SGL GROUP
THE CARBON COMPANY

REPORT ON THE FIRST QUARTER 2017

Summary

- Strong first quarter 2017 confirms full year outlook as published in March 2017
- Group sales in Q1/2017 increases 15% to €216 million (Q1/2016: €188 million) driven by market segments energy, digitization, industrial applications and textile fibers
- Recurring Group EBIT rises to €10 million (Q1/2016: €6 million)
- Free cash flow from continuing operations improves to minus €32 million (Q1/2016: minus €48 million)

Financial overview

	1st Quarter		
€ million	**2017**	2016	Change
Sales revenue	216.3	187.5	15.4%
EBITDA before non-recurring charges	22.0	18.4	19.6%
Operating profit (EBIT) before non-recurring charges (recurring EBIT)	9.6	6.4	50.0%
Return on sales (EBIT-margin)[1)]	4.4%	3.4%	-
Return on capital employed (ROCE $_{EBITDA}$)[2)]	8.6%	8.5%	-
Operating profit (EBIT)	9.0	6.6	36.4%
Result from discontinued operations, net of income taxes	6.5	−9.8	>100%
Consolidated net result (attributable to shareholders of the parent company)	−0.3	−26.4	98.9%

€ million	**Mar. 31, 17**	Dec. 31, 16	Change
Total assets	1,885.3	1,899.2	−0.7%
Equity attributable to the shareholders of the parent company	338.8	331.8	2.1%
Net financial debt [3)]	482.5	449.4	7.4%
Gearing[4)]	1.42	1.35	-
Equity ratio[5)]	18.0%	17.5%	-

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

Table of contents

Interim Group Management Report

(unaudited)

Business development

Segment reporting

Following the classification of the business unit PP as discontinued operations as of June 30, 2016, this business unit is no longer reported in the segment reporting.

Reporting segment Composites – Fibers & Materials (CFM)

	1st Quarter		
€ million	**2017**	2016	Change
Sales revenue	93.6	82.3	13.7%
EBITDA	13.3	12.7	4.7%
Return on capital employed ($ROCE_{EBITDA}$)[1]	10.6%	10.7%	
Return on sales (EBIT-margin)	8.4%	9.5%	-
Operating profit (EBIT)	7.9	7.8	1.3%

[1] EBITDA for the last twelve months to average capital employed (total of goodwill, other intangible assets, property, plant and equipment, investments accounted for At-Equity and working capital)

Sales in the first quarter 2017 in the reporting segment Composites – Fibers & Materials increased by 14% to €93.6 million (Q1/2016: €82.3 million) primarily due to higher sales in the market segments industrial applications and textile fibers. In the market segment industrial applications, carbon fiber sales for composite materials developed particularly well, while in textile fibers, the higher oil price compared to the prior year period had a positive impact on selling prices. The market segments automotive and wind energy recorded slightly higher sales. In contrast, sales in the market segment aerospace was below the very good prior year level.

The two major investments accounted for At-Equity relate to our businesses Ceramic Brake Discs (Brembo SGL; development and production of carbon ceramic brake discs) and Automotive Composites (Benteler SGL; development and production of glass and carbon fiber based components for the automotive industry) and are both allocated to the market segment automotive. Sales revenue of all investments accounted for At-Equity at €60.1 million in the first quarter 2017 remained close to the same level as in the prior year (Q1/2016: €60.9 million, 100% values for companies) and are not included in our Group sales revenue figure. Higher sales with Ceramic Brake Discs was offset by the sales decline in the other investments accounted for At-Equity.

As expected, EBIT at €7.9 million in the first quarter 2017 remained on a similar level as in the comparable prior year period (€7.8 million), leading to a decrease in the EBIT margin to 8.4% (Q1/2016: 9.5%). As expected, the operational improvement was offset by the ramp up of the Lightweight and Application Center (LAC), which is being built to develop future business with the automotive and aerospace industries. The individual market segments displayed different trends. The strongest earnings improvement was recorded in the market segment industrial applications, resulting from the good capacity utilization in our own carbon fibers plants. Earnings in the market segment automotive also showed an increase primarily due to the improved result from the investments accounted for At-equity Ceramic Brake Discs and Automotive Composites. Earnings in the market segment wind energy remained on the prior year level. In contrast, earnings in textile fibers were once again impacted by high energy costs as well as higher raw material costs, which can only be passed onto customers with a time lag. Although a high level of invoicing was once again recorded in our US aerospace business in this reporting period, this was slightly lower than in the prior year period, so that the earnings in the market segment aerospace were also below the prior year level.

On January 10, 2017, we announced the sale of the small carbon fiber production site in Evanston (USA) to Mitsubishi Rayon Corporation, as already outlined in the annual report 2016. Our carbon fiber production will now be focused at the two sites in Moses Lake (joint venture site with BMW Group in Washington, USA) and Muir of Ord (Scotland, UK) in order to further enhance the efficiency of our production network. The transaction lead to a reversal of impairment charges to the assets of CFM amounting to €12.8 million, which was recorded as a non-recurring effect in the annual financial statements 2016. The transaction closed on April 3, 2017. The asset disposal will lead to a negative earnings effect from attributable cumulative currency translation differences amounting to approx. €6 million as well as a cash inflow on book value level in the second quarter 2017.

On February 28, 2017, we reported on our presence at the JEC World in Paris, the world's largest trade fair for composites. We presented the engineering portfolio of the Lightweight and Application Center (LAC), which began construction one year ago, as well as thermoset and thermoplastic material solutions for automotive and aerospace construction, the wind energy sector, and other industrial applications.

Also in February 2017, we signed a contract to renew our commitment for a further six years to endow the Chair of Carbon Composites (LCC) at the Technical University of Munich (TUM), which began eight years ago. The chair serves as a bridge between fundamental research into carbon-fiber composite materials and their practical applications, especially in the automotive and aerospace engineering sectors.

Reporting segment Graphite Materials & Systems (GMS)

	1st Quarter		
€ million	**2017**	2016	Change
Sales revenue	121.4	103.0	17.9%
EBITDA before non-recurring charges [1]	14.1	12.4	13.7%
Return on capital employed ($ROCE_{EBITDA}$)[2]	12.9%	13.0%	
EBIT before non-recurring charges (recurring EBIT) [1]	8.5	7.0	21.4%
Return on sales (EBIT-margin)[1]	7.0%	6.8%	-
Operating profit (EBIT)	8.5	6.8	25.0%

[1] Non-recurring charges of €0.0 million and minus €0.2 million in the first quarter 2017 and 2016, respectively
[2] EBITDA before non-recurring charges for the last twelve months to average capital employed (total of goodwill, other intangible assets, property, plant and equipment, investments accounted for At-Equity and working capital)

Sales in the reporting segment Graphite Materials & Systems also significantly increased by 18% to €121.4 million in the reporting period compared to the prior year period

(Q1/2016: €103.0 million). This development primarily reflects the higher demand for our graphite anode materials in the market segment battery and other energy. The market segments solar, LED, semiconductor and industrial applications were also able to slightly increase their respective sales revenues. Sales in the market segment automotive remained on the prior year level. Solely the market segment chemicals recorded a lower sales level than in the prior year period, due to the ongoing subdued investment activity in the chemical industry.

Recurring EBIT increased by 21% to €8.5 million (Q1/2016: €7.0 million) mainly due to improved results in the market segment battery & other energy. Earnings in the markets segments LED, automotive, solar and industrial applications also increased slightly. This development was partially offset by the lower earnings contribution from the market segment chemicals due to the lower business volume as described above. The EBIT margin in the business unit GMS improved slightly to 7.0% (Q1/2016: 6.8%).

No non-recurring charges were recorded in the reporting segment GMS in the reporting period (Q1/2016: minus €0.2 million).

Due to the strong demand, the business unit GMS began to expand its capacities for the production of graphite anode materials for the lithium ion battery industry at the beginning of 2017 and thus earlier than planned. In addition to the existing Polish site, these investments are in particular being implemented in the US-American site in Morganton (North Carolina).

In contrast to the rather subdued market development forecasted for the solar industry, our business in the solar market segment is growing significantly. This is in particular to be seen in the context of the shift from multicrystalline to monocrystalline silicon. The technology to produce monocrystalline silicon requires more complex parts made of isostatic graphite and soft felts with highest standards. The business unit GMS of SGL Group is ideally positioned with its specific product and technology portfolio to reliably meet this growing demand.

Also in the beginning of 2017, the publicly funded research project „Redox Wind“ was launched to develop economic and environmentally friendly energy storage solutions. For this purpose, the Fraunhofer Institute for Chemical Technology (Institut für Chemische Technologie) is developing a large Redox-Flow-Battery-Storage, which will be connected to the neighboring wind energy plant. The business unit GMS of SGL Group delivers battery felts and bipolar plates to this project and is the only manufacturer that can supply these as a “one-stop-shop”.

Reporting segment Corporate

	1st Quarter		
€ million	**2017**	2016	Change
Sales revenue	1.3	2.2	–40.9%
EBITDA before non-recurring charges [1]	–5.4	–6.7	19.4%
EBIT before non-recurring charges (recurring EBIT) [1]	–6.8	–8.4	19.0%
Operating profit/loss (EBIT)	–7.4	–8.0	7.5%

[1] Non-recurring charges of minus €0.6 million and €0.4 million in the first quarter 2017 and 2016, respectively

As outlined in the annual report 2016, we set up project CORE (COrporate REstructuring) in September 2016 to refocus the business model of the “new” SGL Group on growth. The transformation process primarily comprises shifting the focus of our business units CFM and GMS to the development, production and marketing of their products, while all administrative tasks are concentrated in our corporate functions. Simultaneously, our company’s administrative structures are being aligned to the smaller SGL Group following the sale of the former business unit Performance Products. By the end of 2018, sustainable savings of around €25 million compared to the year 2015 should result from this project.

Our research and development activities, which are directly attributable to the business units CFM and GMS, were transferred into their direct business responsibility in the framework of project CORE. Research and development activities, which are of a more fundamental or long-term nature, such as the future areas “3-D printing” or “future coatings”, will continue to be driven on the corporate level by the department “Innovation Management”. Related expenses will, as before, be recorded in the third reporting segment, whose name has been simplified to „Corporate“.

At minus €6.8 million, recurring EBIT in the reporting segment Corporate improved by 19% compared to the comparable prior year period (Q1/2016: minus €8.4 million) due primarily to savings from project CORE.

Non-recurring items amounting to minus €0.6 million were recorded in the reporting segment Corporate in the reporting period (Q1/2016: €0.4 million).

Group business development

Condensed Consolidated Income Statement

	1st Quarter		
€ million	2017	2016	Change
Sales revenue	**216.3**	**187.5**	**15.4%**
Cost of sales	–173.6	–149.0	–16.5%
Gross profit	**42.7**	**38.5**	**10.9%**
Selling, administrative and R&D expense	–41.6	–40.3	–3.2%
Other operating income/expense	6.0	6.7	–10.4%
Result from investments accounted for At-Equity	2.5	1.5	66.7%
Operating profit (EBIT) before non-recurring charges (recurring EBIT)	**9.6**	**6.4**	**50.0%**
Restructuring expenses	–0.6	0.2	>–100%
Operating profit (EBIT)	**9.0**	**6.6**	**36.4%**
EBITDA before non-recurring charges	**22.0**	**18.4**	**19.6%**

Group sales revenue rose significantly by 15% (no currency effect) to €216.3 million (Q1/2016: €187.5 million) due to the developments in the business units GMS and CFM as described above. The gross margin slightly declined to 19.7% (Q1/2016: 20.5%) in the reporting period due to higher cost of goods sold, which increased mainly as a result of higher raw material costs in the market segment textile fibers of the business unit CFM, which can only be passed onto customers over time. Nevertheless, gross profit increased slightly to €42.7 million in the reporting period from €38.5 million in the prior year period. Selling, administrative, and R&D expenses increased slightly by 3% to €41.6 million (Q1/2016: €40.3 million) due to increased selling expenses resulting from higher shipments. Other operating income and expenses decreased by 10% from €6.7 million in the prior year period to €6.0 million in the reporting period, which primarily resulted from decreased compensations from customers with minimum volume commitments, which more than offset higher foreign currency and hedging gains.

Recurring EBIT increased significantly to €9.6 million in the reporting period after €6.4 million in the prior year period due to improved earnings in the business unit GMS and savings in the reporting segment Corporate.

Restructuring expenses increased to €0.6 million in the first quarter 2017 compared to plus €0.2 million in the prior year period and mainly included additions to provisions related to project CORE. Accordingly, EBIT after non-recurring charges amounted to €9.0 million (Q1/2016: €6.6 million).

Net financing result

	1st Quarter		
€ million	**2017**	2016	Change
Interest income	0.1	0.1	0.0%
Interest expense	−7.6	−7.8	2.6%
Imputed interest convertible bonds (non-cash)	−2.1	−2.0	−5.0%
Imputed interest finance lease (non-cash)	−0.4	0.0	-
Interest expense on pensions	−1.6	−2.0	20.0%
Interest expense, net	**−11.6**	**−11.7**	**0.9%**
Amortization of refinancing costs (non-cash)	−2.2	−0.8	>−100%
Foreign currency valuation of Group loans (non-cash)	−0.3	−2.0	85.0%
Other financial expense	0.0	−0.8	100.0%
Other financing result	**−2.5**	**−3.6**	**30.6%**
Net financing result	**−14.1**	**−15.3**	**7.8%**

Interest expense related particularly to the 4.875% per annum cash coupon on the corporate bond as well as the 3.5% per annum and the 2.75% per annum cash coupons on the two convertible bonds 2015/2020 and 2012/2018, respectively. The non-cash imputed interest on the convertible bonds is recognized in order to adjust the coupon on the convertible bonds to comparable interest rates at the time of their issuance.

Net interest expense is basically unchanged compared to the prior year period. Lower interest expense on pensions of €1.6 million was offset by increased imputed interest for finance leases. The accelerated amortization of refinancing costs resulted from a change in estimate for the corporate bond, where a repayment is assumed in the second half of 2017 compared to its original maturity in January 2021.

Foreign currency impacts resulting from the intercompany financing of subsidiaries were reduced to minus €0.3 million in the first quarter 2017 compared to minus

€2.0 million in the prior year period. Other financial expenses in the prior year period include €0.8 million expenses in connection with financing activities.

Condensed Consolidated Income Statement (continued)

	1st Quarter		
€ million	**2017**	2016	Change
Operating profit (EBIT)	**9.0**	**6.6**	**36.4%**
Net financing result	−14.1	−15.3	7.8%
Result from continuing operations before income taxes	**−5.1**	**−8.7**	**41.4%**
Income tax expense	−0.9	−7.5	>100%
Result from continuing operations	**−6.0**	**−16.2**	**63.0%**
Result from discontinued operations, net of income taxes	6.5	−9.8	>100%
Net result for the period	**0.5**	**−26.0**	**>100%**
Attributable to:			
Non-controlling interests	0.8	0.4	100.0%
Consolidated net result (attributable to shareholders of the parent company)	−0.3	−26.4	98.9%
Earnings per share, basic and diluted (in €)	0.00	−0.29	100.0%
Earnings per share continuing operations, basic and diluted (in €)	−0.06	−0.18	66.7%

Result from continuing operations

Due to the developments described above, the result from continuing operations before income taxes improved from minus €8.7 million in the prior year period to minus €5.1 million in the reporting period. Income tax expense decreased significantly to €0.9 million compared to €7.5 million in the prior year period, which was, among other things, influenced by valuation allowances on deferred taxes.

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

The result from discontinued operations includes income and expenses incurred by the business unit Performance Products (PP) und Aerostructures (HITCO). The income from discontinued operations after taxes amounted to €6.5 million in the reporting period compared to a prior period loss of €9.8 million and consists of the following items:

	1st Quarter	
€ million	**2017**	2016
Performance Products (PP)	5.8	–9.8
Business activity Aerostructures (HITCO)	0.7	0.0
Total	**6.5**	**–9.8**

With the sales agreement for the graphite electrodes business (GE) dated October 20, 2016, the estimated losses until closing were already recognized in the prior year, so that GE's operating performance in the current period had no impact on the result from discontinued operations. The cathodes, furnace linings and carbon electrodes business activities continued to improve its earnings compared to the good prior year level. The result in the business activity Aerostructures is, among others, impacted by follow-up effects relating to the sold business.

Consolidated net result of the period amounted to minus €0.3 million compared to minus €26.4 million in the first quarter 2016 (after consideration of non-controlling interests of minus €0.8 million in the reporting period and minus €0.4 million in the first quarter 2016).

Balance sheet structure

ASSETS €m	Mar. 31, 17	Dec. 31, 16	Change
Non-current assets	633.0	636.2	–0.5%
Current assets	692.4	722.3	–4.1%
Assets held for sale	559.9	540.7	3.6%
Total assets	**1,885.3**	**1,899.2**	**–0.7%**
EQUITY AND LIABILITIES €m			
Equity attributable to the shareholders of the parent company	338.8	331.8	2.1%
Non-controlling interests	16.1	16.1	0.0%
Total equity	**354.9**	**347.9**	**2.0%**
Non-current liabilities	893.3	1,127.4	–20.8%
Current liabilities	435.0	237.3	83.3%
Liabilities in connection with assets held for sale	202.1	186.6	8.3%
Total equity and liabilities	**1,885.3**	**1,899.2**	**–0.7%**

Total assets as of March 31, 2017, decreased slightly by €13.9 million or 0.7% to €1,885.3 million compared to December 31, 2016. The decrease in total assets is in particular attributable to the lower liquidity and to capital expenditures being below the level of depreciation and amortization expense. Current assets mainly decreased by €39.5 million due to the lower liquidity of continuing operations, although trade receivables increased by €29.9 million.

The decrease in non-current liabilities and the corresponding increase in current liabilities as of March 31, 2017 are attributable to the reclassification of the convertible bond with a outstanding amount of €239.2 million (due for repayment at the beginning of 2018) to current liabilities, as the remaining maturity is now less than one year. The change in current liabilities is also impacted by a reduction in trade accounts payable by €18.1 million to €85.8 million compared to December 31, 2016, mainly because of reduced investment activities. Furthermore, the final installment of the purchase price liability due to the purchaser of HITCO's Aerostructures business was paid during the reporting period.

Working Capital

€ million	Mar. 31, 17	Dec. 31, 16	Change
Inventories	269.4	268.9	0.2%
Trade receivables	104.0	89.2	16.6%
Trade payables	–85.8	–103.9	–17.4%
Working Capital	**287.6**	**254.2**	**13.1%**

Despite the strong sales growth, inventories remained close to the prior year level. A significant revenue-driven increase in trade receivables was recorded in the business unit CFM. Moreover, working capital increased during the first quarter 2017 due to the significant reduction in trade payables, resulting from reduced investment activities.

Changes in equity

As of March 31, 2017, equity attributable to the shareholders of the parent company amounted to €338.8 million (December 31, 2016: €331.8 million). The increase is mainly due to positive currency translation impacts from the strong Polish zloty. Accordingly, the equity ratio improved to 18.0% compared to 17.5% as of December 31, 2016.

Net financial debt

€ million	Mar. 31, 17	Dec. 31, 16	Change
Carrying amount of current and non-current financial liabilities	753.7	751.9	0.2%
Remaining imputed interest for the convertible bonds	18.4	20.5	–10.2%
Accrued refinancing cost	7.8	10.0	–22.0%
Total financial debt (nominal amount)	**779.9**	**782.4**	**–0.3%**
Liquidity - continuing operations	290.0	329.5	–12.0%
Liquidity - discontinued operations	7.4	3.5	>100%
Total liquidity (continuing and discontinued)	**297.4**	**333.0**	**–10.7%**
Net financial debt - continuing and discontinued operations	**482.5**	**449.4**	**7.4%**
thereof: SGL ACF			
Non-current financial liabilities	115.6	117.1	–1.3%
Cash and cash equivalents	1.7	6.9	–75.4%
Net financial debt SGL ACF	113.9	110.2	3.4%
Net financial debt excluding SGL ACF	**368.6**	**339.2**	**8.7%**

The financial debt mainly includes our corporate bond, the two convertible bonds, the netted amounts of the remaining imputed interest component, the refinancing costs as well as the proportional net debt of SGL ACF.

As of March 31, 2017, net financial debt increased by €33.1 million or 7.4% to €482.5 million mainly due to the decrease in total liquidity by €35.6 million. This development is primarily attributable to the buildup of working capital due to the payment of trade payables, as well the payment of the final installment related to the disposal of HITCO's Aerostructures business amounting to €9.0 million.

Free Cashflow

	1st Quarter	
€ million	**2017**	2016
Cash flow from operating activities		
Result from continuing operations before income taxes	–5.1	–8.7
Non-recurring charges	0.6	–0.2
Depreciation/amortization expense	12.4	12.0
Changes in working capital	–39.3	–39.0
Miscellaneous items	–0.4	–9.2
Cash flow from operating activities - continuing operations	**–31.8**	**–45.1**
Cash flow from operating activities - discontinued operations	13.5	4.6
Cash flow from operating activities - continuing and discontinued operations	**–18.3**	**–40.5**
Cash flow from investing activities		
Payments to purchase intangible assets and property and plant and equipment	–4.9	–4.2
Proceeds from the sale of intangible assets and property, plant & equipment	7.2	0.2
Dividend payments from investments accounted for At-Equity	0.0	3.0
Payments for capital contributions concerning investments accounted for At-Equity and investments in other financial assets	–2.0	–2.0
Cash flow from investing activities - continuing operations	**0.3**	**–3.0**
Cash flow from investing activities - discontinued operations	–12.8	–15.4
Cash flow from investing activities - continuing and discontinued operations	**–12.5**	**–18.4**
Free cash flow [1)] - continuing operations	–31.5	–48.1
Free cash flow [1)] - discontinued operations	0.7	–10.8

1) Defined as cash flow from operating activities minus cash flow from investing activities

Cash flow from operating activities – continuing operations – improved to minus €31.8 million in the first quarter 2017 after minus €45.1 million in the prior year period. This development is attributable to the improved operating profit as well as to a VAT tax refund in the first quarter 2017.

Overall, free cash flow from continuing operations in the reporting period improved to minus €31.5 million compared to the prior year period (Q1/2016: minus €48.1 million).

Free cash flow from discontinued operations amounted to €0.7 million in the reporting period (Q1/2016: minus €10.8 million) and mainly consists of the cash flow from operating activities of €13.5 million as well as payments for capital expenditures of PP amounting to €3.8 million and the payment related to the sale of HITCO's Aerostructures business of €9.0 million.

Employees

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

Headcount	Mar. 31, 17	Dec. 31, 16	Change
Composites - Fibers & Materials	1,191	1,183	0.7%
Graphite Materials & Systems	2,506	2,496	0.4%
Corporate	265	263	0.8%
Total continuing operations	**3,962**	**3,942**	**0.5%**
Discontinued operations (PP)	1,431	1,442	−0.8%
Total SGL Group	**5,393**	**5,384**	**0.2%**

Headcount	Mar. 31, 17	Dec. 31, 16	Change
Germany	1,808	1,789	1.1%
Europe excluding Germany	1,010	1,014	−0.4%
North America	717	711	0.8%
Asia	427	428	−0.2%
Total continuing operations	**3,962**	**3,942**	**0.5%**
Discontinued operations (PP)	1,431	1,442	−0.8%
Total SGL Group	**5,393**	**5,384**	**0.2%**

The number of employees in SGL Group amounted to 5,393 as of March 31, 2017 (December 31, 2016: 5,384) and is essentially unchanged. In the course of the year, the headcount reduction resulting from project CORE will be compensated by the selective increase in employees in the business units to handle the planned growth. Employees of shared service functions are allocated to the reporting segments based on performance related keys. Headcount of Corporate also includes employees who provide services to the discontinued business unit PP.

Opportunities and risks

Regarding existing opportunities and risks, we refer to the detailed statements in the annual report for the financial year ended December 31, 2016. Opportunities and risks, which are presented in abbreviated form below, have not materially changed from the statements made in the annual report.

Even though the growth of the global economy in 2017 continues to develop dynamically as expected, at the present stage the economy is characterized by various uncertainties such as the course of the US government, a rising worldwide trend in protectionism and the upcoming Brexit. Governmental reactions and sanctions in relation to the situation in crises areas, as well as the unstable political situation in the Middle East and Africa could also result in a negative impact. If our growth markets do not develop as dynamically as expected, it could have a negative impact on our results of operations, financial position and net assets.

The risk situation in the reporting segment Composites – Fibers & Materials mainly continues to arise from demand for industrial carbon fibers and composites materials. Risks can arise from slower growth than expected, the reliability of supplies of certain raw materials and the achievement of specific customer quality requirements. We continue to believe that the fundamental medium to long term growth trends for lightweight materials, particularly in the automobile sector, will remain. Should the market for fiber composite materials develop faster than expected, it would have a positive impact on our medium term results of operations. The business interests of individual partners may develop differently over time, making it necessary to establish a new foundation for the partnership.

In the graphite specialties businesses of our reporting segment Graphite Materials & Systems we face cyclical demand fluctuations and overcapacities in some markets. This results in risks in profit contribution for individual products, customer industries as well as within various regions. The Process Technology business is faced with intensive competition for only few large projects. We see good growth opportunities for our graphite anode materials for lithium ion batteries. Depending on the technical solutions and the speed with which electric mobility will penetrate the market, this could result in opportunities and risks compared to our planning.

On the Group level, focus is on the implementation of project CORE. Its successful implementation, to adjust the organizational model and size of the organization to a smaller SGL Group following the entire PP disposal, could result in additional opportunities to increase efficiency and to improve financials. As a result, our competitive position will be strengthened by an improved cost position, lean administrative structures together with more efficient and adapted production capacities.

Our growth strategy results in increasing capacity utilization: Production downtime at one or more sites could lead to delivery problems with regard to volumes and quality and have a negative impact. Any ban on the hazardous materials used in production could mean, in the medium term, that we are no longer able to continue our manufacturing processes the way they are established today.

Changes in tax or legal provisions in individual countries in which we operate may lead to a higher tax expense and higher tax payments and may have an impact on our recognized deferred tax assets.

The intended disposal of the reporting segment Performance Products bears opportunities and risks in relation to the planned sale. The sale of the graphite electrode business to Showa Denko, with an anticipated closing mid-2017, is, among other factors, dependent on regulatory approvals. Any major delay or failure to complete this disposition could have negative effects on the business, financial condition and results of operations. The intended sales of the cathodes, furnace linings and carbon electrodes business could result in a book profit and improve the liquidity and financing situation as well as Company's balance sheet KPIs even more. However, if the offers would not meet the expectations, this might result in a delay in the disposal and, as a consequence, in a delay of the planned deleveraging strategy.

As a result of the capital increase in December 2016 and the availability of a syndicated credit line, which was renegotiated in December 2016, with an already available – but not yet drawn – tranche of €50 million, the Company has sufficient liquidity. The financing agreements of SGL Group contain contractually agreed covenants that regulate compliance with specific financial ratios during the terms of the agreements. Should some of the outlined business risks materialize during the fiscal year 2017, it is possible that we might not be able to fully achieve the relevant financial ratios in the following quarters. In this case, SGL Group will be unable to draw unused credit lines unless amendments with the participating banks are obtained.

Based on the information available at the present time, in our opinion there are no material individual risks that could jeopardize sustainably the business as a going concern. Even if the individual risks are viewed on an aggregated basis, they currently do not threaten the going concern of SGL Group.

Outlook

Reporting segment Composites – Fibers & Materials (CFM)

We continue to anticipate a slight[1)] increase in sales in the reporting segment Composites – Fibers & Materials (CFM). Should the oil price continue to develop above prior year levels, this will have a positive impact on the selling prices in our market segment textile fibers, since these are primarily determined by their raw material prices. This could positively impact our sales expectations.

Aside from this factor, our expectations remain within the framework of the guidance, which we provided in March 2017 with the publication of our annual report. The anticipated increase in sales will, above all, be driven by a higher demand for carbon fibers for industrial applications as well as higher pricing in textile fibers. Sales increases are also expected with the automotive industry. In contrast, sales to the aerospace sector should be below the prior year level, which was impacted by higher invoicing in the US aerospace business. Business with the wind energy industry is expected to be more or less stable.

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

Nevertheless, we anticipate EBIT for 2017 in this reporting segment to remain on the prior year level, mainly due to ramp up costs for the Lightweight and Applications Center (LAC), which is being built for developing future business with the automotive and aerospace industry, as well as higher depreciation following the conversion of the precursor line. The developments will presumably offset the positive effects from the higher capacity utilization. In addition, the 2016 EBIT also included a higher positive effect from high invoicing levels in the US aerospace business. A potentially higher, raw material cost driven sales in the market segment textile fibers will on the contrary not positively influence our earnings expectations, since this is primarily a pass through factor.

As in the prior year, the highest quarterly earnings of this fiscal year were probably achieved in this reporting period, due to, on one hand, high invoicing levels once again in the US American aerospace business, and, on the other hand, based on very high capacity utilization. The following quarters will not quite match the invoicing-related strong first quarter. This is particularly true for the third quarter due to holiday and scheduled maintenance shutdowns.

Reporting segment Graphite Materials & Systems (GMS)

We also confirm the guidance published in March 2017 for the reporting segment Graphite Materials & Systems (GMS): we anticipate a slight sales increase, driven by almost all markets segments with the exception of chemicals, since this activity is still adversely impacted by the restrained investment activities of chemical companies. In contrast to the subdued market expectations for 2017, we are planning a significant increase with customers from the solar industry, mainly due to our product portfolio, which is which is geared to that dynamic market, and also due to our improved competitiveness and regional positioning. Growth is also expected in industrial applications, in the lithium-ion battery business as well as with customers from the LED industry. The anticipated significant increase in EBIT is based on higher capacity utilization in nearly all business activities as well as cost savings. As a result, it should be possible to approximately achieve our target ROCE (ratio of EBITDA to capital employed) of 15%.

Reporting segment Corporate

Prior year EBIT in the reporting segment Corporate benefited from the positive one-off effect generated by a land sale in Malaysia. Consequently, the reported EBIT will deteriorate slightly in 2017. After adjusting for those proceeds, EBIT should be approximately at the level of the previous year. The discontinuation of services previously provided to our GE and CFL/CE businesses, which are currently being sold, should be compensated for by the cost savings generated by project CORE.

Group

We also confirm the Group guidance as published in March 2017: Expected volume growth and the implementation of initial CORE measures should allow Group EBITDA and Group EBIT (both before non-recurring charges) to increase more than proportionately to sales, which we anticipate sales to increase by a high single digit percentage.

The anticipated operational improvement will likely not be reflected in the Group consolidated net result from continuing operations, mainly because of the positive one-off effects realized through the sale of the Evanston site (USA) in the previous year and the planned early redemption of our corporate bond (write-off of the capitalized refinancing costs and early prepayment penalty) during the current year, which will increase the expenses in the financial result. As a result, we anticipate a net loss from continuing operations in the mid-double-digit million euro range.

The result from discontinued operations, and thus the Group result, will be characterized both by the anticipated slight improvement in the operational business of our former reporting segment PP and by the proceeds from the ongoing sale of CFL/CE.

After limiting our capital expenditure in the previous year due to the weak earnings situation, capital expenditure will be increased again somewhat during the current year, although it still will not exceed the level of depreciation and amortization. In our reporting segment CFM, the continued expansion of our Lightweight and Application Center (LAC) remains the focus of our capital expenditure. In our reporting segment GMS, we are focusing our capital expenditure on maintenance measures, the expansion of coating capacities for the LED industry, the expansion of production capacities for our anode materials for the lithium-ion battery industry, and minor capacity expansions for sectors such as the solar industry.

We have made substantial progress in the strategic realignment and transformation of SGL Group. On October 20, 2016, we signed the sale and purchase agreement to sell our graphite electrode (GE) business to Showa Denko (Japan) for an enterprise value (cash and debt free) of €350 million. After deduction of standard debt-like items (mainly pension and restructuring provisions), this transaction is expected to result in cash proceeds of at least €200 million at closing, which continues to be expected for mid 2017.

To maximize our proceeds in the divestment process of the former business unit PP, we decided to separately sell the CFL/CE business, which is also part of the former business unit PP. The sales process was continued in early 2017. Based on the feedback received so far from potential acquirers, we remain confident to sign a purchase agreement still in this fiscal year. Based on these assumptions, net debt at year end 2017 should be significantly below the year end 2016 level.

With the proceeds from the December 2016 rights issue as well as the proceeds from the sale of the graphite electrode business and the expected proceeds from the sale of CFL/CE, we plan to redeem early our corporate bond with a nominal of €250 million as well as repay at maturity in January 2018 our convertible bond with an initial nominal of €240 million, thus reducing our interest expenses, significantly lowering our net debt and improving our balance sheet ratios.

Wiesbaden, 11 May 2017

SGL Carbon SE

The Board of Management

Condensed Consolidated Interim Financial Statements

(unaudited)

Consolidated Income Statement

	1st Quarter		
€ million	**2017**	2016	Change
Sales revenue	**216.3**	**187.5**	**15.4%**
Cost of sales	–173.6	–149.0	–16.5%
Gross profit	**42.7**	**38.5**	**10.9%**
Selling expenses	–23.3	–19.5	–19.5%
Research and development costs	–7.4	–8.3	10.8%
General and administrative expenses	–10.9	–12.5	12.8%
Other operating income	8.8	12.5	–29.6%
Other operating expenses	–2.8	–5.8	51.7%
Result from investments accounted for At-Equity	2.5	1.5	66.7%
Restructuring expenses	–0.6	0.2	>–100%
Operating profit	**9.0**	**6.6**	**36.4%**
Interest income	0.1	0.1	0.0%
Interest expense	–11.7	–11.8	0.8%
Other financing result	–2.5	–3.6	30.6%
Result from continuing operations before income taxes	**–5.1**	**–8.7**	**41.4%**
Income tax expense	–0.9	–7.5	88.0%
Result from continuing operations	**–6.0**	**–16.2**	**63.0%**
Result from discontinued operations, net of income taxes	6.5	–9.8	>100%
Net result for the period	**0.5**	**–26.0**	**>100%**
Thereof attributable to:			
Non-controlling interests	0.8	0.4	100.0%
Consolidated net result (attributable to shareholders of the parent company)	–0.3	–26.4	98.9%
Earnings per share, basic and diluted (in €)	0.00	–0.29	100.0%
Earnings per share continuing operations, basic and diluted (in €)	–0.06	–0.18	66.7%

Consolidated Statement of Comprehensive Income

	1st Quarter	
€ million	**2017**	2016
Net result for the period	**0.5**	**–26.0**
Items that may be reclassified subsequently to profit or loss		
Changes in the fair value of securities available for sale	0.1	0.0
Cash flow hedges [1]	0.9	0.1
Currency translation	5.8	–0.2
Items that will not be reclassified subsequently to profit or loss		
Actuarial gains/losses on pensions and similar obligations [2]	0.6	–20.7
Other comprehensive income	**7.4**	**–20.8**
Comprehensive income	**7.9**	**–46.8**
Thereof attributable to:		
Non-controlling interests	0.9	0.3
Consolidated net result (attributable to shareholders of the parent company)	7.0	–47.1

[1] Includes tax effects of €0.0 million (2016: minus €0.1 million) in the first quarter
[2] Includes tax effects of minus €0.2 million (2016: €9.4 million) in the first quarter

Consolidated Balance Sheet

ASSETS €m	Mar. 31, 17	Dec. 31, 16	Change
Non-current assets			
Goodwill	23.0	23.3	–1.3%
Other intangible assets	16.4	17.3	–5.2%
Property, plant and equipment	484.4	493.0	–1.7%
Investments accounted for At-Equity	46.3	39.5	17.2%
Other non-currents assets	3.9	6.4	–39.1%
Deferred tax assets	59.0	56.7	4.1%
	633.0	**636.2**	**–0.5%**
Current assets			
Inventories	269.4	268.9	0.2%
Trade receivables	104.0	89.2	16.6%
Other receivables and other assets	29.0	34.7	–16.4%
Liquidity	290.0	329.5	–12.0%
Time deposits	*5.0*	*5.0*	*0.0%*
Cash and cash equivalents	*285.0*	*324.5*	*–12.2%*
	692.4	**722.3**	**–4.1%**
Assets held for sale	**559.9**	**540.7**	**3.6%**
Total assets	**1,885.3**	**1,899.2**	**–0.7%**

EQUITY AND LIABILITIES €m	Mar. 31, 17	Dec. 31, 16	Change
Equity			
Issued capital	313.2	313.2	0.0%
Capital reserves	1,032.7	1,032.7	0.0%
Accumulated losses	–1,007.1	–1,014.1	0.7%
Equity attributable to the shareholders of the parent company	**338.8**	**331.8**	**2.1%**
Non-controlling interests	16.1	16.1	0.0%
Total equity	**354.9**	**347.9**	**2.0%**
Non-current liabilities			
Provisions for pensions and similar employee benefits	304.5	306.0	–0.5%
Other provisions	37.1	35.9	3.3%
Interest-bearing loans	514.3	748.8	–31.3%
Other liabilities	37.4	36.7	1.9%
	893.3	**1,127.4**	**–20.8%**
Current liabilities			
Other provisions	72.4	84.3	–14.1%
Current portion of interest-bearing loans	239.4	3.1	>100%
Trade payables	85.8	103.9	–17.4%
Other liabilities	37.4	46.0	–18.7%
	435.0	**237.3**	**83.3%**
Liabilities in connection with assets held for sale	**202.1**	**186.6**	**8.3%**
Total equity and liabilities	**1,885.3**	**1,899.2**	**–0.7%**

Consolidated Cash Flow Statement

	1st Quarter	
€ million	**2017**	2016
Cash flow from operating activities		
Result from continuing operations before income taxes	–5.1	–8.7
Adjustments to reconcile the result from continuing operations to cash flow from operating activities:		
Interest expense (net)	11.6	11.7
Result from the disposal of property, plant and equipment	–0.1	0.0
Depreciation/amortization expense	12.4	12.0
Restructuring expenses	0.6	–0.2
Result from investments accounted for At-Equity	–2.5	–1.5
Amortization of refinancing costs	2.2	0.8
Interest received	0.1	0.1
Interest paid	–13.7	–13.8
Income taxes paid	–0.9	–1.2
Changes in provisions, net	–11.7	–8.8
Changes in working capital		
Inventories	1.2	–4.4
Trade receivables	–22.0	–16.3
Trade payables	–18.5	–18.3
Changes in other operating assets/liabilities	14.6	3.5
Cash flow from operating activities - continuing operations	**–31.8**	**–45.1**
Cash flow from operating activities - discontinued operations	13.5	4.6
Cash flow from operating activities - continuing and discontinued operations	**–18.3**	**–40.5**

	1st Quarter	
€ million	**2017**	2016
Cash flow from investing activities		
Payments to purchase intangible assets and property, plant and equipment	−4.9	−4.2
Proceeds from the sale of intangible assets and property, plant & equipment	7.2	0.2
Dividend payments from investments accounted for At-Equity	0.0	3.0
Payments for capital contributions concerning investments accounted for At-Equity and investments in other financial assets	−2.0	−2.0
Cash flow from investing activities - continuing operations	**0.3**	**−3.0**
Changes in time deposits	0.0	−2.0
Cash flow from investing and cash management activities - continuing operations	**0.3**	**−5.0**
Cash flow from investing activities and cash management activities - discontinued operations	−12.8	−15.4
Cash flow from investing activities and cash management activities - continuing and discontinued operations	**−12.5**	**−20.4**
Cash flow from financing activities		
Repayment of financial liabilities	−1.0	−2.3
Payments in connection with financing activities	−0.4	−0.8
Cash flow from financing activities - continuing operations	**−1.4**	**−3.1**
Cash flow from financing activities - discontinued operations	0.0	
Cash flow from financing activities - continuing and discontinued operations	**−1.4**	**−3.1**
Effect of foreign exchange rate changes	0.1	−0.4
Net change in cash and cash equivalents	**−32.1**	**−64.4**
Cash and cash equivalents at beginning of period	324.5	236.8
Cash and cash equivalents at end of period	292.4	172.4
Time deposits at end of period	5.0	16.0
Total liquidity	297.4	188.4
Less: Cash and cash equivalents of discontinued operations at end of period	7.4	3.5
Liquidity	**290.0**	**184.9**

Condensed Consolidated Statement of Changes in Equity

	1st Quarter 17		
€ million	Equity attributable to the shareholders of the parent company	Non-controlling interests	Total equity
Balance at January 1	**331.8**	**16.1**	**347.9**
Net result for the period	–0.3	0.8	0.5
Other comprehensive income	7.3	0.1	7.4
Comprehensive income	**7.0**	**0.9**	**7.9**
Other changes in equity [1]	0.0	–0.9	–0.9
Balance at March 31	**338.8**	**16.1**	**354.9**

	1st Quarter 16		
€ million	Equity attributable to the shareholders of the parent company	Non-controlling interests	Total equity
Balance at January 1	**289.3**	**16.5**	**305.8**
Capital increase from share-based payment plans	**–0.2**	**0.0**	**–0.2**
Net result for the period	–26.4	0.4	–26.0
Other comprehensive income	–20.7	–0.1	–20.8
Comprehensive income	**–47.1**	**0.3**	**–46.8**
Other changes in equity [1]	0.0	–0.4	–0.4
Balance at March 31	**242.0**	**16.4**	**258.4**

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

Notes to the Condensed Consolidated Interim Financial Statements

Description of business

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

Basis of preparation and accounting policies

The condensed consolidated interim financial statements of SGL Group have been prepared in accordance with International Financial Reporting Standards (IFRS) applicable to interim financial reporting as issued by the International Accounting Standards Board and as adopted by the European Union (EU) and should be read in conjunction with the SGL Group Consolidated Financial Statements as of December 31, 2016. The condensed consolidated interim financial statements as of March 31, 2017 apply the same accounting principles and practices as those used in the 2016 annual financial statements.

These condensed consolidated interim financial statements contain all of the information that is required for a fair presentation of the results of operations and the financial position of the Group.

The condensed consolidated interim financial statements were authorized by the Board of Management on May 11, 2017. The condensed consolidated interim financial statements and interim group management report have been neither audited nor subject to an auditor's review.

Changes to the scope of consolidation

There were no changes to the scope of consolidation as of March 31, 2017, compared to December 31, 2016.

Discontinued operations pursuant to IFRS 5

Result from discontinued operations

Income and expenses incurred by the business unit PP are reported separately under discontinued operations for all periods presented.

In addition, the carbon fiber production site in Evanston (USA) as well as the land and buildings remaining at the SGL Group at the local production site after the sale of the activities of HITCO in December 2015 were presented as held for sale.

	1st Quarter	
€ million	**2017**	2016
Sales revenue from discontinued operations	103.4	107.2
Total expenses from discontinued operations	–95.4	–119.9
Result from operating activities of discontinued operations before income taxes	**8.0**	**–12.7**
Attributable tax expense/- income	–1.5	2.9
Result from discontinued operations [1]	**6.5**	**–9.8**
Earnings per share - discontinued operations, basic and diluted (in €)	**0.05**	**–0.11**

[1] Attributable to the shareholders of the parent company

The business divisions classified as discontinued operations are measured at the lower of its carrying amount and fair value less cost to sell. The book values net of impairment losses of the main items of assets and liabilities amount to:

€ million	**Mar. 31, 17**	Dec. 31, 16
Other intangible assets and property, plant and equipment	294.5	288.3
Inventories	153.8	142.3
Trade receivables	72.2	71.7
Other receivables and other assets	20.1	22.1
Deferred tax assets	11.9	12.8
Liquidity	7.4	3.5
Assets held for sale	**559.9**	**540.7**
Provisions for pensions and similar employee benefits	84.4	85.7
Other provisions	23.2	29.1
Trade payables	57.4	41.5
Deferred tax liabilities	25.6	25.4
Other liabilities	11.5	4.9
Liabilities in connection with assets held for sale	**202.1**	**186.6**

Other disclosures

Investments accounted for At-Equity

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

	1st Quarter	
€ million	**2017**	2016
Ownership interest	**50%**	**50%**
Income statement		
Sales revenue (100%)	48.0	47.0
Operating profit (EBIT)	6.3	5.4
Net financing result	–0.4	–0.4
Net result for the period (100%)	3.6	2.9
Share of SGL Group in the net result for the period	1.8	1.5
Balance Sheet	**Mar. 31, 17**	**Dec. 31, 16**
Non-current assets	77.3	75.7
Current assets	81.8	72.5
Thereof cash and cash equivalents	*34.5*	*36.0*
Non-current liabilities	34.6	34.9
Thereof financial liabilities	27.8	28.4
Current liabilities	49.9	46.5
Thereof financial liabilities	*6.1*	*7.3*
Net assets (100%)	**74.6**	**66.8**
Share of SGL Group in the net assets (50%)	37.3	33.4
Goodwill/customer base	*3.8*	*3.9*
Accumulated impairment losses	–2.6	–2.6
Carrying amount of material joint ventures	**38.5**	**34.7**

The carrying amount of remaining investments accounted for At-Equity was €7.8 million (Dec. 31, 2016: €4.8 million) and their contribution to the result from investments accounted for At-Equity during Q1/2017 was €0.7 million (Q1/2016: €0.0 million).

Additional disclosures on financial instruments

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

€ million	Measurement category under IAS 39	Carrying amount as of Mar. 31, 17	Carrying amount as of Dec. 31, 16
Financial assets			
Cash and cash equivalents	1)	285.0	324.5
Time deposits	1)	5.0	5.0
Trade receivables	1)	104.0	89.2
Available-for-sale financial assets	2)	3.8	3.7
Other financial assets	1)	0.0	2.6
Derivative financial assets			
Derivatives without a hedging relationship [1]	3)	0.8	1.4
Derivatives with a hedging relationship	n.a.	1.1	2.1
Financial liabilities			
Corporate bond	4)	250.0	250.0
Convertible bonds	4)	387.8	386.5
Bank loans, overdrafts and other financial liabilities	4)	123.7	125.4
Refinancing costs	4)	–7.8	–10.0
Finance lease liabilities	n.a.	21.0	20.9
Trade payables	4)	85.8	103.9
Miscellaneous other financial liabilities	4)	18.9	26.8
Derivative financial liabilities			
Derivatives without a hedging relationship [2]	5)	0.4	0.2
Derivatives with a hedging relationship	n.a.	0.3	0.6
Thereof aggregated by measurement category in accordance with IAS 39			
1) Loans and receivables		394.0	421.3
2) Available-for-sale financial assets		3.8	3.7
3) Financial assets held for trading		0.8	1.4
4) Financial liabilities measured at amortized cost		858.4	882.6
5) Financial liabilities held for trading		0.4	0.2

[1] Thereof €0.8 million (Dec. 31, 2016: €1.4 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 €0.4 million (Dec. 31, 2016: €0.2 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

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:

	Mar. 31, 17			
€ million	Level1	Level2	Level3	Total
Available-for-sale financial assets	3.8	-	-	3.8
Derivative financial assets	-	1.9	-	1.9
Derivative financial liabilities	-	0.7	-	0.7

	Dec. 31, 16			
€ million	Level1	Level2	Level3	Total
Available-for-sale financial assets	3.7	-	-	3.7
Derivative financial assets	-	3.5	-	3.5
Derivative financial liabilities	-	0.8	-	0.8

The fair value of the corporate bond recorded at amortized costs was €257.3 million as of March 31, 2017 (December 31, 2016: €256.2 million). The fair market value of the convertible bonds 2012/2018 and 2015/2020 as of March 31, 2017, was €241.2 million (December 31, 2016: €239.6 million) and €168.6 million (December 31, 2016: €158.7 million), respectively. As the fair values are derived from quoted prices in active markets, these financial instruments are allocated to Level 1.

Seasonality of operations

Customer order patterns within the segments CFM and GMS primarily follow overall global trends (e. g. for lightweight materials) and depend on the availability in connection with the pricing of such materials. The overall economic environment is usually a first indicator for any developments in the customers' demand. In addition, individual large projects can significantly impact the business development and overlap regular seasonality.

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

Other additional information

Issued capital remained unchanged to December 31, 2016 at €313.2 million as of March 31, 2017, and is divided into 122,341,478 no-par value ordinary bearer shares at €2.56 per share. During the first three months 2017, no new shares were issued from the authorized capital. As of March 31, 2017, there were 2,546,845 SARs outstanding. SGL Carbon SE held a total of 70,501 of its own shares (treasury shares) as of March 31, 2017. Based on an average number of 122.3 million shares, basic earnings per share from continuing operations amounted to minus €0.06 (Q1/2016: minus €0.18 for continuing operations based on 91.8 million shares).

Segment information

€ million	CFM	GMS	Corporate	Consolidation adjustments	SGL Group
1st Quarter 17					
External sales revenue	93.6	121.4	1.3	0.0	216.3
Intersegment sales revenue	1.2	0.0	6.9	–8.1	0.0
Total sales revenue	**94.8**	**121.4**	**8.2**	**–8.1**	**216.3**
Operating profit (EBIT) before non-recurring charges (recurring EBIT)	7.9	8.5	–6.8	0.0	9.6
Non-recurring charges [1)]	0.0	0.0	–0.6	0.0	–0.6
Operating profit/loss (EBIT) after non-recurring charges	7.9	8.5	–7.4	0.0	9.0
Capital expenditures[2)]	1.3	3.3	0.3		4.9
Earnings before interest, taxes, depreciation and amortization (EBITDA) before non-recurring charges	13.3	14.1	–5.4	0.0	22.0
Amortization/depreciation on intangible assets and property, plant and equipment	5.3	5.6	1.5		12.4
Working Capital [3)]	117.9	193.9	–24.2	0.0	287.6
Capital employed [4)]	407.5	393.8	56.4	0.0	857.7

€ million	CFM	GMS	Corporate	Consolidation adjustments	SGL Group
1st Quarter 16					
External sales revenue	82.3	103.0	2.2	0.0	187.5
Intersegment sales revenue	1.3	0.0	6.7	–8.0	0.0
Total sales revenue	**83.6**	**103.0**	**8.9**	**–8.0**	**187.5**
Operating profit (EBIT) before non-recurring charges (recurring EBIT)	7.8	7.0	–8.4	0.0	6.4
Non-recurring charges [1]	0.0	–0.2	0.4	0.0	0.2
Operating profit/loss (EBIT) after non-recurring charges	7.8	6.8	–8.0	0.0	6.6
Capital expenditures[2]	2.7	1.3	0.2		4.2
Earnings before interest, taxes, depreciation and amortization (EBITDA) before non-recurring charges	12.7	12.4	–6.7	0.0	18.4
Amortization/depreciation on intangible assets and property, plant and equipment	4.9	5.5	1.6		12.0
Working Capital (Dec. 31) [3]	95.2	183.4	–24.4	0.0	254.2
Capital employed (Dec. 31) [4]	386.4	385.7	57.8	0.0	829.9

[1] Non-recurring charges include restructuring expenses
[2] Defined as total of capital expenditure in other intangible assets and property, plant and equipment
[3] Defined as sum of inventories, and trade receivables less trade payables
[4] Defined as the sum of goodwill, other intangible assets, property, plant and equipment, investments accounted for At-Equity, and working capital

Subsequent events

The closing of the divestment of the carbon fiber production site in Evanston (USA) to Mitsubishi Rayon Carbon Fibers & Composites Inc. took place as planned on April 3, 2017. The disposal of the assets of Evanston will result in a negative impact on earnings of approx. €6 million during the second quarter 2017, resulting from cumulative currency translation differences, as well as a cash inflow on the level of the book value.

Wiesbaden, May 11, 2017

SGL Carbon SE

The Board of Management of SGL Group

Dr. Jürgen Köhler   Dr. Michael Majerus

Responsibility Statement

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

Wiesbaden, May 11, 2017

SGL Carbon SE

The Board of Management

Other information

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

	1st Quarter		
€ million	2017	2016	Change
Sales revenue			
Composites - Fibers & Materials	93.6	82.3	13.7%
Graphite Materials & Systems	121.4	103.0	17.9%
Corporate	1.3	2.2	–40.9%
SGL Group - continuing operations	**216.3**	**187.5**	**15.4%**
SGL Group - discontinued operations (PP)	**103.4**	**107.2**	**–3.5%**

	1st Quarter		
€ million	2017	2016	Change
EBIT before non-recurring charges (recurring EBIT) [1)]			
Composites - Fibers & Materials	7.9	7.8	1.3%
Graphite Materials & Systems	8.5	7.0	21.4%
Corporate	–6.8	–8.4	19.0%
SGL Group - continuing operations	**9.6**	**6.4**	**50.0%**
SGL Group - discontinued operations (PP)	**3.9**	**–8.8**	**>100%**

1) Non-recurring charges of €3.0 million in 2016 and minus €0.6 million in the first quarter 2017 (continuing operations)

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

	2016					2017
€ million	Q1	Q2	Q3	Q4	Full Year	Q1
Sales revenue						
Composites - Fibers & Materials	82.3	74.2	78.0	82.9	317.4	93.6
Graphite Materials & Systems	103.0	115.9	102.5	122.7	444.1	121.4
Corporate	2.2	1.8	2.2	2.1	8.3	1.3
SGL Group - continuing operations	**187.5**	**191.9**	**182.7**	**207.7**	**769.8**	**216.3**
SGL Group - discontinued operations (PP)	**107.2**	**101.4**	**101.7**	**109.4**	**419.7**	**103.4**

	2016					2017
€ million	Q1	Q2	Q3	Q4	Full Year	Q1
EBIT before non-recurring charges (recurring EBIT) [1]						
Composites - Fibers & Materials	7.8	4.4	4.6	3.3	20.1	7.9
Graphite Materials & Systems	7.0	6.5	5.3	9.0	27.8	8.5
Corporate	−8.4	−7.7	−6.7	−4.4	−27.2	−6.8
SGL Group - continuing operations	**6.4**	**3.2**	**3.2**	**7.9**	**20.7**	**9.6**
SGL Group - discontinued operations (PP)	**−8.8**	**−11.0**	**−0.6**	**−2.2**	**−22.6**	**3.9**

[1] Non-recurring charges of €3.0 million in 2016 and minus €0.6 million in the first quarter 2017 (continuing operations)

	2016					2017
in %	Q1	Q2	Q3	Q4	Full Year	Q1
Return on sales (EBIT-margin)						
Composites - Fibers & Materials	9.5	5.9	5.9	4.0	6.3	8.4
Graphite Materials & Systems	6.8	5.6	5.2	7.3	6.3	7.0
SGL Group - continuing operations	**3.4**	**1.7**	**1.8**	**3.8**	**2.7**	**4.4**
SGL Group - discontinued operations (PP)	**−8.2**	**−10.8**	**−0.6**	**−2.0**	**−5.4**	**3.8**

Quarterly Consolidated Income Statement

	2016					2017
€ million	Q1	Q2	Q3	Q4	Full Year	Q1
Sales revenue	**187.5**	**191.9**	**182.7**	**207.7**	**769.8**	**216.3**
Cost of sales	–149.0	–158.7	–151.3	–173.9	–632.9	–173.6
Gross profit	**38.5**	**33.2**	**31.4**	**33.8**	**136.9**	**42.7**
Selling, administrative, R&D and other operating income/expense	–33.6	–31.8	–30.5	–27.4	–123.3	–35.6
Result from investments accounted for At-Equity	1.5	1.8	2.3	1.5	7.1	2.5
Operating profit (EBIT) before non-recurring charges (recurring EBIT)	**6.4**	**3.2**	**3.2**	**7.9**	**20.7**	**9.6**
Restructuring expenses	0.2	–0.2	–0.6	–9.2	–9.8	–0.6
Reversal of impairment losses				12.8	12.8	0.0
Operating profit (EBIT)	**6.6**	**3.0**	**2.6**	**11.5**	**23.7**	**9.0**
Net financing result	–15.3	–10.6	–12.8	–12.2	–50.9	–14.1
Result from continuing operations before income taxes	**–8.7**	**–7.6**	**–10.2**	**–0.7**	**–27.2**	**–5.1**
Income tax expense	–7.5	0.8	4.9	–5.0	–6.8	–0.9
Result from continuing operations	**–16.2**	**–6.8**	**–5.3**	**–5.7**	**–34.0**	**–6.0**
Result from discontinued operations, net of income taxes	–9.8	–39.6	–45.3	19.0	–75.7	6.5
Net result for the period	**–26.0**	**–46.4**	**–50.6**	**13.3**	**–109.7**	**0.5**
Thereof attributable to:						
Non-controlling interests	0.4	0.4	0.3	0.9	2.0	0.8
Consolidated net result (attributable to shareholders of the parent company)	–26.4	–46.8	–50.9	12.4	–111.7	–0.3

Financial Calendar

May 17, 2017

- Annual General Meeting

August 10, 2017

- Report on the First Half Year 2017
- Conference call for investors and analysts

November 9, 2017

- Report on the First Nine Months 2017
- Conference call for investors and analysts

Investor Relations Contact

SGL CARBON SE
Head Office | Investor Relations
Söhnleinstraße 8
65201 Wiesbaden
Telefon: +49 611 6029-103
Telefax: +49 611 6029-101
E-Mail: Investor-Relations@sglgroup.com

www.sglgroup.com

Produced in house with firesys

Important Note
This interim report contains statements relating to certain projections and business trends that are forward-looking, including statements with respect to SGL Group's outlook and business development, including developments in SGL Group's Composites - Fibers & Materials and Graphite Materials & Systems businesses, expected customer demand, expected industry trends and expected trends in the business environment, statements with respect to the sale of the graphite electrodes (GE) business and the expected sale of the cathodes, furnace linings, and carbon electrodes (CFL/CE) businesses, statements related to SGL Group's cost savings programs and statements with respect to the intention to conduct a share capital increase. You can generally identify these statements by the use of words like "may", "will", "could", "should", "project", "believe", "anticipate", "expect", "plan", "estimate", "forecast", "potential", "intend", "continue" and variations of these words or comparable words. These statements are not historical facts, but rather are based on current expectations, estimates, assumptions and projections about SGL Group's businesses and future financial results, and readers should not place undue reliance on them. Forward-looking statements do not guarantee future performance and involve risks and uncertainties. These risks and uncertainties include, without limitation, changes in political, economic, legal and business conditions, particularly relating to SGL Group's main customer industries, competitive products and pricing, the ability to achieve sustained growth and profitability in SGL Group's Composites - Fibers & Materials and Graphite Materials & Systems businesses, the impact of any manufacturing efficiencies and capacity constraints, widespread adoption of carbon fiber products and components in key end-markets of the SGL Group, including the automotive and aviation industries, the inability to execute additional cost savings or restructuring measures, availability of raw materials and critical manufacturing equipment, trade environment, changes in interest rates, exchange rates, tax rates, and regulation, available cash and liquidity, SGL Group's ability to refinance its indebtedness, development of the SGL Group's pension obligations, share price fluctuation, the satisfaction of the closing conditions for the disposition of the graphite electrodes (GE) business, including obtaining relevant regulatory approvals, the possibility that the length of time necessary to consummate the disposition of the graphite electrodes (GE) business may be longer than anticipated, the achievement of the expected benefits of the disposition of the graphite electrodes (GE) business, the possibility that the SGL Group may suffer as a result of uncertainty surrounding the disposition of the graphite electrodes (GE) business, the anticipated effect of the disposition of the graphite electrodes (GE) business may have on SGL Group's financial condition and results of operations, the ability to sell the cathodes, furnace linings, and carbon electrodes (CFL/CE) businesses at a price satisfactory to SGL Group or at all and other risks identified in SGL Group's financial reports. These forward-looking statements are made only as of the date of this document. SGL Group does not undertake to update or revise the forward-looking statements, whether as a result of new information, future events or otherwise.

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