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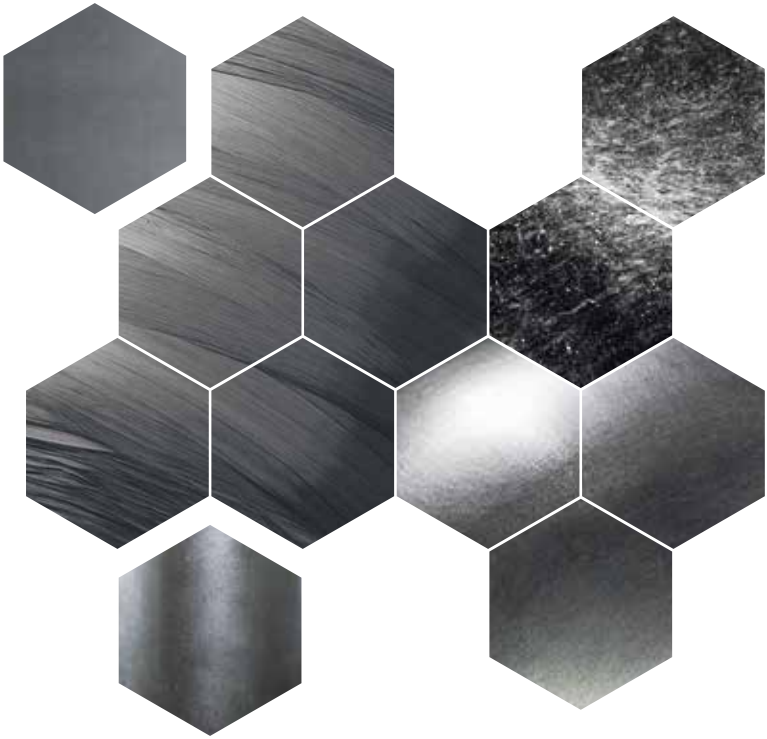
SGL GROUP
THE CARBON COMPANY



Report on the first quarter 2014

Managing challenges. Shaping the future.

Summary

- New reporting structure resulting from implemented SGL2015 measures to streamline the organization
- Group sales in Q1/2014 15% below prior year level due to pricing pressure in graphite electrodes
- EBIT before restructuring expenses: minus €2 million (Q1/2013: €13.6 million)
- Restructuring expenses amounted to €2.3 million
- SGL2015 savings totaling €14 million in the reporting period
- Graphite Specialties benefits from big ticket order from a customer in the electronics industry
- Stable equity ratio of approx. 30%.
- Outlook for full year 2014 confirmed

Financial highlights (unaudited)

	1st Quarter		
€m	**2014**	2013	Change
Sales revenue	336.3	396.7	–15.2%
EBITDA before restructuring expenses	18.9	34.5	–45.2%
Operating Profit/EBIT before restructuring expenses	–2.3	13.6	> –100.0%
Return on sales (EBIT margin)[1]	–0.7%	3.4%	–
EBIT	–4.6	13.6	> –100.0%
Consolidated net result (attributable to the shareholders of the parent company)	–22.8	–9.4	> –100.0%
Earnings per share – continuing operations, basic and diluted (in €)	–0.32	–0.11	> –100.0%

€m	**March 31, 2014**	Dec. 31, 2013	Change
Total assets	2,066.4	2,072.4	–0.3%
Shareholders' equity	630.1	650.8	–3.2%
Net financial debt	540.6	491.1	10.1%
Debt ratio (Gearing)[2]	0.86	0.75	–
Equity ratio[3]	30.5%	31.4%	–

[1] Ratio of EBIT before restructuring expenses to sales revenue

[2] Net financial debt divided by shareholders' equity

[3] Shareholders' equity divided by total assets

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Interim Group Management Report
(unaudited)

Economic environment

In its World Economic Outlook of April 2014, the International Monetary Fund (IMF) describes an acceleration of growth dynamics in the second half year 2013, which is expected to gain speed in the years 2014 and 2015. Stronger growth momentum in 2014 is anticipated particularly in the developed world, while the emerging countries continue to grow robustly, albeit only at a marginally higher rate compared to 2013. In summary, the IMF in its latest report has reduced its forecasts for global growth by 0.1%-points each to 3.6% in 2014 and 3.9% in 2015 compared to the January 2014 prognosis. Nevertheless, the anticipated growth rates for the years 2014 and 2015 lie significantly above the 3% of 2013. However, the IMF does not expect the growth momentum to be evenly distributed in 2014, as the accelerated economic growth in the second half year 2013 led to an inventory buildup, which is likely to be destocked in the first half year 2014. From a regional perspective, the industrial nations are expected to show the highest growth momentum, increasing from only 1.3% in 2013 to 2.2% this year. In the emerging countries, growth expectations at 4.9%

in 2014 and 5.3% in 2015 are substantially higher, but in a similar magnitude as the 4.7% in 2013. For the Eurozone, the IMF expects economic growth of 1.2% in 2014, a small improvement compared to the January forecast of 1.1%. The growth prognosis for Germany for this year has been revised upwards by 0.2%-points, from 1.5% to 1.7%. Expectations for the USA remain unchanged compared to the January forecast at 2.8% as do the forecasts for China, for which the experts are anticipating unchanged growth of 7.5%.

Key events of the business development

Streamlining the organization within the framework of SGL2015 leads to new reporting structure

The organization was also streamlined within the framework of the cost savings program SGL2015. To further strengthen the operational role of the business units and to streamline management structures, the former Business Area management tier, which included Performance Products (PP), Graphite Materials & Systems (GMS) as well as Carbon Fibers & Composites (CFC) was eliminated. The Business Areas also represented the reporting segments. Since February 1, 2014, the business activities are focusing 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) as well as Aerostructures (AS). In addition, corporate and service functions, research and development activities in our centralized R&D organization – Technology & Innovation (T&I) – as well as our Six Sigma based SGL Excellence activities support the development of the Business Units.

The business activities will be reported in the following segments starting from this interim report: The Business Units Graphite & Carbon Electrodes (GCE) and Cathodes & Furnace Linings (CFL) will continue to be aggregated in the reporting segment Performance Products (PP). In addition, the two joint arrangements with BMW Group (SGL ACF), which will be proportionally consolidated from January 1, 2014, and the Business Unit Carbon Fibers & Composite Materials will be combined to form the reporting segment Carbon Fibers & Materials (CFM). The Business Unit Graphite Specialties (GS) will be presented as a standalone reporting segment. The smaller Business Units Process Technology (PT) and Aerostructures (AS) will be reported together with Corporate T&I and Corporate Costs in the reporting segment Corporate & Others.

The rotor blade activities, which were sold at year-end 2013, were already reclassified as discontinued activities in the 2013 annual financial statements. The prior year quarters' income statement figures were adjusted accordingly for the sale of SGL Rotec.

Changes to prior period results due to new accounting pronouncements

The application of the Standard IFRS 11 "Joint Arrangements" is mandatory as of January 1, 2014. Prior year results are presented on a comparable basis. These also reflect the new reporting structure, which is also effective since the beginning of 2014. The application of IFRS 11 results in a change in the scope of consolidation at SGL Group. From January 1, 2014 onwards, the two joint arrangements with BMW Group in the US and in Germany (SGL ACF), which so far have been accounted for using the equity method, will be proportionally consolidated in the SGL Group financial statements. In the reporting period, the application of IFRS 11 led to higher sales revenues and lower EBIT. Further details on effects resulting from the application of IFRS 11 see the Notes.

Business development

Segment reporting

Reporting segment Performance Products (PP)

	1st Quarter		
€m	**2014**	2013	Change
Sales revenue	132.6	218.7	–39.4%
EBITDA before restructuring expenses [1]	14.5	42.7	–66.0%
EBIT before restructuring expenses [1]	4.1	32.4	–87.3%
Return on sales	3.1%	14.8%	–
EBIT	3.3	32.4	–89.8%

[1] Restructuring expenses of €0.8 million in the first quarter of 2014

The electric steel industry, which is the relevant segment for our graphite electrode business, continues to be affected by a weak demand environment mainly caused by Chinese blast furnace steel overproduction. Due to reduced domestic demand this steel overproduction has been increasingly exported overseas, leading to lower electric steel production. The resulting lower demand for our graphite electrodes and the corresponding price pressure led to a sales decline of 39% to €132.6 million (Q1/2013: €218.7 million) in the reporting segment Performance Products in the first quarter 2014. In the prior year quarter the price level was still on a substantially higher level and has increasingly come under pressure since the second quarter 2013. Currency effects of minus 1% had an additional slightly negative effect on the sales development.

Accordingly, EBIT before restructuring expenses declined by 87% to €4.1 million (Q1/2013: €32.4 million) in the reporting period, resulting in an EBIT margin of 3.1% (Q1/2013: 14.8%). The main reason for this development was the price pressure in both graphite electrodes and cathodes. Savings from SGL2015 amounted to €6.9 million in the first quarter 2014, of which €2.9 million are attributable to our SGL Excellence initiative.

On February 13, 2014 the closure of the Italian graphite electrode facility in Narni (Umbria) together with the associated administration in Lainate was publicly announced as the reporting segment PP's second large measure within the framework of the cost savings program SGL2015. The closure is part of the global realignment of the Company. The production will be phased down in the course of the first half year 2014 and is expected to finally cease in the course of the second half year 2014. The closure of the 30,000 ton graphite electrode facility is a further step in the Group-wide capacity reduction measures to further improve the cost position of SGL Group. Together with the closure of the Canadian graphite electrode facility in Lachute, which was announced in October 2013, SGL Group has reduced its graphite electrode production capacity by 60,000 tons p.a. Expenses relating to the closures in Lachute and Narni were for the most part already recorded in the annual financial statements 2013. Additional marginal restructuring expenses of €0.8 million relating to the closure in Lachute, Canada, were recorded in the reporting period. Accordingly, EBIT after restructuring expenses amounted to €3.3 million in the first quarter 2014 (Q1/2013: €32.4 million).

Reporting segment Graphite Specialties (GS)

	1st Quarter		
€m	**2014**	2013	Change
Sales revenue	90.5	76.7	18.0%
EBITDA	14.6	6.1	> 100.0%
EBIT	9.9	2.4	> 100.0%
Return on sales	10.9%	3.1%	–

Sales in the reporting segment Graphite Specialties increased by 18% (curency adjusted by 21%) to €90.5 million in the reporting period (Q1/2013: €76.7 million), mainly driven by the big ticket order awarded to us last year from a customer in the electronics industry. Most other customer industries are showing stabilization or even a small recovery in the order intake based on a low level at year-end 2013. While demand from North America is stabilizing, orders from Europe are showing a gradual improvement. Demand from Asia, which is characterized by the solar, the semiconductor and the LED industries, is slowly improving volume-wise; however prices remain under pressure due to continued overcapacities.

The significantly higher utilization of our production capacities primarily due to the big ticket order resulted in a substantial improvement in the result of the reporting segment Graphite Specialties. Accordingly, EBIT quadrupled in the first quarter 2014 compared to the prior year period to €9.9 million (Q1/2013: €2.4 million), resulting in a markedly higher EBIT margin of 10.9% compared to the prior year quarter (Q1/2013: 3.1%).

Cost savings from SGL2015 amounted to €3.6 million in the reporting period, of which €1.8 million were attributable to our SGL Excellence initiative.

In the reporting period, no restructuring expenses relating to SGL2015 were recorded in the reporting segment GS.

Reporting segment Carbon Fibers & Materials (CFM)

	1st Quarter		
€m	**2014**	2013	Change
Sales revenue	69.2	54.9	26.0%
EBITDA	–4.0	–4.7	14.9%
EBIT	–6.9	–8.2	15.9%
Return on sales	–10.0%	–14.9%	–

Sales in the reporting segment Carbon Fibers & Materials increased by 26% in the first quarter 2014 to €69.2 million (Q1/2013: €54.9 million) mainly due to markedly higher sales of the proportionally consolidated joint arrangements with BMW Group, which benefited from the market introduction of the new BMW i3 in November 2013. The Business Unit Carbon Fibers & Composite Materials (CF/CM) also recorded a strong sales increase in the reporting period due to increased demand primarily from the wind energy industry and despite lower acrylonitrile prices, which had an adverse effect on the acrylic fiber sales of Fisipe. Currency effects had no impact on the sales development.

EBIT in the first quarter 2014 amounted to minus €6.9 million compared to minus €8.2 million in the prior year period, resulting in an EBIT margin of minus 10.0% (Q1/2013: minus 14.9%). The continued operational loss is attributable to the ongoing unsatisfactory price level and the insufficient capacity utilization in the carbon fiber business, which continues to be adversely impacted by project delays and lower material demand from various industrial applications. Higher start up losses in our joint arrangements with BMW additionally burdened the result of the reporting segment CFM.

Cost savings from SGL2015 amounted to €1.0 million in the reporting period, of which €0.5 million were attributable to our SGL Excellence initiative.

In the reporting period, no restructuring expenses relating to SGL2015 were recorded in the reporting segment CFM.

Equity accounted business activities within SGL Group
(aggregated results attributable to SGL Group are reported under results from equity accounted investments)

	1st Quarter		
€m	**2014**	2013	Change
Sales revenue [1]	49.3	28.9	70.6%

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

Sales of all equity accounted investments increased by 71% in the first quarter 2014 to €49.3 million (Q1/2013: €28.9 million, 100% values for companies) and is not included in our consolidated Group sales figure. Main equity accounted investments are Brembo SGL (Italy and Germany) and Benteler SGL (Germany and Austria).

Brembo SGL

The joint venture with Brembo for the production and development of carbon ceramic brake discs recorded a significant increase in shipments in the course of 2013 due to various serial production launches. A higher order intake was recorded at the end of 2013, resulting in a double digit increase in sales in the first quarter 2014. Consequently, the production facilities in Meitingen (Germany) and Stezzano (Italy) continue to be nearly fully utilized and will be gradually expanded to meet the further growing brake disc demand for new car models. Having already achieved an operating profit in fiscal year 2013, the positive earnings trend continued in the first quarter 2014.

Benteler SGL

We develop the use of CFRP components in the automotive industry in our joint venture with Benteler. Numerous projects with various OEMs in the automotive industry were awarded to us, are proceeding according to schedule, and should reach commercialization within the next years. Several production series were launched in 2013, which are in particular being implemented in our new facility in Ort (Austria), so that sales in the fiscal year 2013 increased by approximately 60%. This trend continued into the first quarter 2014. Start up losses relating to the serial production launches for new automotive projects were reduced in the reporting period compared to the prior year level.

Reporting segment Corporate & Others (C&O)

	1st Quarter		
€m	**2014**	2013	Change
Sales revenue	44.0	46.4	–5.2%
EBITDA before restructuring expenses[1)]	–6.2	–9.6	35.4%
EBIT before restructuring expenses[1)]	–9.4	–13.0	27.7%
EBIT	–10.9	–13.0	16.2%

[1)] Restructuring expenses of €1.5 million in the first quarter of 2014

At €44.0 million, sales in the first quarter 2014 decreased by 5% compared to the prior year period (Q1/2013: €46.4 million). Adjusted for currency effects, sales only declined by 2%, driven by the slightly lower sales contribution from the two Business Units Aerostructures (AS resp. HITCO) and Process Technology (PT). The Business Unit AS continues to be

adversely affected by delayed production rates and shipments relating to the Boeing 787 and the Joint Strike Fighter while the Business Unit PT benefited from the execution of a Chinese big ticket order in the prior year period.

The operating loss before restructuring expenses in this reporting segment improved by nearly one-third to €9.4 million (Q1/2013: €13.0 million) mainly due to lower Corporate Costs resulting from SGL2015 measures. Despite lower sales, the Business Unit AS was able to slightly improve its results due to efficiency gains. Expenses for Corporate T&I as well as the EBIT of the Business Unit PT were on a comparable level as in the prior year period.

Savings amounted to €2.5 million within the framework of SGL2015, mainly relating to savings from implemented personnel measures as part of SGL2015 as well as lower travel and consultancy costs. Included in the SGL2015 savings are €0.6 million from SGL Excellence.

Group business development

	1st Quarter		
€m	**2014**	2013	Change
Sales revenue	**336.3**	**396.7**	**–15.2%**
Gross profit	53.7	79.9	–32.8%
Selling, administrative, research and other income/expense	–56.0	–66.3	15.5%
EBIT before restructuring expenses	**–2.3**	**13.6**	**>–100.0%**
Restructuring expenses	–2.3	–	–
EBIT	**–4.6**	**13.6**	**>–100.0%**
EBITDA before restructuring expenses	**18.9**	**34.5**	**–45.2%**

Group sales decreased by 15% (currency adjusted by 14%) to €336.3 million (Q1/2013: €396.7 million) due to the sales decline in the reporting segment PP, which could only be partially compensated by the favorable sales developments in the reporting segments GS und CFM. Adjusted for the sales contribution from SGL ACF, Group sales was 17.4% lower in the first quarter 2014.

Gross margin at 16.0% was considerably lower than the prior year level of 20.1% mainly due to the graphite electrodes price pressure in the reporting segment PP.

Compared to the first quarter of the prior year, selling, administrative, research, and other income/expense decreased by 15% to €56.0 million (Q1/2013: €66.3 million), mainly due to the lower selling costs in conjunction with the lower sales, SGL2015 savings as well as lower expenses relating to management incentive plans and variable remuneration components.

In spite of this, Group EBIT before restructuring expenses decreased and reached minus €2.3 million in the reporting period compared to €13.6 million in the prior year period. The EBIT margin declined from 3.4% in the first quarter 2013 to minus 0.7% in the first quarter 2014. Cost savings from SGL2015 amounted to €14.0 million in the Group, of which €5.8 million was attributable to our SGL Excellence initiative.

Restructuring expenses in the first quarter 2014 totaled €2.3 million. Accordingly, Group EBIT after restructuring expenses amounted to minus €4.6 million (Q1/2013: €13.6 million).

	1st Quarter		
€m	**2014**	2013	Change
EBIT	**–4.6**	**13.6**	**> –100.0%**
Result from equity accounted investments	–1.1	–3.2	65.6%
Net financing result	–12.9	–13.2	2.3%
Result from continuing operations before income taxes	**–18.6**	**–2.8**	**> –100.0%**
Income tax expense	–3.7	–4.5	17.8%
Result from continuing operations	**–22.3**	**–7.3**	**> –100.0%**
Result from discontinued operations, net of tax	–	–1.7	–
Result for the period	**–22.3**	**–9.0**	**> –100.0%**
Attributable to:			
Non-controlling interests	0.5	0.4	–25.0%
Consolidated net result (attributable to the shareholders of the parent company)	**–22.8**	**–9.4**	**> –100.0%**
Earnings per share, basic and diluted (in €)	–0.32	–0.13	> –100.0%
Earnings per share – continuing operations, basic and diluted (in €)	–0.32	–0.11	> –100.0%

Results from equity accounted investments

Results from equity accounted investments improved to minus €1.1 million in the reporting period compared to the prior year period (Q1/2013: minus €3.2 million), mainly due to the positive business performance of Brembo SGL in the first quarter 2014. This was partially offset by the earnings contribution of the SGL Lindner joint venture (joint venture with Lindner Group for the distribution of graphite based cooling ceilings), which is still in the process of commercialization and required further financial support from the partners in the reporting period. The result also includes the start up losses of the Benteler SGL joint venture amounting to a low single digit million € figure, which is unchanged compared to the prior year period.

In the full year 2014 we expect an improved result from equity accounted investments compared to the prior year mainly due to higher production and shipment volumes and lower start up losses.

Net financing result

	1st Quarter		
€m	**2014**	2013	Change
Interest income	0.3	0.6	–50.0%
Interest expense	–7.4	–4.3	–72.1%
Imputed interest convertible bonds (non-cash)	–2.3	–3.9	41.0%
Imputed interest finance lease (non-cash)	–0.3	–0.3	0.0%
Interest expense on pensions	–2.7	–3.1	12.9%
Interest expense, net	**–12.4**	**–11.0**	**–12.7%**
Amortization of refinancing costs (non-cash)	–0.8	–0.6	–33.3%
Other financial income/expense	0.3	–1.6	> 100.0%
Other financing result	**–0.5**	**–2.2**	**77.3%**
Net financing result	**–12.9**	**–13.2**	**2.3%**

The increased interest expenses relate to the fixed rate corporate bond issued in December 2013 with a coupon of 4.875%, which replaced the floating rate note issued in 2007. The latter was equipped with a coupon of three-month-EURIBOR plus a margin of 1.25% (corresponding to an interest rate of 1.46% p.a. as of March 31, 2013).

The non cash imputed interest component of the convertible bonds decreased due to the full repayment of the 2007 convertible bond in May 2013.

The increase in the other financing result compared to the first quarter 2013 is primarily due to the improvement in the balance of other financial income/expense of €1.9 million which mainly results from positive non cash translation effects of intercompany loans.

Result from continuing operations before and after taxes

Due to the developments described above, the result from continuing operations before taxes amounted to minus €18.6 million in the reporting period compared to minus €2.8 million in the first quarter 2013 (prior year adjusted for the discontinued rotor blade activities). Subtracting income taxes of €3.7 million (Q1/2013: €4.5 million) and non-controlling interests of €0.5 million (Q1/2013: €0.4 million) leads to a consolidated net result of minus €22.8 million compared to minus €9.4 million in the first quarter 2013.

Balance sheet structure

€m	**March 31, 2014**	Dec. 31, 2013	Change
ASSETS			
Non-current assets	1,067.9	1,061.4	0.6%
Current assets	992.6	1,004.6	–1.2%
Assets held for sale	5.9	6.4	–7.8%
Total assets	**2,066.4**	**2,072.4**	**–0.3%**
EQUITY and LIABILITIES			
Shareholders' equity	630.1	650.8	–3.2%
Non-controlling interests	16.2	16.2	0.0%
Total equity	**646.3**	**667.0**	**–3.1%**
Non-current liabilities	952.4	943.7	0.9%
Current liabilities	467.7	461.7	1.3%
Total equity and liabilities	**2,066.4**	**2,072.4**	**–0.3%**

As of March 31, 2014, total assets remain virtually unchanged compared to the level of December 31, 2013. Currency effects had no impact on total assets. The moderate increase in the non-current assets is mainly due to higher assets resulting from the expansion of carbon fiber capacities in the proportionally consolidated joint arrangements with BMW (SGL ACF). The marginal decrease in current assets is primarily the result of the lower liquidity, partially offset by the increase in trade receivables.

On the liabilities side of the balance sheet, the negative result in the reporting period led to a reduction in equity. Non-current liabilities increased marginally by €8.7 million in the first quarter 2014 compared to December 31, 2013, mainly due to a reclassification of provisions from current to non-current liabilities.

Current liabilities increased slightly to €467.7 million at the end of the first quarter 2014 compared to December 31, 2013. This increase was primarily due to increased short term financial debt resulting from the expansion of carbon fiber facilities at SGL ACF. This was partially offset by the reduction resulting from the described reclassification.

Working capital

€m	**March 31, 2014**	Dec. 31, 2013	Change
Inventories	487.4	480.5	1.4%
Trade receivables	250.3	228.1	9.7%
Trade payables	– 172.9	– 163.1	– 6.0%
Working capital	**564.8**	**545.5**	**3.5%**

Working capital as of March 31, 2014 increased slightly by 4% from €545.5 million to €564.8 million, mainly due to increased trade receivables, which was primarily attributable to the big ticket order from a customer in the electronics industry in the Business Unit GS.

Changes in equity

As of March 31, 2014, shareholders' equity amounted to €630.1 million (December 31, 2013: €650.8 million). The slight reduction is mainly due to the negative consolidated net result of €22.8 million. Compared to December 31, 2013, the equity ratio remained unchanged at 31%.

Net financial debt

€m	March 31, 2014	Dec. 31, 2013	Change
Current and non-current financial liabilities	705.6	691.5	2.0%
Remaining imputed interest for the convertible bonds	18.6	20.9	–11.0%
Accrued refinancing cost	13.1	13.8	–5.1%
Total financial debt	**737.3**	**726.2**	**1.5%**
Time deposits	40.4	0.0	–
Cash and cash equivalents	156.3	235.1	–33.5%
Total liquidity	**196.7**	**235.1**	**–16.3%**
Net financial debt	**540.6**	**491.1**	**10.1%**

The retrospective proportional consolidation of SGL ACF led to an increase in net financial debt by €43.4 million to €491.1 million as of December 31, 2013. The financial debt of SGL ACF is provided by BMW in the form of shareholder loans.

As of March 31, 2014, net financial debt of the SGL Group increased by €49.5 million or 10% to €540.6 million. The main reason for this development was the lower liquidity of €196.7 million compared to €235.1 million at the end of 2013, primarily resulting from the cash outflow of implemented SGL2015 restructuring measures, higher investments for the expansion of production facilities at SGL ACF as well as the negative effect from the deteriorated earnings in the first quarter 2014. The financial debt of the proportionally consolidated joint arrangements with BMW (SGL ACF) increased by €13.1 million as a result of the further expansion of carbon fiber facilities.

Free cash flow

	1st Quarter	
€m	**2014**	2013
Cash flow from operating activities		
Result before taxes	–18.6	–2.8
Restructuring expenses	2.3	–
Depreciation and amortization expense	21.2	20.9
Changes in working capital (net)	–19.5	–16.3
Miscellaneous items	–6.9	8.6
Cash flow from operating activities – continuing operations	**–21.5**	**10.4**
Cash flow from investing activities		
Payments to purchase intangible assets and property, plant and equipment	–27.6	–23.1
Payments for capital injection concerning equity accounted investments and for other financial liabilities	–0.4	–3.5
Other investing activities	0.8	0.4
Cash flow from investing activities – continuing operations	**–27.2**	**–26.2**
Free cash flow [1]	*–48.7*	*–15.8*

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

In the first quarter 2014, cash used by operating activities amounted to €21.5 million after cash provided by operating activities of €10.4 million in the prior year period, mainly due to the lower result before tax in the reporting period. The position "miscellaneous items" reflects lower losses from equity accounted investments, reduced expenses in connection with management incentive schemes in the reporting period, and cash outflow for SGL2015 restructuring measures.

As planned, the investments into our established businesses were significantly lower than in the prior year period. This development was more than compensated by the high capital expenditures for capacity expansions at SGL ACF, our joint arrangements with BMW. As a result, investments into intangible assets and property, plant and equipment increased by €4.5 million compared to the prior year period. Capital injections into equity accounted investments decreased by €3.1 million compared to the previous year, which was characterized by payments relating to the closure of European Precursor GmbH (EPG).

In total, free cash flow in the reporting period deteriorated to minus €48.7 million (Q1/2013: minus €15.8 million).

Employees

Headcount	March 31, 2014	Dec. 31, 2013	Change
Performance Products	2,049	2,076	–27
Graphite Specialties	2,184	2,209	–25
Carbon Fibers & Materials	983	920	63
Corporate & Others	1,192	1,182	10
	6,408	**6,387**	**21**

Headcount	March 31, 2014	Dec. 31, 2013	Change
Germany	2,319	2,309	10
Europe excluding Germany	1,987	1,988	–1
North America	1,364	1,395	–31
Asia	738	695	43
	6,408	**6,387**	**21**

The number of employees in the established businesses of the SGL Group amounted to 6,255 as of March 31, 2014 (December 31, 2013: 6,284) and reflects the initial implementation of SGL2015 measures. Including the proportionally consolidated SGL ACF, the number of employees at SGL Group totals 6,408 as of March 31, 2014 (December 31, 2013: 6,387). The lower number of employees in the reporting segments PP and GS was more than compensated by the increase at SGL ACF in the reporting segment Carbon Fibers & Materials.

Compared to the year end 2012 (6,686 employees), which is the starting point of our cost savings program SGL2015, the number of SGL Group employees (excluding SGL ACF) decreased by 431, of which 339 relate to the sale of our rotor blade activities and the remainder to the organizational and asset restructuring measures. As we are conducting our personnel reduction measures in a socially compatible manner, the main effects from SGL2015 will only be visible in the course of 2014 and in 2015.

Opportunities and risks

Regarding existing opportunities and risks, we refer to the annual report for the financial year ended December 31, 2013, as well as to the Management Report of this interim report.

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

At present stage, we continue to see risks associated with the sovereign debt crisis in various of regions in the world. This can negatively impact the financial situation of our customers. Governmental policy-driven regulatory measures in relation to tax increases and public spending cuts can negatively affect our business. The economic and political developments in China might have a considerable impact on the demand of our customers' businesses. With regards to the situation in Ukraine and Russia, political reactions and sanctions could also result in a negative impact. Besides such regional and global economic trends, we also generally face more subdued, and in certain cases even markedly reduced, demand in our customer industries. Exchange rate fluctuations, such as the sharp devaluation of the Japanese yen and the Indian rupee, increase competitive pressures. Further price reductions of Japanese and Indian competitors are possible. Additional raw material price increases could negatively impact profit margins and may further weaken demand.

In the Business Unit GCE, prices for graphite electrodes have substantially deteriorated since the middle of 2013. Overall, the graphite electrode market is characterized by overcapacities also in 2014. The Business Unit CFL continues to be faced with only slowly increasing investing activities in the aluminum and steel industry. This can have an adverse effect on earnings.

In the Segment Graphite Specialties (GS) we face cyclical demand fluctuations and overcapacities in some markets. This results in profit contribution risks for individual products, customer industries as well as within various regions.

The risk situation in the Business Unit Carbon Fibers & Composite Materials (CF/CM) continues to arise from the weak demand for industrial carbon fibers. Currently, we do not anticipate a sustainable recovery of the market environment in the short term. However, our activities for the build-up of a value chain within the Joint Operations with BMW are not affected and are developing on schedule. In addition, we expect that the fundamental mid to long term growth trends for lightweight materials will stay unchanged.

In the Business Unit Aerostructures (AS), the risks stem from further delayed developments in the aerospace industry in the usage of carbon fiber based composite materials. The major challenge is the set up and the acceleration of manufacturing processes, while retaining high quality standards.

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

The financing agreements of SGL Group contain contractually agreed covenants that regulate specific procedural obligations of SGL Group concerning compliance with certain financial performance indicators during the terms of the agreements.

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

Outlook

Reporting segment Performance Products (PP)

Graphite electrode pricing have come under increased competitive pressure since the middle of 2013. In the last weeks, however, it seems that pricing is slowly stabilizing on low levels. Nevertheless, we expect both sales and EBIT in the Business Unit Graphite & Carbon Electrodes to decline strongly in the full year 2014, as the price levels in the first half of the previous year were still on a comparatively higher level. Due to the continued uncertainties in the steel markets we only expect a small, partially seasonal volume increase in the coming quarters compared to the first quarter. In conjunction with the low price level we therefore anticipate only marginal improvements in the coming quarters compared to the reporting period.

With regards to the cathodes business, we note that the aluminum industry is increasing capital expenditures for maintenance and growth projects. Cathode pricing, however, remains under pressure due to overcapacities.

As a result, we expect significantly lower sales and EBIT in the reporting segment PP in the full year 2014, primarily due to the adverse graphite electrode price developments.

Reporting segment Graphite Specialties (GS)

Since the beginning of the year, the Business Unit Graphite Specialties is benefiting from the shipments for a big ticket order relating to a new technology in the electronics industry. Excluding this new technology, order intake is improving only slowly from the low levels recorded at the end of last year. Since we expect shipments for this big ticket order to be completed by the middle of this year, we forecast a substantially stronger first half compared to the second half year 2014. Sales and EBIT are anticipated to increase in the full year 2014.

Reporting segment Carbon Fibers & Materials (CFM)

The Business Unit Carbon Fibers & Composite Materials will benefit from a moderate improvement in volume demand primarily from the wind energy industry. This will be partially offset by lower acrylic fiber sales at Fisipe, which is adversely affected by lower acrylonitrile prices.

The joint arrangements with BMW Group, SGL ACF, will significantly increase their sales in the full year due to the launch of the new i3 in November 2013. The international launch of the i3 as well as the launch of the i8 this year leads to a considerable increase in carbon fiber demand and subsequently higher sales expectations. High ramp up efforts for this expected development will lead to start up losses at SGL ACF on comparable levels as in the previous year.

On the whole, the reporting segment Carbon Fibers & Materials expects a significant sales increase and – depending on the startup costs at SGL ACF – the losses to slightly improve.

Reporting segment Corporate & Others (C&O)

The Business Unit Aerostructures continues to be adversely affected by delayed shipments relating to the Boeing 787 as well as the Joint Strike Fighter (F-35). Even though further delays cannot be ruled out, we anticipate a slight earnings improvement in coming quarters.

In the Business Unit Process Technology, sales in the first half year will show a stable development based on shipments of already booked orders. Despite restrained order intake activities at the beginning of the year, we anticipate sales to remain stable also for the full year. Due to the execution of the Chinese big ticket order last year, the business unit will not be able to maintain the record earnings level of the last two years; nevertheless the EBIT margin is expected to remain in double digit territory.

Expenses relating to Corporate Costs and T&I will slightly decline primarily thanks to implemented SGL2015 measures.

In total, we expect stable sales and a slight earnings improvement for the reporting segment Corporate & Others.

Group

Based on the developments described above, we confirm our guidance for the full year 2014, which we published in March 2014 together with the annual report. Accordingly, we expect Group sales on a comparable basis to remain virtually on the same level as in the previous year. Mainly due to the graphite electrode price development, we expect Group EBIT to be down significantly compared to 2013.

The major portion of restructuring expenses relating to our cost savings program SGL2015 was recorded in the annual financial statements 2013. Therefore we expect restructuring expenses in 2014 to amount to only a low double digit million-€ figure. We are aiming to generate sustainable savings of approximately €150 million by the end of 2015 with this cost savings program (based on 2012 actual costs). Already €69 million of cost savings were achieved in 2013. Savings in a similar magnitude are also expected for this year.

After a considerable positive free cash flow in 2013 we anticipate a significantly negative free cash flow in 2014, mainly due to the cash outflow of implemented restructuring measures as well as higher investments in the joint arrangements with BMW. Compared to last year, the capital expenditure requirements for our established businesses are significantly lower in 2014.

Responsibility statement

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

Wiesbaden, April 29, 2014

SGL Carbon SE
The Board of Management

Condensed Consolidated Income Statement

	1st Quarter		
€m	**2014**	2013	Change
Sales revenue	**336.3**	**396.7**	**–15.2%**
Cost of sales	–282.6	–316.8	10.8%
Gross profit	**53.7**	**79.9**	**–32.8%**
Selling, administrative, research and other income/expense	–56.0	–66.3	15.5%
Restructuring expenses	–2.3	–	–
Result from operations/EBIT	**–4.6**	**13.6**	**> –100.0%**
Result from equity accounted investments	–1.1	–3.2	65.6%
Interest income	0.3	0.6	–50.0%
Interest expense	–12.7	–11.6	–9.5%
Other financing result	–0.5	–2.2	> 100.0%
Result from continuing operations before income taxes	**–18.6**	**–2.8**	**> –100.0%**
Income tax expense	–3.7	–4.5	17.8%
Result from continuing operations	**–22.3**	**–7.3**	**> –100.0%**
Result from discontinued operations, net of tax	–	–1.7	–
Result for the period	**–22.3**	**–9.0**	**> –100.0%**
Attributable to:			
Non-controlling interests	0.5	0.4	–25.0%
Consolidated net result (attributable to the shareholders of the parent company)	**–22.8**	**–9.4**	**> –100.0%**
Earnings per share, basic and diluted (in €)	–0.32	–0.13	> –100.0%
Earnings per share – continuing operations, basic and diluted (in €)	–0.32	–0.11	> –100.0%

Condensed Consolidated Statement of Comprehensive Income

	1st Quarter	
€m	**2014**	2013
Result for the period	**–22.3**	**–9.0**
Items that may be reclassified subsequently to profit or loss		
Changes in the fair value of securities available for sale	0.1	0.8
Cash flow hedges[1]	–0.8	–2.2
Currency translation	–0.4	2.6
Items that will not be reclassified to profit or loss		
Actuarial gains/losses on defined benefit plans and similar obligations	0.0	0.0
Other comprehensive income	**–1.1**	**1.2**
Comprehensive income	**–23.4**	**–7.8**
of which attributable to the shareholders of the parent company	*–23.9*	*–8.1*
of which attributable to non-controlling interests	*0.5*	*0.3*

[1] Includes tax effects of €0.5 million (2013: €0.4 million)

Condensed Balance Sheet

ASSETS €m	March 31, 2014	Dec. 31, 2013	Change
Non-current assets			
Intangible assets	76.4	76.6	–0.3%
Property, plant and equipment	884.6	877.3	0.8%
Other non-currents assets	54.4	53.9	0.9%
Deferred tax assets	52.5	53.6	–2.1%
	1,067.9	**1,061.4**	**0.6%**
Current assets			
Inventories	487.4	480.5	1.4%
Trade receivables	250.3	228.1	9.7%
Other receivables and other assets	58.2	60.9	–4.4%
Liquidity	196.7	235.1	–16.3%
Time deposits	*40.4*	*0.0*	–
Cash and cash equivalents	*156.3*	*235.1*	*–33.5%*
	992.6	**1,004.6**	**–1.2%**
Assets held for sale	**5.9**	**6.4**	**–7.8%**
Total assets	**2,066.4**	**2,072.4**	**–0.3%**

EQUITY and LIABILITIES €m	March 31, 2014	Dec. 31, 2013	Change
Shareholders' equity	**630.1**	**650.8**	**–3.2%**
Non-controlling interests	16.2	16.2	0.0%
Total equity	**646.3**	**667.0**	**–3.1%**
Non-current liabilities			
Interest-bearing loans	550.8	547.9	0.5%
Provisons for pensions and similar employee benefits	297.6	298.6	–0.3%
Other non-current liabilities and other provisions	104.0	97.2	7.0%
	952.4	**943.7**	**0.9%**
Current liabilities			
Other provisions	88.4	109.2	–19.0%
Current portion of interest-bearing loans	154.8	143.6	7.8%
Trade payables	172.9	163.1	6.0%
Other liabilities and income tax liabilities	51.6	45.8	12.7%
	467.7	**461.7**	**1.3%**
Total equity and liabilities	**2,066.4**	**2,072.4**	**–0.3%**

Condensed Consolidated Cash Flow Statement

	1st Quarter	
€m	**2014**	2013
Cash flow from operating activities		
Result from continuing operations before tax	–18.6	–2.8
Interest expense (net)	12.4	11.0
Depreciation and amortization expense	21.2	20.9
Restructuring expenses	2.3	–
Result from equity accounted investments	1.1	3.2
Interest paid/received (net)	–5.2	–6.4
Income taxes paid	–1.4	–5.1
Changes in provisions (net)	–17.6	–17.4
Changes in working capital (net)	–19.5	–16.3
Changes in other operating assets and other liabilities	3.8	23.3
Cash flow from operating activities – continuing operations	**–21.5**	**10.4**
Cash flow from operating activities – discontinued operations	–	–6.4
Cash flow from operating activities – continuing and discontinued operations	**–21.5**	**4.0**
Cash flow from investing activities		
Payments to purchase intangible assets and property, plant and equipment	–27.6	–23.1
Payments for capital injection concerning equity accounted investments and for other financial liabilities	–0.4	–3.5
Other investing activities	0.8	0.4
Cash flow from investing activities – continuing operations	**–27.2**	**–26.2**
Change in time deposits	–40.4	30.0
Cash flow from investing and cash management activities – continuing operations	**–67.6**	**3.8**
Cash flow from investing and cash management activities – discontinued operations	–	–0.3
Cash flow from investing and cash management activities – continuing and discontinued operations	**–67.6**	**3.5**

	1st Quarter	
€m	**2014**	2013
Cash flow from financing activities		
Proceeds from issuance of financial liabilities	13.5	7.2
Repayment of financial liabilities	– 2.3	0.0
Payments in connection with financing activities	– 0.8	0.0
Other financing activities	0.0	– 1.5
Cash flow from financing activities	**10.4**	**5.7**
Effect of foreign exchange rate changes	– 0.1	– 0.2
Net change in cash and cash equivalents	**– 78.8**	**13.0**
Cash and cash equivalents at beginning of period	235.1	229.4
Cash and cash equivalents at end of period	**156.3**	**242.4**
Time deposits	40.4	100.0
Total liquidity	**196.7**	**342.4**

Condensed Consolidated Statement of Changes in Equity

	1st Quarter 2014		
€m	Share-holders' equity	Non-controlling interests	**Total equity**
Balance at January 1	**650.8**	**16.2**	**667.0**
Capital increase from share-based payment plans	**3.2**	**0.0**	**3.2**
Result for the period	–22.8	0.5	–22.3
Other comprehensive income	–1.1	0.0	–1.1
Total comprehensive income	**–23.9**	**0.5**	**–23.4**
Other changes in equity [1]	0.0	–0.5	–0.5
Balance at March 31	**630.1**	**16.2**	**646.3**

	1st Quarter 2013		
€m	Share-holders' equity	Non-controlling interests	**Total equity**
Balance at January 1	**1,067.0**	**15.3**	**1,082.3**
Capital increase from share-based payment plans	**5.2**	**0.0**	**5.2**
Result for the period	–9.4	0.4	–9.0
Other comprehensive income	1.3	–0.1	1.2
Total comprehensive income	**–8.1**	**0.3**	**–7.8**
Other changes in equity[1]	0.3	–1.7	–1.4
Balance at March 31	**1,064.4**	**13.9**	**1,078.3**

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

Notes to the condensed consolidated interim financial statements

Description of business

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

Basis of preparation and accounting policies

The consolidated financial statements of SGL Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations issued by the International Accounting Standards Board, as adopted by the European Union (EU). The Interim Financial Statements as of March 31, 2014, have been prepared in line with the rules of IAS 34 in abbreviated form and, with the exception of the changes presented below, using the same accounting policies. The interim consolidated financial statements should be read in conjunction with SGL Group's annual IFRS consolidated financial statements as of December 31, 2013. These interim financial statements contain all of the information that is required for a fair presentation of the results of operations and the financial position of the Group. The consolidated interim financial statements were authorized for publication in accordance with a resolution of the Board of Management on April 29, 2014. The Interim Financial Statements and Interim Group Management Report have been neither audited nor subject to an auditor's review.

Recently adopted accounting pronouncements

As of January 1, 2014, SGL Group adopted IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities and consequential amendments to IAS 27 Separate Financial Statements (as amended in 2011), and IAS 28 Investments in Associates and Joint Ventures.

IFRS 10 contains a new definition of control, which is to be applied in determining the companies to be consolidated. This new definition of control leads to no change to the scope of consolidation of the SGL Group. IFRS 11 provides guidance on accounting for joint arrangements by focusing on rights and obligations of the arrangement. Until the end of 2013, companies operated together with a partner were accounted for using the equity method by SGL Group. According to IFRS 11, joint ventures are distinct from joint operations. In case of a joint venture, the parties that have joint control of a legally independent

company have rights to the net assets of that arrangement. In joint operations, the parties that have joint control have direct rights to the assets and obligations for the liabilities relating to the arrangement. This requirement is also fulfilled if a joint arrangement's production output is almost entirely transferred to the partners. While shares in joint ventures must now be accounted for using the equity method, for a joint operation, the proportional share of assets, liabilities, income and expenses are reported, i.e., it is proportionally consolidated. Upon application of the new standard the two operating joint companies with the BMW Group – SGL Automotive Carbon Fiber in Moses Lake, WA, USA and in Munich, Germany (SGL ACF) – were shifted from the equity method to proportional consolidation since they market their products directly to the partners and they have no access to external financing resources, therefore classifying these as joint operations.

IFRS 12 provides comprehensive disclosure requirements for all forms of interests in other entities. The implementation of IFRS 12 results in an extension of the disclosures in the notes.

Joint Operations

Both proportionally consolidated joint operations (SGL ACF) are operated jointly with BMW Group and produce carbon fibers and carbon fiber fabrics for the automotive industry. SGL Group holds a 51% share in each of these companies and controls them together with BMW.

Financial information on proportionally consolidated companies for the first quarter 2014 (SGL Group share) is as follows:

- Profit and loss statement: Sales revenue €10.9 million, EBIT: €–4.2 million, Result for the period: €–4.6 million.
- Balance sheet: Total equity: €9.7 million, non-current assets €75.2 million (thereof property, plant & equipment €75.2 million), current assets €18.2 million (thereof liquid funds: €4.7 million), non-current liabilities comprising interest-bearing notes of €49.1 million, current liabilities €34.6 million (thereof interest-bearing loans €14.8 million), and contingencies €34.5 million.

Joint Ventures and Associates

Equity accounted joint ventures particularly comprise: Brembo SGL Carbon Ceramic Brakes S.p.A, Stezzano, Italy, which is operated together with Brembo and produces and

develops carbon ceramic brake discs, and Benteler-SGL GmbH & Co. KG, Paderborn, Germany, operated together with Benteler and develops the use of CFRP components in the automotive industry. SGL Group holds a share of 50% in each of these companies.

The carrying amount of the equity accounted Joint Ventures and Associates amounted to €34.2 million at the beginning of the year. After consideration of the share of losses of €1.1 million in the current period (thereof €1.1 million disclosed as contribution commitment liability) and capital measures/adjustments without affecting income of €0.4 million, the carrying amount as of March 31, 2014 was €34.6 million. The aggregated 100% values of all six Joint Ventures (in brackets: values for two associates) was €37.1 million (€12.2 million). The 100% balance sheet values as of March 31, 2014 for the Joint Ventures (in brackets: Associates) was as follows: current assets: €75.1 million (€11.9 million), non-current assets €68.7 million (€29.0 million), current liabilities €46.0 million (€14.9 million) and non-current liabilities €44.1 million (€22.6 million).

Effects of first-time application of IFRS 11

The following tables present the effects of the retrospective application of IFRS 11 on most important comparative figures of the SGL Group for the reporting year 2013:

Overview Income Statement SGL Group

	January – March 2013			Full Year 2013		
€m	adjusted	previous[1]	Change	adjusted	previous[1]	Change
Sales revenue	396.7	393.9	2.8	1,495.7	1,477.0	18.7
Gross profit	79.9	80.8	– 0.9	241.4	245.6	– 4.2
Result from operations/EBIT	13.6	15.3	– 1.7	– 215.5	– 207.4	– 8.1
Result from equity accounted investments	– 3.2	– 5.1	1.9	– 9.0	– 18.3	9.3
Net financing result	– 13.2	– 12.9	– 0.3	– 51.9	– 50.7	– 1.2
Result from continuing operations before tax	– 2.8	– 2.8	0.0	– 276.4	– 276.4	0.0
Result from continuing operations	– 7.3	– 7.3	0.0	– 360.9	– 360.9	0.0
Earnings per share, basic and diluted (in €) – continuing operations	– 0.11	– 0.11	0.0	– 5.15	– 5.15	0.0

[1] Net of all income and expenses related to the rotor blades business, which was disclosed as discontinued operations in accordance with IFRS 5

Overview Balance Sheet SGL Group

	December 31, 2013		
€m	adjusted	previous	Change
ASSETS			
Non-current assets	1,061.4	1,018.3	43.1
thereof property, plant & equipment	*877.3*	*819.5*	*57.8*
thereof equity accounted investments	*34.2*	*49.0*	*–14.8*
Current assets [1]	1,011.0	990.9	20.1
thereof inventories	*480.5*	*470.7*	*9.8*
thereof liquidity	*235.1*	*227.8*	*7.3*
thereof trade receivables/other	*289.0*	*286.0*	*3.0*
Total assets	**2,072.4**	**2,009.2**	**63.2**
EQUITY and LIABILITIES			
Total equity	667.0	667.0	0.0
Non-current liabilities	943.7	896.8	46.9
thereof interest-bearing loans	*547.9*	*500.9*	*46.9*
Current liabilities	461.7	445.4	16.3
thereof current portion of interest-bearing loans	*143.6*	*139.9*	*3.7*
thereof trade payables/other	*318.1*	*305.5*	*12.6*
Total equity and liabilities	**2,072.4**	**2,009.2**	**63.2**

[1] Including assets held for sale

Overview Cash Flow Statement SGL Group

	January – March 2013			Full Year 2013		
€m	adjusted	previous[1]	Change	adjusted	previous[1]	Change
Cash flow from operating activities – continuing operations	10.4	14.0	–3.6	149.0	151.1	–2.1
Cash flow from investing activities – continuing operations	–26.2	–24.4	–1.8	–123.2	–112.9	–10.3
Cash flow from financing activities	5.7	–1.1	6.8	–144.0	–160.2	16.2

[1] Net of all cash flows related to the rotor blades business, which was disclosed as discontinued operations in accordance with IFRS 5

Segment reporting

Beginning 2014, SGL Group revised its organizational structure in order to further strengthen the operational role of the Business Units by streamlining management structures. Since this date, SGL Group's business has been conducted by six Business Units (BUs) in addition to the proportionally consolidated joint operations, aggregated into three segments for reporting purposes. The grouping into segments is based on the business model of each Business Unit. The six Business Units remain unchanged to prior periods and are as follows: Graphite & Carbon Electrodes (GCE), Cathodes and Furnace Linings (CFL), Graphite Specialties (GS), Process Technology (PT), Carbon Fibers & Composite Materials (CF/CM) and Aerostructures (AS). Previously, the business was conducted by three Business Areas Performance Products (PP), Graphite Materials & Systems (GMS) and Carbon Fibers & Composites (CFC), which also were our reportable 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 to prior periods and comprises the Business Units GCE and CFL.

The segment GMS was split; its business activities with graphite components (Business Unit GS) is reported separately as segment Graphite Specialties (GS).

The segment CFC was also split; its Business Unit CF/CM, which comprise all of the materials business based on carbon fibers, and the proportionally consolidated joint operations, are now combined in the segment Carbon Fibers & Materials (CFM). With this, CFM covers the entire, integrated value chain, from raw materials to carbon fibers and composite materials to finished components for the automotive industry.

The business activities with graphite heat exchangers, columns, pumps and systems (Business Unit PT, which was formerly part of the Business Area GMS) as well as the business with components for the aerospace and defense industry (Business Unit AS, which was formerly part of the Business Area CFC) are the remaining operating segments that are not individually reportable and thus disclosed in the reporting segment Corporate and Others (C&O). Cross-BU Corporate research costs incurred to develop growth fields are also reported under C&O, as are corporate costs that comprise expenses for steering the SGL Group.

Other disclosures

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

€m	Measurement category under IAS 39	Carrying amount as of March 31, 2014	Amortized cost
Financial assets			
Cash and cash equivalents	1)	156.3	156.3
Time deposits	1)	40.4	40.4
Trade receivables	1)	250.3	250.3
Available-for-sale financial assets	2)	15.9	
Other financial assets	1)	2.1	2.1
Derivative financial assets			
Derivatives without a hedging relationship[1]	3)	3.0	
Derivatives with a hedge relationship	n.a.	2.5	
Financial liabilities			
Corporate bond	4)	250.0	250.0
Convertible bonds	4)	356.1	356.1
Bank loans, overdrafts and other financial liabilities	4)	112.6	112.6
Refinancing expenses	4)	–13.1	–13.1
Finance lease liabilities	n.a.	20.5	
Trade payables	4)	172.9	172.9
Miscellaneous other financial liabilities	4)	18.2	18.2
Derivative financial liabilities			
Derivatives without a hedging relationship[2]	5)	1.6	
Derivatives with a hedge relationship	n.a.		
Thereof aggregated by measurement category in accordance with IAS 39			
1) Loans and receivables		449.1	449.1
2) Available-for-sale financial assets		15.9	
3) Financial assets held for trading		3.0	
4) Financial liabilities measured at amortized cost		896.7	896.7
5) Financial liabilities held for trading		1.6	

[1] Thereof €3.0 million (December 31, 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 €1.6 million (December 31, 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			
			0.0				
			228.1	228.1			
15.9			15.8		15.8		
			2.2	2.2			
	3.0		5.0			5.0	
2.5			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
			163.1	163.1			
			17.9	17.9			
	1.6		1.1			1.1	
			465.4	465.4			
15.9			15.8		15.8		
	3.0		5.0			5.0	
			872.5	872.5			
	1.6		1.1			1.1	

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

	March 31, 2014			
	Level 1	Level 2	Level 3	**Total**
Available-for-sale financial assets	11.1	4.8	–	15.9
Derivative financial assets	–	5.5	–	5.5
Derivative financial liabilities	–	1.6	–	1.6

	Dec. 31, 2013			
	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

The fair value of the corporate bond recorded at amortized costs was €261.7 million as of March 31, 2014 (December 31, 2012: €258.8 million). The fair market value of the convertible bonds 2009/2016 and 2012/2018 as of March 31, 2014 was €146.1 million and €244.3 million, respectively (December 31, 2013: €150.7 million and €248.6 million, respectively).

Changes to the scope of consolidation

Besides the changes in accordance with IFRS 11 mentioned above, there were no changes to the scope of consolidation as of March 31, 2014, compared to December 31, 2013.

Seasonality of operations

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

In the Business Units CFL and PT as well as in some businesses in GS, we strongly depend on the investment behavior in our customer industries. Regular maintenance as well as new investments can be postponed. Basically such behavior follows multi-year trends, as such there is no short-term, seasonal demand deducible.

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

Other information

Issued capital rose to €182.4 million as of March 31, 2014 (December 31, 2013: €181.7 million) and is divided into 71,240,039 no-par value ordinary bearer shares at €2.56 per share. During the first three months of 2014, a total of 223,473 new shares were issued and granted to employees under the employee bonus plan and under the Matching Share Plan. The exercise of SARs from the Stock Appreciation Rights plan resulted in the creation of 373 shares. As of March 31, 2014, SGL Carbon SE held a total of 24,401 of its own shares (treasury shares). On January 15, 2014, a total of 589,987 new SARs were granted from the SAR Plan approved during the 2009 Annual General Meeting with a strike price of €29.17.

In March 2014, the top three management groups purchased a total of 25,226 shares as part of the Matching Share Plan at a price of €24.08. As of March 31, 2014, there were 3,282,881 SARs, 114,784 matching shares outstanding. At the beginning of 2014 all remaining grants from the stock option plan lapsed. In March 2014, a total of 166,655 shares on the basis of a capital increase from authorized capital were used to support the employee bonus plan to service the entitlements of the participating employees in Germany, and an additional 53,473 shares were used to service the entitlements of the participants of the Matching Share Plan.

Based on an average number of 71.0 million shares, basic earnings per share amounted to minus €0.32 (Q1/2013: minus €0.13). The calculation of diluted earnings per share assumes the conversion of outstanding debt securities (convertible bonds) to shares and the exercise of the stock appreciation rights plans. The financial instruments mentioned above are included in the calculation of diluted earnings per share only if they had a dilutive effect during the reporting period. Accordingly, diluted earnings per share also amounted to minus €0.32 (Q1/2013: minus €0.13).

Subsequent events

None.

Sales Revenue and Operating Profit (EBIT) by Segment

	1st Quarter		
€m	**2014**	2013	Change
Sales revenue			
Performance Products	132.6	218.7	–39.4%
Graphite Specialties	90.5	76.7	18.0%
Carbon Fibers & Materials	69.2	54.9	26.0%
Corporate & Others	44.0	46.4	–5.2%
SGL Group	**336.3**	**396.7**	**–15.2%**

	1st Quarter		
€m	**2014**	2013	Change
EBIT before restructuring expenses [1]			
Performance Products	4.1	32.4	–87.3%
Graphite Specialties	9.9	2.4	> 100.0%
Carbon Fibers & Materials	–6.9	–8.2	15.9%
Corporate & Others	–9.4	–13.0	27.7%
SGL Group	**–2.3**	**13.6**	**> –100.0%**

[1] Restructuring expenses of €2.3 million in Q1/2014

Quarterly Sales Revenue and Operating Profit (EBIT) by Segment

	2013					2014
€m	Q1	Q2	Q3	Q4	Full year	Q1
Sales revenue						
Performance Products	218.7	201.4	175.8	160.0	755.9	132.6
Graphite Specialties	76.7	75.0	70.7	74.3	296.7	90.5
Carbon Fibers & Materials	54.9	59.1	69.1	68.3	251.4	69.2
Corporate & Others	46.4	56.4	47.1	41.8	191.7	44.0
SGL Group	**396.7**	**391.9**	**362.7**	**344.4**	**1,495.7**	**336.3**

	2013					2014
€m	Q1	Q2	Q3	Q4	Full year	Q1
EBIT before non-recurring charges [1]						
Performance Products	32.4	21.7	9.7	5.6	69.4	4.1
Graphite Specialties	2.4	2.8	9.4	1.3	15.9	9.9
Carbon Fibers & Materials	–8.2	–6.5	–6.4	–6.4	–27.5	–6.9
Corporate & Others	–13.0	–6.9	–9.9	–16.6	–46.4	–9.4
SGL Group	**13.6**	**11.1**	**2.8**	**–16.1**	**11.4**	**–2.3**

[1] Non-recurring charges (project write offs of €22.1 million, impairments of €120.6 million and restructuring expenses of €84.2 million in 2013 and restructuring expenses amounting to €2.3 million in 2014)

Quarterly Return on Sales (based on EBIT) by Segment

	2013					2014
ROS in%	Q1	Q2	Q3	Q4	Full year	Q1
Performance Products	14.8	10.8	5.5	3.5	9.2	3.1
Graphite Specialties	3.1	3.7	13.3	1.7	5.4	10.9
Carbon Fibers & Materials	–14.9	–11.0	–9.3	–9.4	–10.9	–10.0
Corporate & Others	–28.0	–12.2	–21.0	–39.7	–24.2	–21.4
SGL Group	**3.4**	**2.8**	**0.8**	**–4.7**	**0.8**	**–0.7**

Quarterly Consolidated Income Statement

	2013					2014
€m	Q1	Q2	Q3	Q4	Full year	Q1
Sales revenue	**396.7**	**391.9**	**362.7**	**344.4**	**1,495.7**	**336.3**
Gross profit before non-recurring charges	**79.9**	**74.5**	**59.3**	**49.8**	**263.5**	**53.7**
Selling, administrative, research and other income/expense	–66.3	–63.4	–56.5	–65.9	–252.1	–56.0
EBIT before non-recurring charges	**13.6**	**11.1**	**2.8**	**–16.1**	**11.4**	**–2.3**
Restructuring expenses	0.0	0.0	–26.2	–58.0	–84.2	–2.3
Impairment losses/ project write-offs	0.0	–147.7	0.0	5.0	–142.7	–
EBIT	**13.6**	**–136.6**	**–23.4**	**–69.1**	**–215.5**	**–4.6**
Result from equity accounted investments	–3.2	–3.4	–1.5	–0.9	–9.0	–1.1
Net financing result	–13.2	–13.2	–11.7	–13.8	–51.9	–12.9
Result from continuing operations before income taxes	**–2.8**	**–153.2**	**–36.6**	**–83.8**	**–276.4**	**–18.6**
Income tax expense	–4.5	–74.3	2.5	–8.2	–84.5	–3.7
Result from continuing operations	**–7.3**	**–227.5**	**–34.1**	**–92.0**	**–360.9**	**–22.3**
Result from discontinued operations, net of tax	–1.7	–6.6	0.2	–23.1	–31.2	0.0
Result for the period	**–9.0**	**–234.1**	**–33.9**	**–115.1**	**–392.1**	**–22.3**
Attributable to:						
Non-controlling interests	0.4	–0.6	1.0	3.5	4.3	0.5
Consolidated net result (attributable to shareholders of the parent company)	**–9.4**	**–233.5**	**–34.9**	**–118.6**	**–396.4**	**–22.8**

Financial calendar

April 30, 2014

- Annual general meeting

August 7, 2014

- Interim report on the first half year 2014
- Conference call for analysts and investors

November 6, 2014

- Interim report on the first nine months 2014
- Conference call for analysts and investors

Important note

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

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