	*53.7*

Tax provisions mainly refer to provisions for uncertain tax positions from tax audits. SGL Group recognizes tax provisions based on the respective local tax laws of the respective local tax jurisdiction and the applicable administrative opinion. Differences in the interpretation of tax regulations between SGL Group and the relevant local tax authorities may result in subsequent tax assessments for prior years in connection with tax audits. Therefore, SGL Group takes into consideration uncertain tax positions in the recognition of provisions. Recognition and measurement of provisions for uncertain tax positions is, to large extent, associated with estimates to be made by SGL Group. All uncertain tax positions are, therefore, reassessed and remeasured for each set of financial statements. Uncertain tax positions are subject to substantial uncertainties as these are frequently based on complex facts and issues. Accordingly, the assessment and measurement of provisions for uncertain tax positions requires a significant degree of judgment on the part of management. Management assesses and measures uncertain tax positions based on whether it is more likely than not that SGL Group may enforce uncertain tax positions on the basis of court decisions and the interpretation of other legal sources. Assessment and measurement may therefore be changed due to new information becoming available over time. Therefore, it may be necessary to adjust a tax provision for an uncertain tax position in future due to new developments.

Provisions for personnel expenses mainly comprise provisions for annual bonuses of €17.1 million (December 31, 2013: €12.8 million), provisions for anniversary benefits of €7.4 million (December 31, 2013: €6.7 million), provisions for partial retirement of €1.6 million (December 31, 2013: €5.2 million) and provisions for outstanding vacation days of €8.8 million (December 31, 2013: €9.4 million).

All warranties, price reductions and guarantees contain provisions for price reduction risks including bonuses, volume discounts and other reductions in price. The restructuring provisions comprise measures within the context of the SGL2015 cost savings program and include provisions for clean-up work and dismantling costs in the amount of €14.3 million and provisions for personnel measures in the amount of €10.1 million.

The item "Other" includes provisions for outstanding invoices in the amount of €9.3 million (December 31, 2013: €6.1 million). In addition, other provisions consist of various individual items of the 59 (2013: 60) fully consolidated companies..

25. Liabilities

€m	Dec. 31, 2014	Remaining term to maturity > 1 year	Dec. 31, 2013	Remaining term to maturity > 1 year
Interest-bearing loans				
Corporate bond	250.0	250.0	250.0	250.0
nominal value of convertible bonds	*374.7*		*374.7*	
less remaining interest cost component	*–21.5*		*–20.9*	
Convertible bonds	353.2	353.2	353.8	221.7
Bank loans, overdrafts and other financial liabilities	112.6	0.0	101.5	87.2
Refinancing costs	–11.0	–11.0	–13.8	–11.0
	704.8	**592.2**	**691.5**	**547.9**
Trade payables	**176.4**	**0.0**	**191.2**	**0.0**
Other financial liabilities				
Derivative financial instruments	14.0	0.0	1.1	0.0
Finance lease liabilities	20.5	19.4	20.7	19.1
Miscellaneous other financial liabilities	30.0	30.0	17.9	17.8
	64.5	**49.4**	**39.7**	**36.9**
Income tax payables	1.5	0.0	2.1	0.0
Deferred tax liabilities	2.8	2.8	2.9	2.9
Miscellaneous other liabilities	41.1	0.3	42.3	1.3
Other liabilities	**109.9**	**52.5**	**87.0**	**41.1**
	991.1	**644.7**	**969.7**	**589.0**

Interest-bearing loans

Corporate bond

The 7-year fixed-rate corporate bond issued by SGL Carbon SE in December 2013 has a principal amount of €250.0 million and was issued in a denomination of €100,000 each. The corporate bond has a coupon of 4.875% p.a., payable semi-annually.

The issue price was 100% of the principal amount. In case of a change in ownership of the Company, the investors are entitled to early redeem their corporate bonds and to demand repayment at a price of 101% of the principal amount plus accrued interest.

The terms of the corporate bond also include normal market provisions with regard to financial covenants and financial restrictions. The corporate bond is admitted to trading in the Open Market of the Frankfurt Stock Exchange.

As of December 31, 2014, the market value of the exchange-listed corporate bond was €259.9 million (2013: €258.8 million) (conforms to level 1 of the fair value hierarchy of IFRS 13).

Convertible bonds

As of December 31, 2014, the Company had two outstanding convertible bonds. The terms of both convertible bonds provide for protection against dilution for investors. This ensures that the bonds' conversion prices are automatically adjusted in the event of a capital increase or if dividends are paid by the Company. The adjusted conversion price reflects the dilutive effect per share.

The conversion prices of the convertible bonds changed as follows:

€	Conversion price as of Dec. 31, 2014	Original conversion price per share	Change
Convertible bond 2009/2016	27.3	29.4	–2.1
Convertible bond 2012/2018	41.0	44.1	–3.1

The senior unsecured convertible bond issued by SGL Carbon SE in 2009 with an original amount of €190.0 million (denominations of €50,000 each) matures in June 2016. The convertible bonds were issued in denominations of €50,000. The conversion price is €27.3 (2013: €29.00). The coupon rate is 3.5% p.a. (paid annually). As a result of early conversions by bondholders in the past years, the outstanding volume of the convertible bond amounted to €134.7 million as of December 31, 2014. As of December 31, 2014, the market value of the corporate bond was €134.1 million. (2013: €150.7 million).

In 2012, SGL Carbon SE issued another senior unsecured convertible bond due in January 2018 with a principal amount of €240.0 million. The convertible bond was issued and will be redeemed upon maturity at 100% of its principal amount. The convertible bonds were issued in denominations of €100,000. The conversion price is €41.00 (2013: €43.52). The coupon rate is 2.75% and is paid semi-annually. The outstanding volume of the bond as of December 31, 2014 was €240.0 million, unchanged over the prior year. As of December 31, 2014, the market value of the corporate bond was €223.2 million (2013: €248.6 million).

Summary of convertible bonds

€m	Volume of issue	Outstanding volume	Carrying amount as of Dec. 31, 2014	Market price* as of Dec. 31, 2014	Coupon% p.a.	Issue price
Convertible bond 2009/2016	190.0	134.7	127.4	134.1	3.500%	100.0%
Convertible bond 2012/2018	240.0	240.0	224.4	223.2	2.750%	100.0%
Total	**430.0**	**374.7**	**351.8**	**357.3**		

* Corresponds to level 1 of the fair value hierarchy of IFRS 13

Please see **Note 2** ("Hybrid Financial Instruments") for a description of the accounting treatment for convertible bonds and their separation into an equity component and a liability component.

Syndicated credit facility

In addition to the corporate bond and the two convertible bonds, SGL Group also has a secured syndicated credit facility totaling €200.0 million to be used for general corporate purposes. The credit facility has equal ranking with the corporate bond. The syndicated credit facility was agreed with SGL Group's core banks and matures at the end of December 2017. The credit facility is available to various SGL subsidiaries and can be drawn on in euros or in U.S. dollars. The credit line had not been utilized as of the balance sheet date (December 31, 2014). In case of a change in ownership, the amounts drawn will become due for repayment. The agreed credit margin varies depending on the gearing of SGL Group during the term to maturity. The terms and conditions of the syndicated credit line include financing provisions in line with the market.

The weighted average cash interest rate on financial liabilities based on their nominal amounts in 2014 was 3.8% p.a. (2013: 2.6% p.a.). Including the non-cash interest cost on the convertible bonds and the income arising on the reassessment of the maturity of the 2009/2016 convertible bond, the weighted average effective interest rate for 2014 was 3.7% p.a. (2013: 3.8% p.a.). The funds received from the Company's capital increase were used to fully repay the local borrowings of SGL Carbon Sdn. Bhd., Malaysia in the amount of €40.4 million. As of the balance sheet date, bank loans, overdrafts and other financial liabilities amounted to €112.6 million (2013: €101.5 million). Of this amount, €111.6 million (2013: €52.4 million) was subject to fixed interest and €1.0 million (2013: €49.1 million) was subject to variable interest rates.

Excluding the proportionally consolidated joint operations SGL Automotive Carbon Fibers, bank loans, over-drafts and other financial liabilities totaled €2.2 million (2013: €50.8 million). Of this amount, €1.2 million (2013: €1.7 million) was subject to fixed interest and €1.0 million (2013: €49.1 million) was subject to variable interest rates.

Trade payables

Trade payables totaled €176.4 million as of December 31, 2014 (2013: €191.2 million), €175.4 million of which was due to third parties (December 31, 2013: €190.6 million). As in 2013, the trade payables were due for payment within one year.

Other liabilities

As of December 31, 2014, other financial liabilities included liabilities from finance leases in the amount of €20.5 million (2013: €20.7 million), mainly attributable to an agreement on a heritable building right. This line item also includes negative fair values relating to hedging instruments in the amount of €14.0million as of December 31, 2014 (2013: €1.1 million).

Miscellaneous other financial liabilities include the non-controlling interests in subsidiary partnerships classified as liabilities in a total amount of €27.5 million (2013: €15.3 million).

Current income tax payables amounted to €1.5 million (2013: €2.1 million) as of December 31, 2014. Please refer to **Note 21** for detailed information on deferred tax liabilities.

Miscellaneous other liabilities totaled €41.1 million (2013: €42.3 million) as of December 31, 2014 and included liabilities for payroll and church taxes of €14.0 million (2013: €11.7 million), accrued interest of €11.4 million (2013: €6.8 million), social security liabilities of €0.3 million (2013: €0.4million), other tax liabilities of €0.6million (2013: €1.1 million), and deferred income of €9.4 million (2013: €9.8 million).

The following table shows all contractually agreed upon payments as of December 31, 2014 for repayments of principal and payment of interest on recognized financial liabilities, including derivative financial instruments.

€m	**2015**	2016	2017	2018	2019	More than five years
Non-derivative financial liabilities						
Corporate bond	12.2	12.2	12.2	12.2	12.2	275.4
Convertible bonds	11.4	143.8	6.7	240.5		
Bank loans, overdrafts and other financial liabilities	114.0					
Finance lease liabilities	1.1	1.0	1.0	1.0	1.0	77.1
Trade payables	176.4					
Miscellaneous other financial liabilities			2.5			27.5
Derivative financial liabilities	14.0					
Total	**329.1**	**157.0**	**22.4**	**253.7**	**13.2**	**380.0**

There were no significant changes compared to the disclosures made in prior year.

The estimated interest payments for floating-rate financial liabilities were determined on the basis of the interest-rate curve on the balance sheet date. Miscellaneous other financial liabilities were determined using undiscounted contractual cash flows for the subsequent fiscal years. Derivative financial liabilities are classified as payable on demand, regardless of their actual contractual maturity. This enables a presentation of cash outflows in the event of an immediate cancellation of the underlying derivative contracts. The Group is of the opinion that this form of presenting liabilities from derivatives with a negative fair value as of the balance sheet date is appropriate.

26. Contingent liabilities and other financial obligations

As of December 31, 2014, outstanding guarantee obligations amounted to €0.3 million (December 31, 2013: €0.3 million). Contingent liabilities relating to investments accounted for At-Equity amounted to €10.6 million (December 31, 2013: €9.5 million). In addition, other financial commitments in connection with purchase orders for approved capital expenditure on property, plant and equipment amounted to €27.5 million as of December 31, 2014 (December 31, 2013: €29.8 million). These amounts are mainly earmarked for the conversion of the textile fiber production lines to precursor production lines at Fisipe as well as for the expansion of the carbon fiber sites in the proportionally consolidated joint operation with BMW Group. Some of these capital expenditure projects extend beyond one year.

Furthermore, there are contingent liabilities against foreign tax authorities resulting from disputes and tax audits as of December 31, 2014, in the amount of €21.0 million.

SGL Group secures the necessary raw materials for its production, especially for needle coke, by means of procurement agreements with key suppliers. These agreements normally have a term of one year, include minimum quantities to be purchased by SGL Group and are fulfilled by physical delivery. The prices for the supplies are based on a base price that is adjusted for variable components (e. g. defined parameters of the needle coke producer's raw material price).

A number of agreements to provide collateral were also signed with lenders in conjunction with the refinancing carried out in 2013. These agreements are restricted to share pledge agreements and/ or corporate guarantees for a selected number of companies in the Group. No charges on real estate or other assets have been pledged as collateral

In addition, obligations under operating leases for land and buildings, IT equipment, vehicles, and other items of property, plant and equipment amounted to €69.3 million as of December 31, 2014 (December 31, 2013: €71.7 million). As of December 31, 2014, the future payments were as follows (the changes compared to the previous year were insignificant):

€m	2015	2016	2017	2018	2019	2020 and later	**Total**
Operating leases	**16.5**	**9.0**	**7.9**	**6.4**	**6.8**	**22.7**	**69.3**
Finance leases	1.1	1.0	1.0	1.0	1.0	77.1	82.2
– discount included	–0.1	–0.1	–0.2	–0.2	–0.2	–60.9	–61.7
= Present value of finance leases	**1.0**	**0.9**	**0.8**	**0.8**	**0.8**	**16.2**	**20.5**

No payments from subleases were received in either 2014 or 2013. Finance leases exclusively comprised lease agreements for items of property, plant and equipment concluded as standard lease agreements without any specific purchase option as well as one heritable building right. In accordance with IAS 17, a long term contract regarding a heritable building right was accounted for as a finance lease. The land lease rate is adjusted every 20 years, based on the then applicable market value of the property. The last adjustment was made in 2006. Estimates of future increases are shown in the above table. The net carrying amount of finance leases, including the heritable building right, amounted to €16.6 million as of December 31, 2014 (2013: €18.1 million). Expenses for rental and operating lease agreements totaled €36.1 million in 2014 (2013: €35.0 million).

Various legal disputes, legal proceedings and lawsuits are either pending or may be initiated in the future. This includes legal action arising in connection with alleged defects in SGL Group products, product warranties and environmental protection issues. Tax risks may also arise as a result of the Group structure. Litigation is subject to considerable uncertainty; the outcome of individual cases cannot be predicted with any certainty. There is a reasonable probability that individual cases could be decided against SGL Group. Identifiable risks have been adequately covered by recognizing appropriate provisions.

As a company using a substantial amount of energy, our sites in Meitingen, Bonn and Griesheim were partially exempted from the cost allocation under the German Renewable Energy Sources Act (EEG). Depending on whether we will no longer be granted such an exemption from the EEG cost allocation in the future or if we will be required to make a retrospective payment for the EEG cost allocation, this might have a negative impact on our business operations.

27. Related-party transactions

Joint ventures and associates

SKion GmbH, Bad Homburg, holds a share of approximately 27.5% in SGL Carbon SE according to notifications pursuant to the German Securities Trading Act (WpHG). No material transactions were conducted with SKion GmbH in 2014.

In fiscal years 2014 and 2013, SGL Group maintained business relations within its normal course of business with a number of joint ventures and associates related to sales revenue and allocations of general and administrative expenses. In this context, SGL buys and sells products and services at market conditions. Collateral is reported under other financial obligations (see **Note 26**). Please refer to **Note 8** for information on joint ventures and associates.

The following table presents the volume of transactions with related companies included in SGL Group:

2014

€m	Sales of goods	Sales of services	Purchases of goods	Purchases of services	Receivables as of Dec. 31	Loans as of Dec. 31	Liabilities as of Dec. 31
Joint ventures/associates	19.1	12.3	–8.8	–0.9	6.8	0.0	–2.4

2013

€m	Sales of goods	Sales of services	Purchases of goods	Purchases of services	Receivables as of Dec. 31	Loans as of Dec. 31	Liabilities as of Dec. 31
Joint ventures/associates	12.2	13.1	–18.5	–1.0	7.0	2.0	–1.9

Related persons

Related persons include members of the Board of Management and the Supervisory Board.

For fiscal 2014, the total remuneration (excluding benefit expenses) for the members of SGL Group's Board of Management active in the respective fiscal year based on the principle of allocation (Zuflussbetrachtung) amounted to €2,935 thousand (2013: €5,968 thousand). In the previous year, this included remuneration under the share-based Matching Share Plan (MSP) and the Stock Appreciation Rights Plan (SAR). In the prior year, SARs in a value of €216 thousand were exercised, and Matching Shares in a gross amount of €921 thousand were paid out from the 2011 Plan. In 2014, payouts from the 2012 MSP Plan amounted to €357 thousand (gross). For fiscal 2014, there were no new grants for MSPs and SARs since the issue of such grants was replaced with the cash-settled SGL Carbon SE Performance Share Plan in the wake of the changes in the remuneration for the Board of Management.

Details in relation to the remuneration system for members of the Board of Management and the disclosure of individual levels of the remuneration for members of the Board of Management can be found in the 2014 Group Management Report in the section entitled "Remuneration Report."

In addition, pension expenses (service cost) in the amount of €1,913 thousand (2013: €2,885 thousand) were taken into account for the members of the Board of Management as a remuneration component within the context of defined benefit plans. The DBO of the pension commitments for active members as of December 31, 2014 amounted to €8,873 thousand (2013:€27,757 thousand).

Remuneration for the members of the Board of Management in fiscal 2014 amounted to a total net expense of €7,006 thousand (2013: €14,118 thousand).

The net amounts outstanding to members of the Board of Management in the amount of €1,285 thousand (December 31, 2013: €3,050 thousand) consisted of provisions for annual bonuses of €928 thousand (December 31, 2013: €1,913 thousand) and the MSP and SAR of €357 thousand (December 31, 2013: €1,137 thousand).

Former members of the Board of Management and their surviving dependants received total compensation within the meaning of section 314 (1) no. 6b HGB in the amount of €5,964 thousand (December 31, 2013: €9,810 thousand). This amount included €5,374 thousand (December 31, 2013: €7,846 thousand) in connection with the departure of members of the Board of Management. As of December 31, the DBO of all pension commitments made to former members of the Board of Management and their surviving dependants was €56,386 thousand (December 31, 2013: €23,933 thousand).

The remuneration paid to members of the Supervisory Board consisted of a basic remuneration as well as additional remuneration for Board activities and amounted to a total of €840 thousand (December 31, 2013: €520 thousand), including attendance fees.

In addition, employee representatives in the Supervisory Board who are employees of SGL Group receive remuneration within the framework of their employment contracts of €320 thousand (December 31, 2013: €350 thousand).

Details in relation to the remuneration system for Supervisory Board members and the disclosure of individual levels of the remuneration for Supervisory Board members can be found in the 2014 Group Management Report in the section "Remuneration Report."

No members of the Board of Management or the Supervisory Board received any loans or advances from SGL Group.

28. Additional disclosures on financial instruments

€m	Measurement category under IAS 39	**Carrying amount as of Dec. 31, 2014**	Amortized cost
Financial assets			
Cash and cash equivalents	1)	307.0	307.0
Time deposits	1)	40.5	40.5
Trade receivables	1)	175.5	175.5
Available-for-sale financial assets	2)	4.7	
Other financial assets	1)	1.7	1.7
Derivative financial assets			
Derivatives without a hedging relationship [1)]	3)	0.7	
Derivatives with a hedge relationship	n/a	1.3	
Financial liabilities			
Corporate bond	4)	250.0	250.0
Convertible bonds	4)	353.2	353.2
Bank loans, overdrafts and other financial liabilities	4)	112.6	112.6
Refinancing costs	4)	–11.0	–11.0
Finance lease liabilities	n/a	20.5	
Trade payables	4)	176.4	176.4
Miscellaneous other financial liabilities	4)	30.0	30.0
Derivative financial liabilities			
Derivatives without a hedging relationship [2)]	5)	12.0	
Derivatives with a hedge relationship	n/a	2.0	
Thereof aggregated by measurement category in accordance with IAS 39			
1) Loans and receivables		524.7	524.7
2) Available-for-sale financial assets		4.7	
3) Financial assets held for trading		0.7	
4) Financial liabilities measured at amortized cost		911.2	911.2
5) Financial liabilities held for trading		12.0	

[1)] Thereof €0.7 million (2013: €5.0 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 €12.0 million (2013: €1.1 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

	Fair value through equity	Fair value through profit or loss	Carrying amount under IAS 17	Carrying amount as of Dec. 31, 2013	Amortized cost	Fair value through equity	Fair value through profit or loss	Carrying amount under IAS 17
				235.1	235.1			
				189.0	189.0			
	4.7			15.8		15.8		
				2.2	2.2			
		0.7		5.0			5.0	
	1.3			3.7		3.7		
				250.0	250.0			
				353.8	353.8			
				101.5	101.5			
				–13.8	–13.8			
			20.5	20.7				20.7
				191.2	191.2			
				17.9	17.9			
		12.0		1.1			1.1	
	2.0							
				426.3	426.3			
	4.7			15.8		15.8		
		0.7		5.0			5.0	
				900.6	900.6			
		12.0		1.1			1.1	

The carrying amounts for cash and cash equivalents, time deposits, trade receivables and trade payables have short residual maturities and are approximately equivalent to fair value.

SGL Group values financial assets on the basis of various parameters, such as the customer's credit rating and the risk structure of the financed project. This valuation is taken as the basis for valuation allowances on the mentioned receivables. The carrying amounts of these receivables, less valuation allowances recognized, approximate their fair values. Other financial assets also include loans extended to joint ventures. If these loans have the characteristics of equity substitution, the loan amount is reduced through SGL Group's share in the losses of the joint venture that exceeds the carrying amount of the equity interest held in this company. SGL Group uses the market price in an active market as the fair value of financial assets available for sale. If no such market price exists, the fair value is determined using observable market data.

Please refer to **Note 25** for disclosures on the market value of the corporate bond and the convertible bonds.

SGL Group calculates the fair value of liabilities to banks, other non-current financial liabilities and liabilities from finance leases by discounting the estimated future cash flows using interest rates applicable to similar financial liabilities with comparable maturities. The fair values largely correspond to the carrying amounts.

The method used to calculate the fair values of the individual derivative financial instruments depends on the relevant type of instrument:

Currency forwards are measured on the basis of reference exchange rates, taking into account forward premiums and discounts. Currency options are measured using generally accepted option pricing models. The fair values of currency forwards and currency options are determined using the SAP system on the basis of market data provided by an external service provider.

The following table shows the breakdown of the assets and liabilities measured at fair value into the three levels of the fair value hierarchy as of December 31, 2014 and 2013:

	Dec. 31, 2014			
€m	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

	Dec. 31, 2013			
€m	Level 1	Level 2	Level 3	**Total**
Available-for-sale financial assets	11.0	4.8	–	15.8
Derivative financial assets	–	8.7	–	8.7
Derivative financial liabilities	–	1.1	–	1.1

Net gains or losses recognized for financial instruments by measurement category in accordance with IAS 39 were as follows:

Net gains/losses by measurement category

€m	2014	2013
Loans and receivables	0.3	–1.4
Available-for-sale financial assets	–4.8	–2.4
Financial assets and financial liabilities held for trading	–37.1	21.4
Financial liabilities measured at amortized cost	–3.9	1.2

Net gains/losses for the "loans and receivables" measurement category largely include impairments of trade receivables, reversals of valuation allowances and cash receipts with respect to trade receivables already written off, together with gains/losses on currency conversion.

Net gains/losses for the "financial assets and liabilities held for trading" measurement category arise from the mark-to-market valuation of derivative interest-rate and currency instruments not subject to hedge accounting with respect to financing activities or, with respect to operating activities, for which hedge accounting has been terminated upon recognition of the hedged item in profit or loss. Economically speaking, the derivative financial assets and liabilities are always based on a hedged item.

Net gains/losses for the "financial liabilities measured at amortized cost" category mainly comprise the non-controlling shareholders' share in the net profit/loss of subsidiary partnerships.

Interest income and expense are not included in net gains and losses, as they are already recognized as described in **Note 9**. For further information on write-downs, please refer to the overview of changes in valuation allowances for doubtful trade receivables in **Note 17**.

Financial instrument risks, financial risk management and hedging

SGL Group monitors financial risk (liquidity risk, default risk, and market price risk) using tested control and management instruments. Group reporting enables periodic assessment, analysis, measurement, and control of financial risk by the central Group Treasury function. These activities include all relevant Group companies.

Liquidity risk

Liquidity risk is the risk that an entity might have difficulty in meeting its payment obligations in connection with its financial liabilities. Since the financial and economic crisis, liquidity risk has become a major focus of risk management. In order to ensure SGL Group's solvency as well as its financial flexibility, the Group carries out regular liquidity planning for the immediate future to cover day-to-day operations, in addition to financial planning, which normally covers five years. For the purpose of ensuring financial stability, SGL Group has endeavored to put in place a balanced financing structure based on a combination of various financing components (including bank loans and capital market instruments).

As a result of the capital increase effected in October 2014, which led to net issue proceeds of €261.5 million, the Company has sufficient liquidity reserves. The Company also has an unused syndicated credit line in the amount of €200 million, the main purpose of which is to compensate for fluctuations in current assets during the year as well as to support further business growth. The credit line can also be used as a bridge when financing instruments fall due.

The liquidity available as of the balance sheet date in the amount of €347.5 million is more than sufficient for the Company to cover its expected financing requirements for fiscal year 2015.

As of the balance sheet date, freely available cash funds amounted to €347.5 million (December 31, 2013: €235.1 million), and undrawn credit line commitments amounted to €246.1 million (December 31, 2013: €241.5 million). The undrawn credit facilities comprise the syndicated credit line of €200.0 million that was granted by to SGL by its core banks, as well as the credit lines made available by BMW Group to finance the SGL Automotive Carbon Fibers joint operations.

SGL Group therefore has at its disposal an adequate liquidity reserve. Please refer to **Note 25** for information on the maturity of financial liabilities.

Credit risk (counterparty default risk)

Credit risk is the risk that a counterparty to a financial instrument will not be able to meet its payment obligations.

To reduce credit risk, contracts for derivative financial instruments and financial transactions are concluded with SGL Group's core banks, which have good credit quality.

By granting customers payment deadlines, SGL Group is exposed to normal market credit risks. As far as trade receivables and other financial assets are concerned, the maximum default risk is equivalent to the carrying amount as of the balance sheet date. In the past year, there were no significant occurrences of default in relation to customer receivables, with the exception of one customer.

SGL Group has a credit management organization to manage customer credit risks. On the basis of global credit management guidelines, the credit management organization initiates and supports all key credit management processes, and it initiates and supports credit management action where required. After analyzing individual risks and country risks, the Group insists – either in whole or in part – on cash in advance, documentary collection, letters of credit, or the provision of collateral in connection with certain activities.

SGL Group also has trade credit insurance in place that covers most of the trade receivables due from customers. In the event of default, the financial loss is reduced by existing collateral and/or compensation payments made under the credit insurance. The compensation payments under the credit insurance normally amount to 90% of the default and therefore include a deductible of 10%. In the context of determining valuation allowances on receivables, any existing cover commitments granted by the trade credit insurance are taken into account accordingly.

The average days sales outstanding (DSO) was 45 days at the end of fiscal 2014 (2013: 51 days). The decrease in DSO at SGL Group is primarily based on the DSO reduction related to our customers in the reporting segments PP and GS. In fiscal year 2014, an average of 72% of our receivables were subject to trade credit insurance.

Please refer to **Note 17** for information on valuation allowances for trade receivables as well as on the breakdown of trade receivables by age.

Market price risk

As an enterprise operating at an international level, SGL Group is exposed to market risks arising in particular from changes in currency rates, interest rates, and other market prices. These risks may result in fluctuations in earnings, equity or cash flows. The objective of risk management is to eliminate or limit these risks through appropriate measures, above all through the use of derivative financial instruments. The use of derivative financial instruments is subject to rigorous controls based on internal policies. Derivative financial instruments are exclusively used to minimize or pass off financial risk, not for speculative purposes.

Currency risk

SGL Group operates on an international basis and is therefore exposed to currency risk arising from fluctuating exchange rates between various currencies. Currency risk is the risk that fair values or future payments of financial instruments will change as a result of exchange-rate movements. The risk arises when transactions are denominated in a currency other than the Group's functional currency. Where SGL Group has cash flows in a non-functional currency, it endeavors to achieve a balance between receipts and payments as a so-called natural hedge against currency risk.

Currency hedges are entered into for the remaining net currency position (less natural hedging). SGL Group hedges such net currency positions, as required, within a time horizon of up to two years. The most significant currency risks of SGL Group from operating transactions result from potential exchange rate changes between the euro and the Polish zloty. In order to

hedge operating business, large parts of the corresponding net currency positions are hedged through currency forwards; for USD transactions, we also use currency options. In 2015, the Company is hedged against a strong Polish zloty at an average rate of EUR/PLN 4.29 and against a weak US dollar at an average rate of EUR/USD 1.29.

In addition, intercompany loans and balances are exposed to currency risk when the currencies of such loans or balances differ from the functional currency of the lending company and/or the borrowing company. Some of these intercompany loans are hedged using currency forwards. Intercompany foreign currency balances that are held at SGL Carbon SE, the Group holding company, to finance subsidiaries and that do not represent a natural hedge for sales revenue or other transactions are regularly refinanced to intercompany loans and partially secured through currency forwards. Any positive foreign exchange balances existing at the Group holding company in excess thereof that are not used within the Group as described above are converted to euros.

As of the balance sheet date, SGL Group was not exposed to any material currency-related cash flow risks in its operating business. The following table shows the notional amounts and recognized fair values for currency derivatives as of December 31, 2014. The notional amount in this case is defined as the functional- currency-denominated equivalent value of foreign currency amounts purchased from or sold to external partners.

EUR	**Notional amounts**				**Fair values**	
€m	Purchase Dec. 31, 2014	Sale Dec. 31, 2014	**Total Dec. 31, 2014**	Total Dec. 31, 2013	**Total Dec. 31, 2014**	Total Dec. 31, 2013
Forward contracts	**84.2**	**394.4**	**478.6**	**401.3**	**–12.0**	**7.5**
USD	0.4	351.1	351.5	265.5	–13.5	3.4
GBP	0.0	10.6	10.6	62.6	–0.2	–0.7
PLN	83.8	0.0	83.8	52.5	–0.2	1.8
JPY	0.0	32.7	32.7	20.7	1.9	3.0
Purchased option contracts (long positions)	**0.0**	**8.9**	**8.9**	**0.0**	**0.1**	**0.0**
USD	0.0	8.9	8.9	0.0	0.1	0.0

USD	**Notional amounts** in US$m				**Fair values** in €m	
US$m	Purchase Dec. 31, 2014	Sale Dec. 31, 2014	**Total Dec. 31, 2014**	Total Dec. 31, 2013	**Total Dec. 31, 2014**	Total Dec. 31, 2013
Forward contracts	**5.8**	**1.8**	**7.6**	**12.0**	**0.0**	**0.1**
GBP	4.1	0.0	4.1	12.0	0.0	0.1
JPY	1.7	1.8	3.5	0.0	0.0	0.0

The fair values shown in the table represent financial assets or liabilities of SGL Group. In contrast, the notional amounts describe the hedged volume expressed in euros or U.S. dollars.

The residual maturity of all derivative financial instruments for hedging currency risks does currently not exceed more than one year (2013: not exceed one year).

Derivative financial instruments in hedge accounting

SGL Group uses currency forwards and currency options to hedge currency risk from future receivables and liabilities denominated in foreign currencies. The derivatives used are accounted for as cash flow hedges (hedge accounting). The items hedged with cash flow hedges comprise highly probable future sales revenue or purchases denominated in foreign currency. These are expected to materialize between January and December 2015 and will be recognized in the income statement when realized. The maturity of hedges designated as cash flow hedges (recorded in the hedging reserve in equity) is matched with the maturity of the relevant hedged items. As of December 31, 2014, these hedges had positive fair values in the amount of €1.3 million (2013: €3.7 million) and negative fair values of €2.0 million (2013: €0.0 million). Changes in the fair value of hedges assigned to intercompany loans as well as of operating hedges allocated to hedged items already realized as of the balance sheet date and therefore generally not – or no longer – designated as cash flow hedges were recognized through profit or loss on the balance sheet date.

Positive fair values amounted to €0.7 million (December 31, 2013: €5.0 million); negative fair values amounted to €12.0 million (December 31, 2013: €1.1 million). The amounts accumulated directly in equity as hedging reserves to hedge these operating transactions were reclassified to the income statement once the hedged item was entered into. In fiscal year 2014, gains or losses resulting from changes in fair value of our currency forwards amounting to €2.4 million (2013: €7.7 million) previously recognized in equity were recycled to profit or loss. The residual maturity of these derivatives may be up to three months.

The effectiveness of designated hedges is determined prospectively using the critical terms match method in accordance with IAS 39. Quantitative effectiveness tests are carried out retrospectively using the dollar offset method. In this case, the cumulative change in value of anticipated cash flows from hedged items is compared against the change in the fair value of the currency forwards using the relevant forward rates. Quantitative effectiveness measurements are carried out as of each balance sheet date. It is generally assumed that a hedging relationship is effective if the changes in fair value of the hedge virtually offset (80% to 125%) the changes in the cash flows for the hedged items. As of the balance sheet date, these ratios were close to 100%.

In accordance with IFRS 7, sensitivity analyses are required to illustrate the currency risk relating to financial instruments. The analyses show the effects of hypothetical changes in relevant risk parameters on profit or loss and equity.

The analyses include all primary financial instruments used by SGL Group in addition to the derivative hedging instruments used in the Group's operating activities. Specifically, these include cash and cash equivalents of €16.1 million (December 31, 2013: €20.3 million), trade receivables of €157.9 million (December 31, 2013: €129.4 million), and trade payables of €110.6 million (December 31, 2013: €78.1 million). Furthermore, foreign currency effects from internal lending activities recognized in profit or loss or directly in equity, together with the corresponding derivative hedging instruments, are also included. It is assumed that the balance as of the reporting date is representative of the reporting period as a whole. Any financial instruments not denominated in the functional currency of the respective SGL subsidiary are therefore generally considered to be exposed to currency risk. Changes in the exchange rate result in changes in fair value and impact either profit or loss or the hedging reserve as well as the total equity of SGL Group. The following table provides a comparison between the amounts reported as of December 31, 2014 and December 31, 2013. The analysis is based on a hypothetical 10% increase in the value of the euro and the U.S. dollar against the other currencies as of the balance sheet date.

EUR	Hypothetical exchange rate		Change in fair value/equity		thereof: change in net profit/loss		thereof: change in hedging reserve	
€m	**Dec. 31, 2014**	Dec. 31, 2013	**Dec. 31, 2014**	Dec. 31, 2013	**Dec. 31, 2014**	Dec. 31, 2013	**Dec. 31, 2014**	Dec. 31, 2013
USD	1.3355	1.5170	2.8	–1.8	0.2	–2.7	2.5	0.9
PLN	4.6885	4.5619	–2.3	–2.5	3.5	1.2	–5.8	–3.7
GBP	0.8568	0.9171	0.3	0.0	0.3	1.5	0.0	–1.5
Other	–	–	0.6	0.6	–1.4	–0.5	2.0	1.1

USD	Hypothetical exchange rate		Change in fair value/equity		thereof: change in net profit/loss		thereof: change in hedging reserve	
US$m	**Dec. 31, 2014**	Dec. 31, 2013	**Dec. 31, 2014**	Dec. 31, 2013	**Dec. 31, 2014**	Dec. 31, 2013	**Dec. 31, 2014**	Dec. 31, 2013
GBP	0.7057	0.6650	0.2	–0.8	0.3	0.0	–0.1	–0.8
CAD	1.2741	1.1702	0.1	1.6	0.1	1.6	0.0	0.0
MYR	3.8481	3.6069	0.4	–0.9	0.4	–0.9	0.0	0.0
Other	–	–	2.4	0.3	2.3	0.3	0.1	0.0

The approximate effect of a hypothetical 10% devaluation of the euro and the U.S. dollar against other currencies on the equity, profit or loss and hedging reserve of SGL Group would be a reversal of the positive and negative signs shown above, with the amounts themselves remaining approximately the same.

Interest-rate risk

Interest-rate risk is the risk that the fair values of or future cash flows from existing or future financial liabilities may fluctuate due to changes in market interest rates.

There is no longer any interest rate risk from floating-rate financing instruments since SGL Carbon Sdn Bhd has fully repaid its local borrowings. As of the balance sheet date, SGL Group had financial liabilities in a nominal amount of €737.4 million (December 31, 2013: €726.2 million). Of that amount, liabilities of €1.0 million (December 31, 2013: €49.1 million) had a floating interest rate. The remaining liabilities of €736.4 million (December 31, 2013: €677.1 million) have a fixed interest rate and are therefore not subject to interest rate risk. An increase in interest rates of 100 basis points would therefore have no significant effect on profit or loss from foating-rate liabilities (2013: effect of minus €0.5 million).

The floating-rate liabilities are matched by cash, cash equivalents and time deposits in the amount of €347.5 million (2013: €235.1 million). An increase in interest rates of 100 basis points would lead to a theoretical impact on earnings from cash, cash equivalents and time deposits of €3.5 million (2013: €2.3 million).

29. Segment reporting

The following segment information is based on the "management approach," pursuant to which segment information must be presented on the basis of the internal management reporting. The Board of Management of SGL Group – as chief operating decision maker – regularly reviews this segment information in order to allocate resources to the individual segments and to assess their performance. The performance of the segments is assessed by the management based on the operating result, cash generation and capital employed. However, Group financing (including financial income and expense) as well as income taxes are managed uniformly on a Group-wide basis and are not allocated to the individual segements.

Segments

At the beginning of 2014, SGL Group revised its organizational structure by streamlining management structures and strengthening the operational role of the business units. Since then, SGL Group's business has been conducted by five business units (BUs) in addition to the proportionally consolidated joint operations, aggregated into three reporting segments Performance Products (PP), Graphite Specialties (GS), and Carbon Fibers & Materials (CFM). The grouping into segments is based on the business model of each business unit. The following business units remain unchanged from prior periods: Graphite & Carbon Electrodes (GCE), Cathodes & Furnace Linings (CFL), Graphite Specialities (GS), Process Technology (PT), and Carbon Fibers & Composite Materials (CF/CM). The business unit Aerostructures (AS) was classified as a discontinued operation. Previously, the business activities were conducted by the three Business Areas PP, GMS and CFC, which were also our reporting segments.

The segment PP aggregates the manufacturing of high-quality graphite electrodes and cathodes, which are used in steel and aluminum production. PP remains unchanged from prior periods and comprises the business units GCE and CFL.

The segment GMS was split; its business activities with graphite components (business unit GS) are reported separately as an independent segment (Graphite Specialties (GS)). The business activities with graphite heat exchangers, and columns as well as pumps and systems (business unit PT, which was formerly also part of the Business Area GMS) represent the remaining operating segment. Since it is not individually reportable, it is disclosed in the reporting segment Corporate & Others (C&O). Corporate research costs across business units incurred to develop growth fields are also reported under C&O as are corporate costs that comprise expenses for steering SGL Group.

The segment CFC was also split; its business unit CF/CM, which comprises all of the materials business based on carbon fibers, and the proportionally consolidated joint operations are now combined in the Carbon Fibers & Materials (CFM) segment; accordingly, CFM covers the entire, integrated value chain from raw materials to carbon fibers and composite materials.

The following tables provide information on income, profit or loss, and assets and liabilities in the business units of SGL Group. External sales revenue was attributable almost exclusively to product sales. Trading or other sales revenue was insignificant. Intersegment sales revenue was generally derived from transactions at market-based transfer prices less selling and administrative expenses. Cost-based transfer prices may be used in exceptional cases. "Other" comprises companies that largely perform services for the other segments, such as SGL Carbon SE.

Capital expenditures and amortization/depreciation relates to property, plant and equipment and intangible assets (excluding goodwill). The consolidation adjustments item relates to the elimination of transactions between the segments.

Disclosures relating to the segments of SGL Group are shown below.

€m	PP	GS	CFM	Other	Consolidation adjustments	**SGL Group**
2014						
External sales revenue	588.2	345.5	296.4	105.5	0.0	1,335.6
Intersegment sales revenue	7.0	6.0	5.3	30.0	–48.3	0.0
Total sales revenue	**595.2**	**351.5**	**301.7**	**135.5**	**–48.3**	**1,335.6**
Operating profit/loss (EBIT) before non-recurring charges	26.0	29.9	–22.5	–30.7	0.0	2.7
Non-recurring charges [1]	–20.4	–0.1	–10.5	–20.2	0.0	–51.2
Operating profit/loss (EBIT) after non-recurring charges	5.6	29.8	–33.0	–50.9	0.0	–48.5
Capital expenditure [2]	27.1	11.2	90.2	4.1	0.0	132.6
Amortization/depreciation on intangible assets and property, plant and equipment	39.1	19.8	13.7	8.8	0.0	81.4
Working capital [3]	266.4	155.2	47.9	–7.1	0.0	462.4
Capital employed [4]	672.3	354.2	278.6	96.5	0.0	1,401.6
Cash generation [5]	64.2	32.4	–84.6	–31.0	0.0	–19.0
Result from investments accounted for At-Equity	–	–5.0	–1.4	–	0.0	–6.4
Investments accounted for At-Equity	–	–	41.7	–	0.0	41.7
Employees of investments accounted for At-Equity (number) [6]	–	5	616	–	0	621
Total revenues of investments accounted for At-Equity [6]	2.0	2.6	215.8	–	0.0	220.4
Operating loss/profit (EBIT) of investments accounted for At-Equity [6]	–0.5	–3.9	5.1	0.0	0.0	0.7

[1] Non-recurring charges comprise restructuring expenses in a total amount of €33.9 million, one-off payments in connection with legal disputes as well as impairment losses of €10.6 million. For more information, please refer to **Notes 6** and **7**

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

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

[4] Defined as the sum of goodwill, other intangible assets, property, plant and equipment, and working capital

[5] Defined as total of operating loss/profit (EBIT) before non-recurring charges plus amortization on intangible assets and depreciation on property, plant and equipment plus change in working capital minus capital expenditure

[6] Aggregated, non-consolidated 100% values with third parties

€m	PP	GS	CFM	Other	Consolidation adjustments	**SGL Group**
2013						
External sales revenue	755.9	296.7	251.5	118.5	0.0	1,422.6
Intersegment sales revenue	13.2	4.9	5.4	28.1	–51.6	0.0
Total sales revenue	**769.1**	**301.6**	**256.9**	**146.6**	**–51.6**	**1,422.6**
Operating profit/loss (EBIT) before non-recurring charges	69.4	15.9	–27.5	–35.0	0.0	22.8
Non-recurring charges [1]	–59.5	–4.6	–42.6	–16.1	0.0	–122.8
Operating profit/loss (EBIT) after non-recurring charges	9.9	11.3	–70.1	–51.1	0.0	–100.0
Capital expenditure [2]	34.3	31.5	41.3	9.9	0.0	117.0
Amortization/depreciation on intangible assets and property, plant and equipment	40.8	16.7	12.8	9.7	0.0	80.0
Working capital [3]	287.7	149.0	62.8	–23.3	0.0	476.2
Capital employed [4]	699.0	341.8	212.1	203.7	0.0	1,456.6
Cash generation [5]	160.5	–1.7	–36.6	–12.9	0.0	109.3
Result from investments accounted for At-Equity	–1.2	–3.6	–4.2	0.0	0.0	–9.0
Investments accounted for At-Equity	0.0	0.0	34.2	0.0	0.0	34.2
Employees of investments accounted for At-Equity (number) [6]	8	4	587	0	0	599
Total revenues of investments accounted for At-Equity [6]	1.2	1.1	149.8	0.0	0.0	152.1
Operating loss/profit (EBIT) of investments accounted for At-Equity [6]	–2.9	–4.5	–4.1	0.0	0.0	–11.5

[1] Non-recurring charges comprise restructuring expenses of €83.8 million and impairment losses in the amount of €39.0 million. For more information, please refer to **Notes 6** and **7**

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

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

[4] Defined as the sum of goodwill, other intangible assets, property, plant and equipment, and working capital

[5] Defined as total of operating loss/profit (EBIT) before non-recurring charges plus amortization on intangible assets and depreciation on property, plant and equipment plus change in working capital minus capital expenditure

[6] Aggregated, non-consolidated 100% values with third parties

Information on geographical regions

€m	Germany	Europe excluding Germany	North America	Asia	Other	**SGL Group**
2014						
Sales revenue (by destination)	264.0	313.6	310.7	317.4	129.9	1,335.6
Sales revenue (by company headquarters)	429.6	616.3	212.5	77.2		1,335.6
Capital expenditure	21.0	34.0	73.8	3.8		132.6
Non-current assets [1]	275.0	245.4	205.1	236.1	0.2	961.8
2013						
Sales revenue (by destination)	260.8	340.7	304.7	366.2	150.2	1,422.6
Sales revenue (by company headquarters)	478.1	656.6	212.7	75.2		1,422.6
Capital expenditure	40.0	34.0	32.2	10.8		117.0
Non-current assets [1]	260.4	244.2	236.4	230.9	0.5	972.4

[1] Non-current assets consist of other intangible assets, property, plant and equipment, investments accounted for At-Equity, and other non-current assets (excluding financial assets)

30. Management and employee participation plans

SGL Group currently has four different management and employee participation plans.

Long term Cash Incentive Plan (LTCI Plan)

Under the LTCI Plan, members of the Board of Management and selected senior managers are entitled to receive additional cash bonuses linked to specific performance targets. There are currently three outstanding plans that were allocated in the years 2012–2014. In the year under review, no offer to participate was made to the members of the Board of Management due to the revised system for the remuneration of the Board of Management. Due to the new plan structures introduced in 2010, the participants were offered two LTCI plans in the first quarter of 2010: one plan with a regular term of three years and one interim LTCI plan with a term of two years. In both 2011 and 2012, a new LTCI plan was offered with a term of three years each.

A precondition for the payment of an LTCI bonus is the achievement of predefined minimum values. If the minimum value is achieved as of the end of the term of the relevant LTCI plan, 25% of the maximum bonus (minimum bonus) will be paid. If the target is fully achieved or exceeded as of the relevant end of the term, the maximum bonus will be paid. If the target achievement is between the minimum value and the target value as of the end of the term of the relevant LTCI plan, the relevant degree of target achievement (Z) is determined as a percentage by applying the following formula: Z= (actual value–minimum value)/(target–minimum value). The LTCI premium is calculated based on the minimum premium plus multiplying the difference between maximum and minimum premium with the degree of target achievement Z. Depending on their respective responsibilities, the Board of Management will communicate the degree of target achievement and, on this basis, the amount of the relevant LTCI bonus, to the participants by March 31 of the fiscal year following the end of the term of the relevant LTCI plan.

The three LTCI plans currently outstanding are based on targets referring to average return on capital employed (ROCE), which is defined as the ratio of EBIT to average capital employed. Accordingly, the following targets apply for the individual plans:

	Minimum bonus	Maximum bonus
Three-year plan 2012	8.5%	11.5%
Three-year plan 2013	7.0%	9.0%
Three-year plan 2014	4.0%	6.0%

The total volume of the LTCI plans introduced in 2012, 2013 and 2014 amounts to around €2.0 million each for the selected senior managers. It is no longer expected that the three current plans will achieve the targets owing to the fact that 2013 and 2014 were weak years.

Matching Share Plan

Between March 2001 and March 2014, SGL Group launched the Matching Share Plan for members the first three management levels. Under the plan, participants may invest up to 50% of their annual bonuses in shares of the Company. If they hold the shares for at least two years, they receive the same number of shares (matching shares – "MSP"). In the year under review, no offer to participate in the plan was made to the members of the Board of Management. Please see **Note 22** for details on the number of shares available under the Matching Share Plan.

In 2014, a total of 53,473 shares were created via a capital increase from authorized capital to service the entitlements of the participating executives from the 2012 Matching Share Plan.

In the year under review, 96 senior managers participated in the current Matching Share Plan, which runs until 2016, purchasing a total of 25,226 SGL shares from their taxed income at a price of €24.08 per share.

The determination of the market price on the grant date represents the basis of recognition in the financial statements. The market price of shares to be granted as part of the Matching Share Plan running until 2014 was €30.83 per share, calculated using the price of SGL shares on the purchase date. The expense recognized for the Matching Share Plan in 2014 was €1.6 million (2013: €3.4 million).

Stock Appreciation Rights Plan (SAR Plan)

SGL Group shareholders resolved on April 29, 2009, to introduce – after the end of the 2005 SAR Plan on December 31, 2009 – a new Stock Appreciation Rights Plan ("2010 SAR Plan") for the Board of Management and the next three management levels in line with the former 2005 SAR Plan. The SAR Plan is to be supported by a maximum of 2,100,000 new shares from 2010, while the SAR Plan applicable until 2009 is supported by a total of 1,600,000 new shares from conditional capital against contributions in kind (see **Note 22** for details).

The 2010 SAR Plan came into effect on January 1, 2010. The SARs may be issued at any time during the period until the end of 2014.

The Supervisory Board administers the plan for the members of the Board of Management. The Board of Management administers the SAR Plan for approximately 180 senior managers and executives in the Company and its subsidiaries.

SARs entitle the participants to receive variable remuneration from the Company equivalent to the difference (appreciation in price) between the SGL Carbon SE share price on the grant date (base price) and that on the SAR exercise date (exercise price) plus any dividends paid by the Company during this period, plus the value of the subscription rights, and they entitle the participants to purchase at the exercise price the number of SGL Carbon SE shares whose market value corresponds to the appreciation in price. Each SAR entitles the participant to receive that fraction of a new SGL Carbon SE share that is calculated by dividing the appreciation value by the issue price.

The SARs may only be granted to the participants within a period of up to ten stock market trading days after the end of the fiscal year or after SGL Carbon SE's published reporting dates. The base price is calculated on the basis of the average

closing price of SGL Carbon SE shares in the XETRA trading system over the 20 stock market trading days immediately preceding the date on which the SAR is granted. The exercise price is calculated in the same way as the base price, except that the relevant 20 stock market trading days prior to the SAR exercise date are used. SARs have a term of up to ten years and SARs may not be exercised until the end of a vesting period of two years calculated from the grant date (holding period). SARs may then only be exercised during defined periods (exercise windows). The SARs expire if they are not exercised within this period.

Predetermined performance targets must be achieved to enable exercise. For 75% of the SARs granted, the performance target is the increase in total shareholder return (TSR) on SGL Carbon SE shares (absolute performance target). Accordingly, the absolute increase in the SGL Carbon SE share price between grant and exercise of the SARs must be at least 15%. The remaining 25% of the SARs may only be exercised if the performance of SGL Carbon SE shares is at least equivalent to that of the MDAX. The Company reserves the right to settle the appreciation through outstanding, repurchased SGL Carbon SE shares or cash, instead of issuing new shares. Finally, the participants must invest at least 15% of the gross receipts from the exercise of SARs in SGL Carbon SE shares and must hold these for a further period of twelve months.

The number of SARs granted and their respective base prices for members of the Board of Management and senior management members under the 2005–2009 SAR Plan were as follows:

- January 14, 2005: a total of 608,100 SARs at a base price of €9.74 after capital increase 2014: €8.70 (2013: €9.34; 2012: €9.54)
- January 13, 2006: a total of 630,200 SARs at a base price of €14.51 after capital increase 2014: €13.47 (2013: €14.11; 2012: €14.31)
- January 15, 2007: a total of 668,700 SARs at a base price of €18.74 after capital increase 2014: €17.70 (2013: €18.34; 2012: €18.54)
- January 15, 2008: a total of 718,175 SARs at a base price of €34.98 after capital increase 2014: €33.94 (2013: €34.58; 2012: €34.78)
- October 30, 2008: a total of 20,750 SARs at a base price of €19.79 after capital increase 2014: €18.75 (2013: €19.39; 2012: €19.59)
- January 15, 2009: a total of 759,320 SARs at a base price of €22.08 after capital increase 2014: €21.04 (2013: €21.68; 2012: €21.88)

Accordingly, a total of 3,405,245 SARs have been granted to date under the SAR Plan 2005–2009, of which a total of 2,867,455 SARs have been exercised and 239,750 SARs have expired without being exercised as the individuals holding these SARs are no longer employed by the Group. At the end of the year under review, a total of 298,040 SARs remained outstanding under the plan.

The following number of SARs has been granted under the 2010 SAR Plan to members of the Board of Management (until 2013) and senior management members (until 2014):

- January 15, 2010: a total of 850,670 SARs at a base price of €21.96 after capital increase 2014: €20.92 (2013: €21.56; 2012: €21.76)
- January 14, 2011: a total of 820,953 SARs at a base price of €27.06 after capital increase 2014: €26.02 (2013: €26.66; 2012: €26.86)
- January 13, 2012: a total of 832,545 SARs at a base price of €39.50 after capital increase 2014: €38.46 (2013: €39.10; 2012: €39.30)
- January 15, 2013: a total of 839,795 SARs at a base price of €31.43 after capital increase 2014: €30.59 (2013: €31.23)
- January 15, 2013 (only senior managers): a total of 589,987 SARs at a base price of €29.17 after capital increase 2014: €28.53

Of the total number of SARs granted under the 2010 SAR Plan (3,933,950), 634,519 SARs were exercised and 569,400 SARs expired without being exercised as the individuals holding these SARs are no longer employed by the Group. At the end of the year under review, a total of 2,730,031 SARs remain outstanding. On January 14, 2005, 589,987 SARs were granted to senior managers at a base price of €29.17. In 2014, no SARs were granted to members of the Board of Management.

The closing price of SGL shares was €22.42 on the first issue date (January 15, 2010), €28.39 on the second issue date (January 14, 2011), €39.33 on the third issue date (January 13, 2012), €32.90 on the fourth issue date (January 15, 2013), and €30.40 on the fifth issue date (January 15, 2014).

The total expense for SARs in fiscal year 2014 amounted to €6.9 million (2013: €11.6 million). The fair values for the SARs were measured on the grant date on the basis of a Monte Carlo simulation, taking into account the market conditions described above (TSR increase and MDAX index). SGL Group-specific valuation parameters (such as dividends) were used and specific employee exercise behavior was assumed. For the SARs granted in 2013, we have assumed for valuation purposes that a dividend payment will be made, while measurement in 2014 was based on the assumption of future dividend payments. The assumed risk-free zero interest rates were 1.94% for the 2014 SARs and 1.59% for the 2013 SARs. A volatility of 43.72% was calculated for the SAR tranche in 2014; the volatility calculated for the 2013 SAR tranche was 48.05%. The volatilities are calculated on the basis of daily XETRA closing prices for the SGL Carbon SE shares during the last five years. The fair value per issued SAR to be recognized for the expense from share-based payments required to be reported under IFRS amounted to €12.01 for the 2014 SARs and €13.42 for the 2013 SARs.

Bonus program for employees

All employees of the material German companies which are both included in and exempt from collective wage agreements receive an annual bonus, the amount of which is based on the achievement of corporate targets, personal performance and the amount of the individual fixed remuneration. The bonus is paid entirely in shares to non-exempt employees, and exempt employees receive 50% in shares (Bonus Shares). The goal is to enable all employees to share in the Company's success and in so doing provide each employee with a strong incentive to contribute to growth.

The bonus is determined based on the targets and the degree of target achievement of SGL Group and the respective business unit, the individual performance evaluation and Group targets for the non-exempt employees.

The following criteria apply: income before taxes at SGL Group level and operating profit (EBIT) and cash generation for the business unit. Additional components are individual target achievement and, for non-exempt employees, the degree of target achievement with regard to defined and agreed group targets as well as the individual performance evaluation.

The bonus is paid in the form of shares in March or April of the following year. For the bonus paid in shares, the bonus amount is divided by the determined daily price quotation on March 16 of the relevant year. If no trading of shares takes place on that date, the price on the next trading day will be used. The resulting rounded number of shares is transferred to the employee's custodian account. A total of 30% of the shares are blocked for one year; 70% can be sold immediately. A total of €1.6 million was expensed for the 2014 bonus plan in Germany (2013: €3.9 million).

The following table gives an overview of the accounting method used for the various plans:

	Share-based payment within the meaning of IFRS2	Applied rule to recognize as liabilities	Equity-settled or cash-settled	Recognized liabilities for non-equity-settled payments (in €m)	
				Dec. 31, 2014	Dec. 31, 2013
LTCI-Plan	No	IAS 19	n/a	0	0
Matching Share Plan	Yes	IFRS 2	Equity-settled	n/a	n/a
SAR plans	Yes	IFRS 2	Equity-settled	n/a	n/a
Bonus program for employees					
Bonus for exempt employees	Yes	IFRS 2	Equity-settled	n/a	n/a
Bonus for non-exempt employees					
thereof 50% in cash used for bonus entitlement	No	IAS 19	n/a	2.7	2.4
thereof 50% in new shares of SGL Carbon SE used for bonus entitlement	Yes	IFRS 2	Equity-settled	n/a	n/a

n.a. = not applicable

Additional information on instruments granted:

	SAR-Plan Number	SAR Plan Avge. price in €	Matching Share Plan Number	Matching Share Plan Avge. price in €	Stock options plan Number	Stock options plan Avge. price Ø Preis in €
Balance as of Jan. 1, 2013	2,325,263	29.86	203,505	34.96	9,800	8.67
Addition	839,795	31.43	107,832	30.83	0	
Expired/returned	– 214,075	34.63	– 32,110	32.93	0	
Exercised	– 217,389	21.48	– 100,922	34.63	– 8,300	8.69
Balance as of Dec. 31, 2013	**2,733,594**	**30.64**	**178,305**	**33.01**	**1,500**	**8.57**
Balance as of Jan. 1, 2014	2,733,594	30.00	178,305	33.01	1,500	8.57
Addition	589,987	28.83	25,226	24.08	0	
Expired/returned	– 281,850	30.43	– 34,095	31.89	– 1,500	8.57
Exercised	– 13,660	23.52	– 75,984	35.44	0	
Balance as of Dec. 31, 2014	**3,028,071**	**29.76**	**93,452**	**29.04**	**0**	**0.00**
Range of exercise prices in €	8.70 – 38.46				8.69	
Expiration dates	Jan. 15, 2016		March 12, 2015		Jan. 14, 2014	
Intrinsic value as of Dec. 31, 2014 (€m)	0.1		1.3		0.0	
Intrinsic value as of Dec. 31, 2013 (€m)	5.2		5.1		0.0	

The capital increase in 2014 resulted in a retroactive decrease of the SAR price by €0.64 for all plans.

In 2014, a total of 3,710 SARs from the 2005–2009 SAR Plan and 9,950 SARs from the 2010–2014 SAR Plan were exercised. In 2014, the SARs were exercised in four exercise windows during which the average share price in fiscal year 2014 was €17.17 for the 2005 SAR Grant (2013: €27.62), €23.18 for the 2006 SAR Grant (2013: €27.92), €23.18 for the 2009 SAR Grant (2013: €28.18), and €23.68 for the 2010 SAR Grant (2013: €28.16).

The weighted average term to maturity for the 2005 SAR Plan is 3.7 years (2013: 3.7 years), and 7.2 years for the 2010 SAR Plan (2013: 7.8 years).

Further development of the remuneration plan for the Board of Management from 2015 onward

In 2014, the remuneration system for senior managers was restructured globally effective January 1, 2015. The basis for this was a comprehensive assessment of all relevant positions against the backdrop of the restructuring measures initiated under the SGL2015 program.

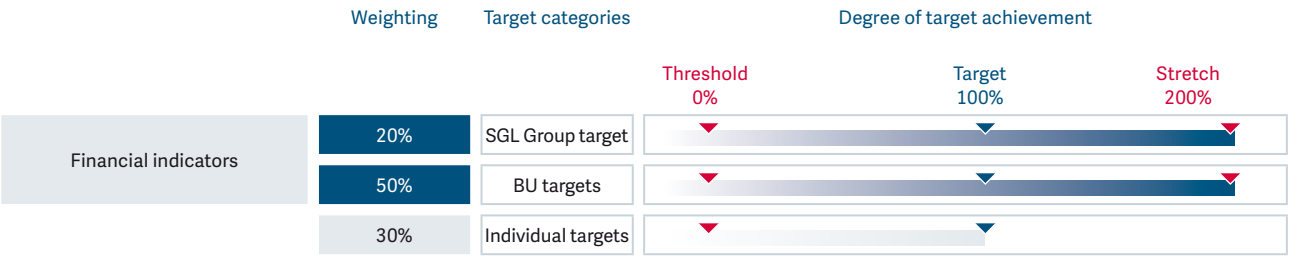
The fixed base salaries were determined based on recognized local market studies. The benchmark used was a group of companies of a similar size and a similar degree of internationalization. In addition to the fixed base remuneration, senior managers participate in the Company's business performance. Overall, two variable compensation components are available starting in the 2015 reporting year:

The short-term bonus plan (Short Term Incentive Plan) considers short-term economic targets at the level of SGL Group and the business unit as well as personal targets. Incentives for senior managers who cannot be allocated to a particular business unit are based on the average for the three business units. After undertaking market comparisons, the bonus potential was slightly increased to reach market levels. The percentage

share of the STI in the base salary is within a defined corridor and reflects an appropriate risk/reward profile per management group.

MG	Threshold	Target	Stretch
MG1	0%	70%	119%
MG2	0%	50%	85%
MG3	0%	40%	68%

The three target categories have identical weightings for the three senior management groups. The threshold of 0% must be exceeded in order to trigger a bonus entitlement. In addition, a stretch (200%) is defined for the financial targets to reward performance in the case of overfulfillment of planned targets. The maximum to be achieved for the agreed personal targets is 100%. Overfulfillment is not possible.



The long-term Performance Share Plan ("Long-Term Incentive Plan") is based on the principles of the new long-term plan for members of the Board of Management. The 4-year Performance Share Plan (PSP) is an additional, long-term cash remuneration component, payment of which depends on the achievement of at least one economic target and on the performance of the price of SGL Carbon SE shares. The amount of the allotment values per management group is based on normal market levels. The new Performance Share Plans helps to further harmonize the remuneration of senior managers with that of the Board of Management. The replacement of the previous elaborate long-term share-based payment components further reduces in the complexity of remuneration for management members.

Apart from the globally implemented incentive plans, the company retirement benefits for senior managers in Germany were reduced to normal market levels in order to secure future financing and to balance future risks.

Another aim of restructuring the remuneration system was to offer senior managers a simplified, competitive total remuneration which is characterized by an appropriate relation to both the market and the internal salary structure.

31. Audit fees and services provided by the auditors

The following fees were incurred in the year under review for the services provided by the auditor (EY) of the consolidated financial statements in Germany:

€m	**2014**	2013
Audit fees	0.9	0.9
Other attestation and valuation services	1.1	0.9
Other services	0.3	0.3
Total	**2.3**	**2.1**

32. List of shares held of the SGL Group in accordance with section 313 par. 2 of the German Commercial Code (HGB)

A. Consolidated companies		Interest in %	Held via
a) Germany			
1 SGL Carbon SE	Wiesbaden		
2 SGL CARBON GmbH [1)]	Meitingen	100.0	1
3 Dr. Schnabel GmbH [1)]	Limburg	100.0	2
4 SGL CARBON Beteiligung GmbH [1)]	Wiesbaden	100.0	1
5 SGL TECHNOLOGIES GmbH [1)]	Meitingen	100.0	1
6 SGL epo GmbH [1)]	Willich	100.0	5
7 SGL Technologies Composites Holding GmbH [1)]	Meitingen	100.0	5
8 SGL TECHNOLOGIES Beteiligung GmbH [1)]	Meitingen	100.0	5
9 SGL Kümpers Verwaltungs-GmbH	Rheine	51.0	8
10 SGL Kümpers GmbH & Co. KG	Rheine	51.0	8
11 SGL TECHNOLOGIES Zweite Beteiligung GmbH [1)]	Meitingen	100.0	5
12 SGL/A&R Immobiliengesellschaft Lemwerder mbH	Lemwerder	51.0	5
13 SGL/A&R Services Lemwerder GmbH	Lemwerder	100.0	12
14 SGL/A&R Real Estate Lemwerder GmbH & Co. KG	Lemwerder	100.0	13
b) Outside Germany			
15 SGL CARBON Holding S.L.	La Coruña, Spain	100.0	4
16 SGL CARBON S.A.	La Coruña, Spain	99.9	15
17 SGL Gelter S.A.	Madrid, Spain	64.0	15
18 SGL CARBON S.p. A.	Milan, Italy	99.8	15
19 SGL Graphite Verdello Srl	Verdello, Italy	100.0	15
20 SGL CARBON do Brasil Ltda.	Diadema, Brazil	100.0	15
21 SGL CARBON Sdn. Bhd.	Kuala Lumpur, Malaysia	100.0	15
22 SGL Carbon Holding GmbH	Steeg, Austria	100.0	1
23 SGL CARBON GmbH	Steeg, Austria	100.0	1
24 SGL Carbon Fibers Ltd.	Muir of Ord, United Kingdom	100.0	23
25 Project DnF	Halifax, United Kingdom	100.0	23
26 Fisipe – Fibras Sintéticas de Portugal S.A.	Lavradio, Portugal	100.0	23
27 Munditêxtil, LDA	Lavradio, Portugal	100.0	26
28 SGL CARBON Holdings B.V.	Rotterdam, Netherlands	100.0	4
29 SGL CARBON Polska S.A.	Racibórz, Poland	100.0	28
30 SGL Singapore PTE. Ltd.	Singapore	100.0	28
31 SGL CARBON Luxembourg S.A.	Luxembourg	100.0	1
32 SGL CARBON Holding S.A.S.	Paris, France	100.0	1

A. Consolidated companies		Interest in %	Held via
b) Outside Germany			
33 SGL CARBON S.A.S.	Passy (Chedde), France	100.0	32
34 SGL CARBON Technic S.A.S.	Saint-Martin d'Heres, France	100.0	32
35 SGL CARBON Ltd.	Alcester, United Kingdom	100.0	1
36 David Hart (Feckenham) Ltd.	Alcester, United Kingdom	100.0	35
37 GRAPHCO (UK) Ltd.	Alcester, United Kingdom	100.0	36
38 SGL CARBON LLC	Charlotte, NC, USA	100.0	4
39 Quebec Inc.	Montreal, Quebec, Canada	100.0	38
40 SGL Technologies North America Corp.	Charlotte, NC, USA	100.0	38
41 Hitco CARBON COMPOSITES Inc.	Gardena, CA, USA	100.0	40
42 SGL TECHNIC Inc.	Valencia, CA, USA	100.0	40
43 SGL Carbon Fibers LLC	Evanston, WY, USA	100.0	40
44 SGL CARBON Technic LLC	Strongsville, OH, USA	100.0	38
45 SGL Carbon Investment Fund, LLC [3)]	St. Louis, MS, USA	0.0	n/a
46 Heartland Renaissance Fund Sub XIII, LLC [3)]	Little Rock, AR, USA	99.9	45
47 SGL CANADA Inc.	Lachute, Quebec, Canada	100.0	1
48 SGL CARBON India Pvt. Ltd.	Maharashtra, India	100.0	1
49 SGL CARBON Far East Ltd.	Shanghai, China	100.0	1
50 SGL CARBON Japan Ltd.	Tokyo, Japan	100.0	1
51 SGL CARBON Korea Ltd.	Seoul, Korea	70.0	1
52 SGL CARBON Asia-Pacific Sdn. Bhd.	Kuala Lumpur, Malaysia	100.0	1
53 SGL Quanhai Carbon (Shanxi) Co.	Yangquan, China	84.5	4
54 SGL Tokai Process Technology Pte.Ltd.	Singapore	51.0	1
55 SGL CARBON KARAHM Ltd.	Sangdaewon-Dong, Korea	50.9	54
56 SGL CARBON Graphite Technic Co. Ltd.	Shanghai, China	100.0	54
57 Graphite Chemical Engineering Co.	Yamanashi, Japan	100.0	54
58 SGL TOKAI Carbon Ltd.	Shanghai, China	75.0	1
59 SGL Tokai Carbon Hong Kong Co. Ltd.	Hong Kong, China	100.0	1

B. Equity investments over 20%		Interest in %	Held via
a) Germany			
60 SGL Lindner GmbH & Co. KG [2]	Arnstorf	51.0	4
61 Benteler SGL Verwaltungs GmbH	Paderborn	50.0	7
62 Benteler SGL GmbH & Co. KG	Paderborn	50.0	7
63 SGL Automotive Carbon Fibers GmbH & Co. KG [2]	Munich	51.0	5
b) Outside Germany			
64 SGL Automotive Carbon Fibers LLC [2]	Moses Lake, WA, USA	51.0	38
65 Brembo SGL Carbon Ceramic Brakes S.p.A.	Stezzano, Italy	50.0	5
66 MRC-SGL Precursor Co., Ltd.	Tokyo, Japan	33.3	5
67 Fisigen, S.A.	Lisbon, Portugal	49.0	26
68 Samsung SGL Carbon Composite Materials Co., Ltd	Ulsan, Korea	50.0	5

[1] Exemption in accordance with section 264 (3) of the German Commercial Code (HGB)
[2] No control due to contractual arrangements
[3] Control due to contractual arrangements

33. Declaration of Conformity with the German Corporate Governance Code

The annual declaration of conformity with the German Corporate Governance Code according to section 161 of the German Stock Corporation Act (AktG) was issued by the Board of Management and the Supervisory Board of SGL Carbon SE on December 17, 2014 and has been published on the website of SGL Carbon SE.

34. Events after the balance sheet date

None.

Wiesbaden, March 2, 2015

SGL Carbon SE
The Board of Management of SGL Group

Dr. Jürgen Köhler Dr. Michael Majerus Dr. Gerd Wingefeld

Additional Information

Independent Auditors' Report

We have audited the consolidated financial statements prepared by SGL CARBON SE, Wiesbaden, comprising the income statement, the statement of comprehensive income, the statement of financial position, the cash flow statement, the statement of changes in equity and the notes to the financial statements, together with the group management report for the fiscal year from 1 January to 31 December 2014. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs [International Financial Reporting Standards] as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB ["Handelsgesetzbuch": German Commercial Code] is the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development."

Eschborn/Frankfurt am Main, 2 March 2015

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Turowski	Bösser
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the Consolidated Financial Statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the 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 material oppor- tunities and risks associated with the expected development of the Group.

Wiesbaden, March 2, 2015

SGL Carbon SE

The Board of Management of SGL Group

Dr. Jürgen Köhler Dr. Michael Majerus Dr. Gerd Wingefeld

Corporate Bodies

Board of Management
(Status December 31, 2014)

Dr. Jürgen Köhler
Chairman/Chief Executive Officer SGL Carbon SE

Responsible for:
Human Resources (as of July 1, 2014)
Management Development
Legal and Compliance
Corporate Development
Internal Audit
Corporate Communications

Internal board memberships:
SGL Automotive Carbon Fibers GmbH & Co. KG, Munich[1)]
SGL Automotive Carbon Fibers LLC, Charlotte, USA[1)]
Benteler SGL GmbH & Co. KG, Paderborn
Brembo SGL CARBON Ceramic Brakes S.p.A., Stezzano, Italy

Dr. Michael Majerus (as of July 1, 2014)
Chief Financial Officer SGL Carbon SE

Responsible for:
Group Accounting
Group Controlling
Group Treasury
Financial Reporting
IT Services
Investor Relations
Group Taxes

Internal board memberships:
SGL CARBON GmbH, Meitingen
SGL CARBON Holding S.L., La Coruña, Spain

Jürgen Muth (until June 30, 2014)
Chief Financial Officer SGL Carbon SE

Responsible for:
Group Accounting
Group Controlling
Group Treasury
Financial Reporting
Human Resources
IT Services
Investor Relations
Group Taxes

Internal board memberships:
SGL CARBON GmbH, Meitingen
SGL CARBON Holding S.L., La Coruña, Spain

Dr. Gerd Wingefeld
Chief Technology Officer SGL Carbon SE

Responsible for:
Technology & Innovation
Environment Protection, Health and Safety Affairs
Purchasing
SGL Excellence
Engineering

Internal board memberships:
SGL CARBON Far East Ltd., Shanghai, China [2)]
SGL Quanhai CARBON (Shanxi) Co. Ltd.,
Shanxi Province, Chinal [2)]
SGL Tokai Process Technology Pte. Ltd., Singapore [2)]
SGL CARBON Japan Ltd., Tokyo, Japan [2)]

[1)] Chairman
[2)] Shareholder Committee

With memberships outside Germany, the respective country is mentioned

Supervisory Board
(Status December 31, 2014)

Susanne Klatten
Chairwoman of the Supervisory Board of SGL Carbon SE

Entrepreneur

External board memberships:
ALTANA AG, Wesel
BMW AG, Munich
UnternehmerTUM GmbH, Munich[1)]

Dr.-Ing. Hubert Lienhard
Deputy Chairman of the Supervisory Board of SGL Carbon SE

Chief Executive Officer
Voith GmbH, Heidenheim

Voith internal board memberships:
Voith Turbo Beteiligungen GmbH, Heidenheim[1)]
Voith Industrial Services Holding GmbH & Co. KG, Stuttgart[2)]
Voith Hydro Holding GmbH & Co.KG, Heidenheim[2)]
Voith Paper Holding GmbH & Co. KG, Heidenheim[2)]
Voith Turbo GmbH & Co. KG, Heidenheim[2)]

External board memberships:
EnBW AG, Karlsruhe
Heraeus Holding GmbH, Hanau
SMS Holding GmbH, Düsseldorf

Helmut Jodl
Deputy Chairman of the Supervisory Board of SGL Carbon SE

Deputy Chairman of the Works Council (full-time)
SGL CARBON GmbH, Meitingen

Dr. Christine Bortenlänger
Managing Director Deutsches Aktieninstitut e.V., Frankfurt/Main

External board memberships:
ERGO Versicherungsgruppe Aktiengesellschaft, Düsseldorf
Münchener Hypothekenbank e.G., Munich
(Member of representatives' assembly)
OSRAM GmbH, Munich
OSRAM Licht AG, Munich
TÜV Süd Aktiengesellschaft, Munich

Dr. Daniel Camus
Chief Financial Officer, The Global Fund, Genf, Switzerland and former member of the Board of Management (CFO) EDF, Electricité de France, Paris, France

External board memberships:
Cameco Corp., Saskatoon, Canada
Morphosys AG, Munich
Valéo SA, Paris, France
Vivendi SA, Paris, France

Ana Cristina Ferreira Cruz
Head of Integrated Management System, FISIPE S.A., Lavradio, Portugal

Edwin Eichler
Consultant and Chief Executive Officer, SAPINDA Holding B.V., Amsterdam, Netherlands

External board memberships or similar posts:
Heidelberger Druckmaschinen AG, Heidelberg
Hoberg & Driesch GmbH & Co. KG, Düsseldorf
(Advisory board member)
Fr. Lürssen Werft GmbH & Co. KG, Bremen
(Advisory board member)
Schmolz & Bickenbach AG, Emmenbrücke, Switzerland[3)]
SMS Holding GmbH, Düsseldorf

Michael Leppek
1st authorized Representative and Treasurer,
IG Metall Augsburg

External board memberships or similar posts:
AIRBUS Helicopters Deutschland GmbH, Donauwörth
KUKA AG, Augsburg
MAN Diesel & Turbo SE, Augsburg

Marcin Rzemiński
Technology & Quality Manager SGL CARBON Polska S.A.,
Nowy Sącz, Poland

Andrew H. Simon OBE MBA
Consultant and Supervisory Board Member
of various companies

External board memberships:
BCA Osprey 1 Ltd, London
Exova Group plc, London
Icon Infrastructure Management Ltd, Guernsey
Management Consulting Group plc, London
Travis Perkins plc, Northampton
(all Great Britain)
Finning International Inc., Vancouver, Canada
Gulf Keystone Petroleum Ltd., Hamilton, Bermuda

Markus Stettberger
Chairman of the Works Council (full-time)
SGL CARBON GmbH, Meitingen

Hans-Werner Zorn
Chairman of the Works Council (full-time)
SGL CARBON GmbH, Bonn

[1] Chairman of the supervisory board
[2] Chairman of the advisory committee
[3] Chairman of the board of directors

With memberships outside Germany, the respective country is mentioned

Glossary

Commercial Glossary

Bond
Collective term for interest-bearing debt instruments with contractually fixed repayment terms. Bonds are issued either by governments or companies and sold through financial institutions and provide long term external financing.

Cash flow
An economic measure for the inflow and outflow of cash funds representing the net inflow from sales activity and other current activities in a period. In a cash flow statement, the change in cash and cash equivalents is broken down by operating activity, investing activity and financing activity.

Cash flow hedge
A hedge of a recognized asset or of future, highly likely (foreign currency) transactions. The change in value of the hedging instrument is recognized directly in equity.

Cash generation
Total EBIT plus amortization/depreciation on intangible assets and property, plant & equipment plus change in working capital less capital expenditure.

Capital Employed
The sum of Goodwill, other intangible assets, property, plant & equipment, inventories, trade receivables less trade payables.

Convertible bond
Corporate bond that includes a share option. Under the option, the bond can be exchanged (converted) for shares in the company subject to certain preconditions. The exchange is possible within a specific period at a fixed price. The conversion price normally exceeds the share price on the date of the bond issue.

Corporate Governance
The German Corporate Governance Code is the primary legislation governing the management and monitoring of German publicly traded companies and comprises international standards for adequate and responsible corporate management.

Declaration of conformity
Declaration of conformity by the Board of Management and Supervisory Board of compliance with the German Corporate Governance Code pursuant to section 161 German Stock Corporation Act (AktG).

Deferred taxes
Assets and liabilities arising from the different treatment of transactions for financial and tax reporting purposes.

Distributable accumulated profits/accumulated losses
Result of SGL Carbon SE as reported in its German GAAP financial statements based on calculation pursuant to the German Commercial Code (HGB).

DSO (Days Sales Outstanding)
Trade account receivables divided by sales revenue, times 360 (A low figure indicates that the company collects its outstanding receivables quickly).

Earnings per share (EPS)
The figure of EPS is calculated by dividing the net result of the year attributable to SGL Carbon SE shareholders by the weighted average number of outstanding shares for the financial year.

EBIT
Earnings before interest and taxes. EBIT is an important key performance indicator for assessing the operational profitability of companies.

EBITDA
Earnings before interest, taxes, depreciation and amortization. In the case of EBITDA, the focus is rather more on cash earnings potential.

Equity ratio
The shareholders' equity as a proportion of total assets. The higher the equity ratio, the more independent a company is from external providers of capital. The equity ratio is also an indicator of the creditworthiness and robustness of a company.

At-Equity method
Method used in the consolidated financial statements for measuring and accounting for investments in which the SGL Group has joint control in, or significant influence over. Under the equity method, investments of this kind are initially recognized at cost. In subsequent years, these investments then change in line with their profit or loss contribution.

EURIBOR
Euro InterBank Offered Rate (EURIBOR) is an interest rate at which euro interbank term deposits are offered

Financial instruments
Forward contracts whose value is derived from another existing (primary) market value. An example of a derivative currency option, in which the premium largely depends on the option price, the maturity of the option and the volatility of this currency.

Free cash flow
The balance of cash flow from operating activities and cash flow from investing activities. Free cash flow therefore reflects the amount available to the company, for example, for debt repayment or distribution of dividends.

Free float
The total number of shares not owned by major investors (e.g.the parent company). Free float shares are distributed among a large number of shareholders and can therefore be bought and sold by many people. The number of free float shares therefore also normally provides an indication of the liquidity of the shares.

Functional costs
Functional costs include cost of sales, R&D expenses, selling expenses and general and administration expenses.

Gearing
The ratio of net debt to equity. Gearing is a key performance indicator reflecting financial strength and illustrates the dependency of a company on third-party lenders. The higher the figure, the greater the theoretical dependency.

Goodwill
The excess of cost of an acquisition over the fair value of the acquired entity at aquisition.

Gross profit
Sales revenue less cost of sales.

Hedging
Strategy to limit or eleminate price risks. Hedging is standard practice in capital markets and is used by market players to offset risks.

International Financial Reporting Standards (IFRS), formerly International Accounting Standards (IAS)
Uniform accounting standards to enhance comparability of financial data. According to European Union regulation, publicly traded companies are required to prepare their consolidated financial statements in accordance with these rules.

Joint venture
A contractual agreement whereby two or more parties undertake an economic activity that is subject to joint control.

Joint Operation
A joint arrangement whereby the parties that have joint control of the arrangement have rights of the assets, and obligation for the liabilities, relating to the arrangements.

Market capitalization
Key performance indicator providing information on the stock market value of a listed company. It is calculated by multiplying the number of shares by the current share price.

Rating
Internationally recognized criteria for assessing the creditworthiness of a debtor or company. Ratings are determined by specialist agencies using standardized procedures.

Return on sales
Ratio of EBIT to sales revenue. Return on sales (ROS) provides information on a company's operating profit as a percentage of sales revenue in the period under review. A high return on sales indicates a high level of profitability.

ROCE (Return on capital employed)
The ratio of EBIT to capital employed. This key performance indicator provides information on the return on average capital employed by a company over a specific period.

Syndicated Loan
A loan offered by a syndicate consisting of several core industries; the loan's overall risk (e.g. resulting from credit quality or capital lock-up) is spread across the financial institutions involved.

Weighted average cost of capital (WACC)
An average representing the expected return on all of a company's securities. Each source of capital, such as stocks, bonds and other debt, is assigned a required rate of return, and then these required rates of return are weighted in proportion to the share each source of capital contributes to the company's capital structure. The resulting rate is what the firm would use as a minimum for evaluating a capital project or investment.

Working Capital
Inventories plus trade receivables minus trade payables. This figure describes the current assets employed by a company in the short-term. The lower the working capital, the better the liquidity position of a company.

Technical Glossary

Cathodes
Indispensible component in the production of primary aluminum. Cathode blocks are capital investment products, used to line large smelting cells, in which aluminum oxide is reduced by an electrolysis process to produce aluminum which is deposited on these blocks.

Coarse grain graphite
The grain size lies between 1mm and up to approx. 20mm. Key material property is the high resistance to thermal shock. Typical product examples are graphite electrodes for steel scrap recycling, cathodes for aluminum electrolysis and furnace linings for crude steel production.

Fine grain graphite
Specialty graphite with a fine grain structure and a grain size of between 1mm and few µm, with which the required material strengths can be achieved. Fine grain graphites have a broad spectrum of applications in the semiconductor, mechanical engineering, metallurgical, industrial furnace construction, medical and analysis technology industries (isostatic graphite).

Graphite electrodes
The core business of the business segment Performance Products. Graphite electrodes are used in steel production in electric arc furnaces. In a furnace, they can withstand temperatures of up to 3,500 degrees Celsius and are therefore the "engine" in the melting process of scrap recycling to produce new steel. During the manufacturing process for electric steel, graphite electrodes are fully consumed within five to eight hours.

Isostatic graphite
Special fine grain graphite for specific applications. Its name is derived from the method of production (isostatically pressed; in a chamber of water subjected to equal pressure from every side). The main features of isostatic graphite are strength, density and isotropic structure. It is therefore used in all applications where the mechanical properties of conventional graphite are inadequate.

Lithium ion battery

Rechargeable battery with high energy and performance density. The cathode is made from a lithium compound, the anode from carbon or graphite. During the charging process, the lithium ions in the cathodes migrate to the carbon lattice of the anode material (intercalation). During discharging, the lithium ions from the intercalation migrate back to the cathode. Lithium ion batteries are the standard batteries for mobile applications today, such as for mobile phones and laptops. They are growing in importance for power tools (e.g. cordless screwdrivers) and for electric vehicles.

Natural graphite

Is a natural mineral. It is extracted from both surface and underground mining. High purity (> 99%) is achieved by purification processes (flotation, thermal and chemical purification). Natural graphite possesses the nearly ideal crystalline structure of graphite. Its use as a lubricant is well known. The largest natural graphite amounts are used for fire proof applications. Small amounts are also included in the recipe for fine grain graphites. Inclusion of acids produces graphite salts, which are converted to expanded graphite in a thermal process.

PAN Precursor

Synthetic fiber made from polyacrylonitrile (PAN). PAN precursor is the raw material used in the production of carbon fibers.

Petroleum coke

Is a mass volume by-product of the oil refining process (80 million tons). Calcined petroleum cokes are used particularly for anodes in the aluminum electrolysis. The so-called needle coke is a special quality, which can only be produced by a few refineries. This needle coke is almost exclusively used for the production of graphite electrodes. Their outer form and tailor made physical properties enable the production of modern high performance electrodes.

REACH (regulation for chemicals)

REACH stands for Registration, Evaluation, Authorization and Restriction of Chemicals, an EU regulation for chemicals that became effective June 1, 2007. The scope of REACH includes manufacturers or importers who, in the European Union, either manufacture chemical substances and/or use such substances in formulations or import such substances into the European Union amounting to more than one ton per year.

List of Acronyms

A **AktG**
German Stock Corporation Act (Aktiengesetz)

C **Cefic**
European Chemical Industry Council

CFRP
Carbon Fiber Reinforced Plastic

D **DAX**
German Stock Index (large caps)

E **EBIT**
Earnings before Interest and Taxes

EBITDA
Earnings before Interest, Taxes, Depreciation and Amortization

EHSA
Environment, Health & Safety Affairs

EPS
Earnings Per Share

H **HGB**
German Commercial Code

I **IAS**
International Accounting Standards

IASB
International Accounting Standards Board

IFRIC
International Financial Reporting Interpretations Committee

IFRS
International Financial Reporting Standards

IT
Information Technology

L **LTCI**
Long Term Cash Incentive

LTI
Long Term Incentive

M **MDAX**
Mid-Cap-DAX

P **PoC**
Percentage-of-Completion

R **REACH**
Registration, Evaluation, Authorisation and Restriction of Chemicals

ROCE
Return on Capital Employed

S **SAR**
Stock Appreciation Rights

SDAX
Small-Cap-DAX

V **VorstAG**
Act on the Appropriateness of Management Board Remuneration

W **WpHG**
German Securities Trading Act

Financial Calendar

March 18, 2015
- Publication of the 2014 Annual Report
- Annual press conference
- Analyst and investor conference

April 29, 2015
- Report on the first quarter of 2015
- Conference call for analysts and investors

April 30, 2015
- Annual general meeting

August 6, 2015
- Report on the first half of 2015
- Conference call for analysts and investors

November 5, 2015
- Report on the first nine months of 2015
- Conference call for analysts and investors

Contact

Investor Relations
SGL Carbon SE
Söhnleinstrasse 8
65201 Wiesbaden/Germany
Phone: +49 611 6029-103
Fax: +49 611 6029-101

www.sglgroup.com

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Board of Management
Christian O. Bruch

Other photos
SGL Group

Four-year Financial Summary

€m	Footnote	2014	2013[1]	2012[2]	2011[2]
Financial performance					
Sales revenue		1,335.6	1,422.6	1,617.1	1,435.0
thereof outside Germany		*80%*	*82%*	*85%*	*82%*
thereof in Germany		*20%*	*18%*	*15%*	*18%*
EBITDA before non-recurring charges	3	84.1	102.8	250.3	227.3
EBIT before non-recurring charges	3	2.7	22.8	170.0	161.7
Result before tax		–104.4	–161.1	82.3	57.7
Consolidated net result	4	–247.0	–317.0	26.8	–25.5
Return on sales (ROS)	5	0.2%	1.6%	10.5%	11.3%
Return on capital employed ($ROCE_{EBITDA}$)	6, 7	5.9%	6.5%	15.5%	14.9%
Earnings per share, basic (in €)		–3.26	–4.47	0.38	–0.38
Net assets					
Equity attributable to shareholders of the parent company		567.6	607.7	942.2	894.5
Total assets		2,170.3	2,059.1	2,497.5	2,170.6
Net debt		389.9	491.1	490.3	370.6
Equity ratio	8	26.2%	29.5%	37.7%	41.2%
Gearing	9	0.69	0.81	0.52	0.41
Number of employees (December 31)	10	6,342	6,387	6,757	6,501
Financial position					
Capital expenditure in property, plant and equipment and intangible assets		132.6	117.0	131.3	135.1
Depreciation and amortization		81.4	80.0	80.3	65.6
Working capital		462.4	476.2	623.0	555.3
Free cash flow	11	–121.3	41.9	–52.9	–24.1

1) Adjusted by BaFin adjustments as well as classification of AS as a discontinued operation and proportional consolidation of SGL ACF
2) Adjusted by BaFin adjustments as well as classification of AS and RB as discontinued operations and proportional consolidation of SGL ACF
3) Before non-recurring charges of €51.2 million in 2014, €122.8 million in 2013, €3.9 million in 2012, and €30.5 million in 2011.
4) Consolidated net result (attributable to shareholders of the parent company)
5) Ratio of EBIT before non-recurring charges to sales revenue
6) Ratio of EBITDA before non-recurring charges to average capital employed
7) Average capital employed (= the sum of goodwill, other intangible assets, property, plant and equipment and working capital, each at beginning of year and end of year)
8) Shareholders' equity to total assets
9) Net debt to shareholders' equity
10) Each as of Dec. 31, including discontinued operations
11) Net cash provided by operating activities (continuing operations) less net cash used in investing activities (continuing operations)

SGL CARBON SE
Söhnleinstrasse 8
65201 Wiesbaden/Germany
Phone: +49 611 6029-0
Fax: +49 611 6029-305
www.sglgroup.com

SGL GROUP
THE CARBON COMPANY