



2018

Report on the
first quarter

Summary

- Q1/2018 impacted by high positive one-time effects particularly relating to the acquisition of remaining shares in the former JVs with BMW Group and Benteler as well as the initial adoption of IFRS 15
- Slightly more than half of the Group sales increase of 22% to €263 million due to structural effects as well as initial adoption of IFRS 15; organic growth driven mainly by market segments mobility, chemicals, industrial applications and digitization
- Group recurring EBIT more than doubled to €21 million (Q1/2017: €10 million)
- Solid first quarter and positive one-time effects allow slight increase in guidance for net income 2018
- Important steps implemented for the optimization of the value chain in the business unit Composites – Fibers & Materials (CFM): Complete acquisition of remaining shares in SGL ACF and sale of the participation in SGL Kumpers to the partner

Financial highlights

€ million	2018	1st Quarter	
		2017	Change
Sales revenue	263.4	216.3	21.8%
EBITDA before non-recurring items	36.1	22.0	64.1%
Operating profit (EBIT) before non-recurring items (recurring EBIT)	20.5	9.6	>100%
Return on sales (EBIT-margin) ¹⁾	7.8%	4.4%	-
Return on capital employed (ROCE _{EBIT}) ²⁾	5.2%	2.8%	-
Operating profit (EBIT) ¹⁾	47.2	9.0	>100%
Result from discontinued operations, net of income taxes	-4.2	6.5	>-100%
Consolidated net result (attributable to shareholders of the parent company)	32.2	-0.3	>100%

€ million	31. Mar. 18	31. Dec. 17	Change
Total assets	1,500.4	1,541.7	-2.7%
Equity attributable to the shareholders of the parent company	498.0	457.0	9.0%
Net financial debt ³⁾	203.6	139.0	46.5%
Gearing ⁴⁾	0.41	0.30	-
Equity ratio ⁵⁾	33.2%	29.6%	-

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

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

³⁾ Financial liabilities (nominal amounts) less liquidity

⁴⁾ Net financial debt divided by equity attributable to the shareholders of the parent company

⁵⁾ Equity attributable to the shareholders of the parent company divided by total assets

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Interim Group Management Report

(unaudited)

Economic Environment

Even though the International Monetary Fund (IMF) kept its forecasts for global growth unchanged for this and next year, the institution did revise upwards its expectations for some industrial and emerging economies, including the USA, Germany and the Eurozone. At the same time in its recent World Economic Outlook, the IMF cautioned about growth risks for the years beyond 2019, such as fast tightening of monetary policy, as well as increased domestically focused economic policies and geopolitical tensions.

According to the IMF, global gross domestic product (GDP) will grow by 3.9% in both 2018 and 2019, thus confirming its forecasts from January of this year. Simultaneously, growth projections for important industrial and emerging economies were revised upwards. For the USA, the IMF now predicts GDP growth of 2.9% (previously 2.8%) and 2.7% (2.5%). Growth in the Eurozone is forecasted at 2.4% (2.2%) and 2.0% (2.0%), and in Germany at 2.5% (2.3%) and 2.0% (2.0%).

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

Key events of the business development

Changes in scope of consolidation

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

The transition to full consolidation required an adjustment to the fair value of the net assets of the previously proportionally consolidated joint operation with the BMW Group.

This resulted in a positive non-cash impact of €28.1 million on EBIT before non-recurring items in the first quarter. On the other hand, the preliminary purchase price allocation (PPA) results in an increase of amortization expense of around €10 million per year until 2021.

In the first quarter 2018, the additional amortization resulting from the PPA on identified assets and liabilities of the acquired companies in the US, Austria and Germany amount to minus €1.4 million.

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

New IFRS 15 Accounting regulation

The initial adoption of IFRS 15 resulted in an increase in sales revenue of €12.9 million and an increase in recurring EBIT of €5.6 million, mainly related to the reporting segment GMS. For details on this and the impacts on the opening balance resulting from the transition, please refer to the segment reporting and the notes.

Business development

Segment reporting

Reporting segment Composites – Fibers & Materials (CFM)

€ million	2018	1st Quarter	
		2017	Change
Sales revenue	115.0	93.6	22.9%
EBITDA before non-recurring items ¹⁾	17.9	13.3	34.6%
Return on capital employed (ROCE _{EBIT}) ²⁾	5.0%	5.1%	-
EBIT before non-recurring items (recurring EBIT) ¹⁾	9.3	7.9	17.7%
Return on sales (EBIT-margin) ¹⁾	8.1%	8.4%	-
Operating profit (EBIT) ¹⁾	36.0	7.9	>100%

¹⁾ Non-recurring items of €26.7 million in the first quarter 2018

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

Sales revenues in the reporting segment Composites – Fibers & Materials increased in the first quarter 2018 by 23% (currency adjusted by 26%) to €115.0 million (Q1/2017: €93.6 million) primarily due to structural effects such as the initial consolidation of the former at-equity accounted joint venture Benteler SGL, as well as the complete acquisition of the former partially consolidated joint venture SGL ACF. In contrast, the sale of the former fully consolidated joint venture SGL Kumpers reduced sales revenues. Operationally, the sales growth was driven mainly by the market segments industrial applications, automotive and aerospace. Sales growth in the market segment industrial applications was in particular driven by strong demand for injection molding. Sales in the market segment textile fibers declined compared to the prior year due to the weak market environment for acrylic fibers. After the sale of our participation in SGL Kumpers, the market segment wind energy now only includes the declining sales of carbon fibers to the wind energy industry.

Following the complete acquisition of Benteler SGL at the end of 2017, Ceramic Brake Discs (Brembo SGL: development and production of carbon ceramic brake discs) remains as the only major At-Equity accounted investment and is allocated to the market segment automotive. Sales of At-Equity accounted investments increased by 19% to €61.3 million (Q1/2017: €51.3 million, 100% values for companies) and is not included in our Group sales revenue.

Recurring EBIT in the first quarter 2018 increased by 18% to €9.3 million compared to the prior year level of €7.9 million. Taking into consideration the sales growth, this development led to a slight decline in the EBIT margin to 8.1% (Q1/2017: 8.4%). The highest earnings growth was recorded in the market segment automotive, particularly due to the full consolidation of SGL Composites (formerly SGL ACF). Earnings in the market segments aerospace and textile fibers were on the level of the prior year, while wind energy and industrial applications posted slightly lower earnings than in the prior year period.

After consideration of non-recurring items amounting to €26.7 million, EBIT in the first quarter 2018 increased to €36.0 million (Q1/2017: €7.9 million). These non-recurring items include a positive effect from the full consolidation of the former joint venture with the BMW Group (SGL ACF) resulting from the adjustment to the fair value of the proportionate shareholding as of the date of acquisition of €28.1 million. In contrast, the preliminary purchase price allocation (PPA) increased depreciation by €2.6 million. The release of a provision at SGL Composites (Austria) led to a positive effect of €1.2 million.

On February 12, 2018, we reported on our project relating to advanced fiber placement methods. As part of the material mix of the future, fiber-reinforced plastics are gaining in

importance, especially in the automotive and aerospace industries. Continuous further development of fiber processing is crucial and automated, load-path optimized, material efficient laying and cutting of fibers, referred to as fiber placement, presents a particularly advanced method. To incorporate this production method into more high-volume applications across industries for cost-effectiveness and resource efficiency, SGL Group and Fraunhofer IGCV have founded a joint Fiber Placement Center headquartered at the SGL Group site in Meitingen.

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

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

In a press release dated March 18, 2018, we reviewed positively our participation at the JEC World. Many discussions with international customers from various industries had taken place. Great interest was generated by the new advanced modulus 50k fiber. A large audience gathered at the presentation of the new Fiber Placement Center. Additionally, SGL Group together with other partners received the JEC Innovation Award for the "MAI Sandwich" project. The initiative developed new integrated sandwich structures for aerospace and automotive applications using innovative thermoplastic carbon fiber materials and a highly efficient production process.

Reporting segment Graphite Materials & Systems (GMS)

€ million	1st Quarter		
	2018	2017	Change
Sales revenue	140.1	121.4	15.4%
EBITDA	22.5	14.1	59.6%
Return on capital employed (ROCE _{EBIT}) ¹⁾	13.4%	7.3%	-
Return on sales (EBIT-margin)	12.0%	7.0%	-
Operating profit (EBIT)	16.8	8.5	97.6%

¹⁾ EBIT before non-recurring items for the last twelve months to average capital employed (total of goodwill, other intangible assets, property, plant and equipment, investments accounted for At-Equity and working capital)

Sales revenues in the reporting segment Graphite Materials & Systems increased significantly by 15% (currency adjusted by 19%) to €140.1 million compared to the prior year period (Q1/2017: €121.4 million). The initial adoption of IFRS 15 led to a partially temporary sales increase of approximately €12 million. Adjusted for this and the currency effect, sales in GMS increased by around 9%, reflecting the substantial recovery in the market segment chemicals as well as the double-digit growth in the market segments LED, semiconductors, and automotive & transport. Business development in the market segment battery & other energy benefited from higher demand, which was offset by price and currency effects. We were not able to meet in full the continued high demand from the market segment solar, as we increased our deliveries to customers from the semiconductor and LED segments, who also posted a high demand for isostatic graphite specialties. Business with industrial applications remained on the prior year level.

Recurring EBIT almost doubled to €16.8 million (Q1/2017: €8.5 million), leading to an EBIT margin of 12.0% (Q1/2017: 7.0%) and included a partially temporary effect from the initial adoption of IFRS 15 of €5.5 million. Adjusted for this effect, EBIT increased by 34% mainly due to improved results in the market segments chemicals, semiconductors, solar and industrial applications. The only market segments that did not increase their earnings contributions compared to the prior year were automotive & transport as well as battery & other energy. The market segment battery & other energy is particularly impacted by the expected unfavorable currency exchange rates especially with regards to the Japanese Yen as well as the higher raw material costs. Based on increasing raw material costs, we have initiated negotiations with our customers and have already partially achieved price increases.

Non-recurring items were neither recorded in the reporting period nor in the prior year period in the reporting segment GMS.

As already reported, we had already started to increase our capacities for the production of graphite anode materials for the lithium ion battery industry early 2017 based on the strong demand. These investments are being implemented in the existing Polish site as well as in our US-American site Morganton (North Carolina).

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

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

Strong global growth in the semiconductor and LED industry is driving worldwide demand for susceptors and wafer carriers. We published a press release on March 7, 2018, announcing the start of the second investment phase in St. Marys, Pennsylvania (USA). A total of around €25 million will be invested over a period of three years in the expansion of production capacities for silicon carbide (SiC) coating. The expansion of a new, state-of-the-art coating production line began last year. It enables the application of SiC in thin layers on graphite-based materials. This expansion is expected to be completed in mid-2018. While the first stage of the project is still in the process of implementation, the decision was made to start the second stage due to the further increasing global demand, which will see not only expansions to the coating technology but also to the capacities in other areas of processing and cleaning technology. In this way, not only the production volume will be increased, but also highest quality standards are ensured.

Reporting segment Corporate

€ million	2018	1st Quarter	
		2017	Change
Sales revenue	8.3	1.3	>100%
EBITDA before non-recurring items ¹⁾	-4.3	-5.4	20.4%
EBIT before non-recurring items (recurring EBIT) ¹⁾	-5.6	-6.8	17.6%
Operating profit/loss (EBIT)	-5.6	-7.4	24.3%

¹⁾ Non-recurring items of minus €0.6 million in the first quarter 2017

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

Recurring EBIT in the reporting segment Corporate improved by 18% to minus €5.6 million compared to the comparable period of the prior year (Q1/2017: minus €6.8 million) and includes a positive effect in the amount of €3.9 million from a land sale in Canada, which more than compensated for the implementation costs for the Operations Management System OMS and the termination of cost allocations to the now sold PP. No non-recurring items were recorded in the reporting segment Corporate in the reporting period (Q1/2017: minus €0.6 million).

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

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

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

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

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

Group business development

Condensed Consolidated Income Statement

€ million	1st Quarter		
	2018	2017	Change
Sales revenue	263.4	216.3	21.8%
Cost of sales	-210.0	-173.6	-21.0%
Gross profit	53.4	42.7	25.1%
Selling, administrative and R&D expense	-44.7	-41.6	-7.5%
Other operating income/expense	7.7	6.0	28.3%
Result from investments accounted for At-Equity	4.1	2.5	64.0%
Operating profit (EBIT) before non-recurring items (recurring EBIT)	20.5	9.6	>100%
Non-recurring items	26.7	-0.6	>100%
Operating profit (EBIT)	47.2	9.0	>100%
EBITDA before non-recurring items	36.1	22.0	64.1%

Sales revenue rose significantly by 22% (currency adjusted by 25%) to €263.4 million (Q1/2017: €216.3 million). Slightly more than half of the sales growth related to the changes in the scope of consolidation and the initial adoption of IFRS 15. The gross margin improved to 20.3% in the reporting period (Q1/2017: 19.7%) due to higher capacity utilization and the resulting increased fixed cost absorption. Accordingly, gross profit increased significantly to €53.4 million in the reporting period from €42.7 million in the prior year period.

Selling, administrative, and R&D expenses increased by 8% to €44.7 million (Q1/2017: €41.6 million), at a slower rate than sales revenue, whereby selling expenses increased as a result of higher shipments.

Recurring EBIT doubled to €20.5 million in the reporting period after €9.6 million in the prior year period, due to improved earnings in the business unit GMS (including a temporary impact of €5.5 million from the initial adoption of IFRS 15) and an income of €3.9 million from a land sale in Canada in the reporting segment Corporate.

Non-recurring items of €26.7 million mainly include an adjustment to the fair value of the net assets of the previously proportionally consolidated joint operation with the BMW Group amounting to €28.1 million at the date of acquisition as well as, with an opposite impact, the additional amortization of identified assets and liabilities resulting from purchase price allocation (PPA). Non-recurring items from the amortization of the PPA of the acquired SGL Composites companies in the US, Austria and Germany amounted to €1.4 million in total. Accordingly, EBIT after non-recurring items amounted to € 47.2 million (Q1/2017: €9.0 million).

Net financing result

€ million	1st Quarter		
	2018	2017	Change
Interest income	0.4	0.1	>100%
Interest expense	-3.7	-7.6	51.3%
Imputed interest convertible bonds (non-cash)	-1.4	-2.1	33.3%
Imputed interest finance lease (non-cash)	-0.6	-0.4	-50.0%
Interest expense on pensions	-1.4	-1.6	12.5%
Interest expense, net	-6.7	-11.6	42.2%
Amortization of refinancing costs (non-cash)	-0.4	-2.2	81.8%
Foreign currency valuation of Group loans (non-cash)	0.1	-0.3	>100%
Other financing result	-0.3	-2.5	88.0%
Net financing result	-7.0	-14.1	50.4%

After the repayment of the corporate bond (interest rate of 4.875%) in October 2017 and the convertible bond 2012/2018 (interest rate of 2.75%) in January 2018, interest expense related particularly to the interest on the convertible bond 2015/2020 (interest rate of 3.5%) and the financial debt of SGL Composites due to BMW Group. The non-cash imputed interest on

the convertible bond is recognized in order to adjust the coupon on the convertible bond to comparable interest rates at the time of its issuance. In the prior year period the accelerated amortization of refinancing costs resulted from the estimated early repayment of the corporate bond, which was redeemed ahead of schedule at the end of October 2017, compared to its original maturity in January 2021.

Due to the repayment of the corporate bond and the convertible bond, net financing result was halved from €14.1 million in the prior year period to €7.0 million in the reporting period.

Condensed Consolidated Income Statement (continued)

€ million	1st Quarter		
	2018	2017	Change
Operating profit (EBIT)	47.2	9.0	>100%
Net financing result	-7.0	-14.1	50.4%
Result from continuing operations before income taxes	40.2	-5.1	>100%
Income tax expense	-3.8	-0.9	>-100%
Result from continuing operations	36.4	-6.0	>100%
Result from discontinued operations, net of income taxes	-4.2	6.5	>-100%
Net result for the period	32.2	0.5	>100%
Attributable to:			
Non-controlling interests	0.0	0.8	-
Consolidated net result (attributable to shareholders of the parent company)	32.2	-0.3	>100%
Earnings per share - basic and diluted (in €)	0.26	0.00	-
Earnings per share - continuing operations, basic (in€)	0.30	-0.06	>100%
Earnings per share - continuing operations, diluted (in €)	0.29	-0.06	>100%

Result from discontinuing operations

Due to the developments described above, the result from continuing operations before income taxes improved from minus €5.1 million in the prior year period to €40.2 million in the reporting period. Income tax expense of €3.8 million (prior year period: €0.9 million) was influenced by deferred tax expenses related to the consumption of tax loss carryforward as well as the development of temporary differences.

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

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

Consolidated net result of the period amounted to €32.2 million compared to minus €0.3 million in the first quarter 2017 (after consideration of non-controlling interests of €0.0 million in the reporting period and minus €0.8 million in the first quarter 2017).

Balance sheet structure

ASSETS €m	31. Mar. 18	31. Dec. 17	Change
Non-current assets	803.9	641.0	25.4%
Current assets	696.4	882.8	-21.1%
Assets held for sale	0.1	17.9	-99.4%
Total assets	1,500.4	1,541.7	-2.7%
EQUITY AND LIABILITIES €m			
Equity attributable to the shareholders of the parent company	498.0	457.0	9.0%
Non-controlling interests	11.4	11.3	0.9%
Total equity	509.4	468.3	8.8%
Non-current liabilities	764.0	616.0	24.0%
Current liabilities	227.0	446.1	-49.1%
Liabilities in connection with assets held for sale	-	11.3	-
Total equity and liabilities	1,500.4	1,541.7	-2.7%

Total assets as of March 31, 2018, decreased by €41.3 million or 2.7% to €1,500.4 million compared to December 31, 2017. Non-current assets increased due to the full consolidation of the two SGL Composites companies in Germany and in the US (former SGL ACF) by a total of €182 million. This increase is the result of the initial consolidation of the proportional assets acquired, amounting to €115 million, and of the purchase price allocation of €71 million. The decrease in current assets is particularly attributable to the lower liquidity of €213.8 million, resulting from the repayment of the convertible bond at maturity in January 2018. On the other side, current assets increased by €26.1 million from the adoption of

IFRS 15. Receivables from the sale of PP amounting to €62.6 million (including interest) at year-end 2017 were completely paid to SGL Group in March 2018.

The increase in non-current liabilities is the result of the initial consolidation of the proportional debt acquired amounting to €92 million and of the €49 million purchase price liability due in 2020 for the acquisition of the former BMW joint operation. The decrease in current liabilities can be mainly attributed to the repayment of the outstanding amount of the convertible bond 2012/2018 of €239.2 million in January 2018.

Working Capital

€ million	31. Mar. 18	31. Dec. 17	Change
Inventories	278.0	281.4	-1.2%
Trade receivables and contract assets	217.7	126.4	72.2%
Trade payables	-99.1	-89.3	-11.0%
Working Capital	396.6	318.5	24.5%

The adoption of IFRS 15 resulted in a decrease in inventories on transition date by €29 million and an increase in trade receivables and contract assets (IFRS 15 balance sheet item) by €49.8 million. Adjusted for the IFRS 15 adoption and for consolidation effects, inventories increased by €10.7 million and trade receivables and contract assets increased by €25.2 million, after consolidation effects of €23.3 million and €5.0 million, respectively. The increased sales revenue in reporting segment GMS resulted in a substantial rise in trade receivables and contract assets. The increase in trade payables had an opposite effect on the working capital in the first quarter.

Changes in equity

As of March 31, 2018, equity attributable to the shareholders of the parent company increased to €498.0 million (December 31, 2017: €457.0 million). The increase is mainly attributable to the positive net result of the period of €32 million as well as to the adoption of IFRS 15 and IFRS 9 on transition date January 1, 2018 amounting to €13.8 million. Foreign currency effects amounting to €4.6 million, resulting from the weaker US-Dollar, decreased shareholder's equity. Overall, the equity ratio as of March 31, 2018, increased to 33.2% compared to 29.6% as of December 31, 2017.

Net financial debt

€ million	31. Mar. 18	31. Dec. 17	Change
Carrying amount of current and non-current financial liabilities	355.2	503.4	-29.4%
Carrying amount of financial liabilities held for sale	-	2.8	-
Remaining imputed interest for the convertible bonds	10.6	12.0	-11.7%
Accrued refinancing cost	3.3	3.7	-10.8%
Total financial debt (nominal amount)	369.1	521.9	-29.3%
Liquidity - continuing operations	165.5	379.3	-56.4%
Liquidity - discontinued operations	-	3.6	-
Total liquidity (continuing and discontinued)	165.5	382.9	-56.8%
Net financial debt - continuing and discontinued operations	203.6	139.0	46.5%
thereof: SGL Composites (formerly SGL ACF)			
Non-current financial liabilities	187.8	98.1	91.4%
Cash and cash equivalents	1.3	1.2	8.3%
Net financial debt SGL Composites	186.5	96.9	92.5%
Net financial debt excluding SGL ACF	17.1	42.1	-59.4%

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

As of March 31, 2018, net financial debt increased by €64.6 million to €203.6 million. This development is primarily attributable to the change from proportional consolidation to full consolidation of SGL Composites (USA). As a result, the share of financial liabilities of SGL Composites in the SGL Group rose to 100%, representing an increase of €92.2 million. Payments received for the sale of PP had an opposite effect and reduced net debt by €62.6 million.

Free Cash flow

€ million	1st Quarter	
	2018	2017
Cash flow from operating activities		
Result from continuing operations before income taxes	40.2	-5.1
Restructuring expenses	0.0	0.6
Value adjustments due to step acquisitions	-28.1	-
Depreciation/amortization expense	18.3	12.4
Changes in working capital	-29.4	-39.3
Miscellaneous items	-16.3	-0.4
Cash flow from operating activities - continuing operations	-15.3	-31.8
Cash flow from operating activities - discontinued operations	0.0	13.5
Cash flow from operating activities - continuing and discontinued operations	-15.3	-18.3
Cash flow from investing activities		
Payments to purchase intangible assets and property, plant & equipment	-8.2	-4.9
Proceeds from the sale of intangible assets and property, plant & equipment	3.9	7.2
Payments for the acquisition of subsidiaries, net of cash acquired	-23.1	0.0
Payments received for divestitures	2.4	0.0
Payments for capital contributions concerning investments accounted for At-Equity and investments in other financial assets	0.0	-2.0
Cash flow from investing activities - continuing operations	-25.0	0.3
Cash flow from investing activities - discontinued operations	62.6	-12.8
Cash flow from investing activities - continuing and discontinued operations	37.6	-12.5
<i>Free cash flow¹⁾ - continuing operations</i>	<i>-40.3</i>	<i>-31.5</i>
<i>Free cash flow¹⁾ - discontinued operations</i>	<i>62.6</i>	<i>0.7</i>

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

Despite the significant increase in working capital, cash flow from operating activities in the first quarter 2018 improved significantly by €16.5 million to minus €15.3 million. This reflects the improvement in the operating result. Cash flow from investing activities reduced to minus €25.0 million (Q1/2017: €0.3 million) and includes the cash outflows for the acquisition of the SGL Composite company in Wackersdorf (Germany), as well as the proceeds from a land sale in Lachute (Canada) of €3.9 million. Capital expenditures in intangible assets and property plant and equipment in the reporting period increased by 67% to €8.2 million (Q1/2017: €4.9 million).

After consideration of this negative cash flow from investing activities, free cash flow from continuing operations in the reporting period declined to minus €40.3 million compared to the prior year period (Q1/2017: minus €31.5 million).

Free cash flow from discontinued operations improved significantly to €62.6 million in the reporting period (Q1/2017: minus €0.7 million) and includes the proceeds from the remaining purchase price from the sale of the former business unit PP and in the prior year period the operational cash in- and outflows of the PP business.

Employees

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

Headcount	31. Mar. 18	31. Dec. 17	Change
Composites - Fibers & Materials	1,516	1,404	8.0%
Graphite Materials & Systems	2,623	2,558	2.5%
Corporate	226	231	-2.2%
Total SGL Group	4,365	4,193	4.1%

Headcount	31. Mar. 18	31. Dec. 17	Change
Germany	1,859	1,817	2.3%
Europe excluding Germany	1,281	1,243	3.1%
North America	775	704	10.1%
Asia	450	429	4.9%
Total SGL Group	4,365	4,193	4.1%

The number of employees in SGL Group amounted to 4,365 as of March 31, 2018 (December 31, 2017: 4,193) and mainly increased in the reporting segment CFM. Headcount in CFM increased by 181 employees as a result of the full consolidation of the former BMW joint operation SGL Composites and decreased by 115 employees due to the sale of SGL Kumpers. Headcount amounted to 4,842, including temporary employees. In the course of the year, we expect a further selective increase in employees in the business units to execute the growth strategy.

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

Opportunities and Risks

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

The global economy is currently experiencing a broad-based upturn. However, the existing political and economic conflicts could have a significantly negative impact. In particular, the US government's announcement to impose punitive tariffs on Chinese products and the countermeasures planned by the Chinese government could lead to an overall increase in protectionism and have a negative impact on the business climate. To a lesser extent, the same applies to trade relations between the USA and the European Union (EU). Furthermore, the structure of the trade relationship between the EU and Great Britain after the Brexit remains unclear. A further deterioration of the situation in the Middle East and North Korea could also have a negative impact on the global economy. Should these conflicts ease or be resolved, however, the global economy could gain even more momentum.

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

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

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

Based on the information available at the present time, in our opinion there are no material individual risks that could jeopardize sustainably the business as a going concern. 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)

Our guidance for sales and EBIT in the reporting segment Composites – Fibers & Materials (CFM) remain within the framework of expectations, which we published in March 2018 with our annual report. We expect a sales increase of approximately 25% primarily as a result of acquisitions. Adjusted for currency and structural changes, this corresponds to growth in the mid to high single-digit range. The initial adoption of IFRS 15 does not materially impact sales in this segment.

Sales with the automotive industry should more than double, primarily due to the full consolidation of our former joint ventures with Benteler and BMW (SGL ACF), while sales with

the wind industry should decrease by about one third, owing to the deconsolidation of our former joint venture with Kumpers as well as the weaker customer demand. Sales should slightly¹ increase in the market segment aerospace, while sales in the market segments industrial applications and textile fibers should remain around the level of the previous year.

Recurring EBIT in this business unit should improve noticeably due to the additional contribution to earnings resulting from the full consolidation of our former joint venture SGL ACF, as well as increasing volume demand. These will be partially offset by negative currency effects and higher development costs. The initial adoption of IFRS 15 has no impact on EBIT in the segment. As in the two prior years, the highest quarterly earnings of this fiscal year is likely to have been achieved in the first quarter 2018 due to the high capacity utilization as well as high shipments for particular projects.

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

Reporting segment Graphite Materials & Systems (GMS)

We also confirm the guidance issued in March 2018 for the reporting segment Graphite Materials & Systems (GMS). Accordingly, we continue to expect a slight increase in sales, which corresponds to mid to high single-digit growth adjusted for currency effects. In addition, we anticipate a single digit million Euro positive impact on sales in this segment from the initial adoption of IFRS 15.

Significant sales growth is expected for the LED, automotive and transport, and solar market segments, while sales around the level of the previous year are anticipated for the semiconductor, chemicals, and industrial applications market segments. We also expect renewed strong growth in volume demand for lithium ion batteries.

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

EBIT in the business unit GMS should increase slightly more than proportionately to sales growth, where positive volume effects will in part be offset by negative currency trends. Nevertheless, it should once again be possible to reach our target Group ROCE (EBIT in relation to capital employed) of at least 9-10%. In addition to this, we anticipate a low single digit million Euro positive impact on EBIT in this segment from the initial adoption of IFRS 15.

Reporting segment Corporate

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

Group

As already described in our guidance published in March 2018, we expect Group sales to increase by approximately 10% in 2018, which, adjusted for structural and currency changes, corresponds to growth in the mid to high single-digit percentage range. In addition, we anticipate a single digit million Euro positive impact on Group sales from the initial adoption of IFRS 15.

Group recurring EBIT should slightly outpace sales growth, driven by the positive effects of a noticeable increase in volume demand, the additional contribution to earnings resulting from the full consolidation of our former joint venture SGL ACF, and cost savings. In contrast, however, we anticipate higher personnel costs and raw material prices compared to the previous year, as well as less favorable exchange rates. In addition to this, we anticipate a low single digit million Euro positive impact on Group EBIT from the initial adoption of IFRS 15.

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

Due to the in total positive non-recurring effects, we slightly increase our guidance for net income from continuing operations to a low double digit million Euro amount (previous guidance: black zero). The improvement compared to the prior year loss of approximately €16 million results mainly from the lower interest expense as a result of the early repayment of our corporate bond on October 30, 2017, as well as the repayment of our convertible bond, which matured on January 25, 2018 in addition to the higher operating result.

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

Over the medium term, we continue to expect average capital expenditure around the level of depreciation and amortization. It should be borne in mind, however, that the level of depreciation and amortization has increased to about €65 million p.a. (before PPA) as a result of the full consolidation of our former joint ventures with BMW and Benteler. In addition, our capex budget should be higher in the initial years of the medium term than in later years, as we intend to execute certain growth projects in the short term. Consequently, our capex budget could be between €15 million to €25 million over the level of depreciation and amortization in 2018, depending on the timing of planned capital expenditure projects. The focus of capital expenditure in our reporting segment CFM continues to be primarily on the automotive market segment, for which we are continuing to strengthen the value chain, particularly for fabrics and components. In our reporting segment GMS, expansion investments are also focusing on the automotive market segment, as well as on our lithium ion battery business and our business with the semiconductor and LED industries.

Wiesbaden, May 8, 2018

SGL Carbon SE

The Board of Management

Condensed Consolidated Interim Financial Statements (unaudited)

Consolidated Income Statement

€ million	1st Quarter		
	2018	2017	Change
Sales revenue	263.4	216.3	21.8%
Cost of sales	-210.0	-173.6	-21.0%
Gross profit	53.4	42.7	25.1%
Selling expenses	-24.7	-23.3	-6.0%
Research and development costs	-7.6	-7.4	-2.7%
General and administrative expenses	-12.4	-10.9	-13.8%
Other operating income	35.2	8.8	>100%
Other operating expenses	-0.8	-2.8	71.4%
Result from investments accounted for At-Equity	4.1	2.5	64.0%
Restructuring expenses	0.0	-0.6	100.0%
Operating profit	47.2	9.0	>100%
Interest income	0.4	0.1	>100%
Interest expense	-7.1	-11.7	39.3%
Other financing result	-0.3	-2.5	88.0%
Result from continuing operations before income taxes	40.2	-5.1	>100%
Income tax expense	-3.8	-0.9	>-100%
Result from continuing operations	36.4	-6.0	>100%
Result from discontinued operations, net of income taxes	-4.2	6.5	>-100%
Net result for the period	32.2	0.5	>100%
Thereof attributable to:			
Non-controlling interests	0.0	0.8	-
Consolidated net result (attributable to shareholders of the parent company)	32.2	-0.3	>100%
Earnings per share, basic and diluted, (in €)	0.26	0.00	-
Earnings per share - continuing operations, basic (in €)	0.30	-0.06	>100%
Earnings per share - continuing operations, diluted (in €)	0.29	-0.06	>100%

Consolidated Statement of Comprehensive Income

€ million	1st Quarter	
	2018	2017
Net result for the period	32.2	0.5
Items that may be reclassified subsequently to profit or loss		
Changes in the fair value of securities available for sale	-	0.1
Cash flow hedges ¹⁾	-0.6	0.9
Currency translation	-4.4	5.8
Items that will not be reclassified subsequently to profit or loss		
Actuarial gains/losses on pensions and similar obligations ²⁾	0.1	0.6
Other comprehensive income	-4.9	7.4
Comprehensive income	27.3	7.9
Thereof attributable to:		
Non-controlling interests	0.1	0.9
Consolidated net result (attributable to shareholders of the parent company)	27.2	7.0

¹⁾ Includes tax effects of €0.3 million (2017: €0.0 million) in the first quarter

²⁾ Includes tax effects of €0.1 million (2017: minus €0.2 million) in the first quarter

Consolidated Balance Sheet

ASSETS €m	31. Mar. 18	31. Dec. 17	Change
Non-current assets			
Goodwill	40.6	21.1	92.4%
Other intangible assets	63.5	25.4	>100%
Property, plant and equipment	636.4	524.0	21.5%
Investments accounted for At-Equity	49.4	45.1	9.5%
Other non-currents assets	4.6	4.7	-2.1%
Deferred tax assets	9.4	20.7	-54.6%
	803.9	641.0	25.4%
Current assets			
Inventories	278.0	281.4	-1.2%
Trade receivables and contract assets	217.7	126.4	72.2%
Other financial assets	4.0	62.4	-93.6%
Other receivables and other assets	31.2	33.3	-6.3%
Cash and cash equivalents	165.5	379.3	-56.4%
	696.4	882.8	-21.1%
Assets held for sale	0.1	17.9	-99.4%
Total assets	1,500.4	1,541.7	-2.7%

EQUITY AND LIABILITIES €m	31. Mar. 18	31. Dec. 17	Change
Equity			
Issued capital	313.2	313.2	0.0%
Capital reserves	1,032.9	1,032.9	0.0%
Accumulated losses	-848.1	-889.1	4.6%
Equity attributable to the shareholders of the parent company	498.0	457.0	9.0%
Non-controlling interests	11.4	11.3	0.9%
Total equity	509.4	468.3	8.8%
Non-current liabilities			
Provisions for pensions and similar employee benefits	291.6	293.0	-0.5%
Other provisions	36.5	37.6	-2.9%
Interest-bearing loans	353.1	262.1	34.7%
Other financial liabilities	68.9	21.2	>100%
Deferred tax liabilities	13.9	2.1	>100%
	764.0	616.0	24.0%
Current liabilities			
Other provisions	80.2	88.8	-9.7%
Current portion of interest-bearing loans	2.1	241.3	-99.1%
Trade payables	99.1	89.3	11.0%
Other liabilities	45.6	26.7	70.8%
	227.0	446.1	-49.1%
Liabilities in connection with assets held for sale	-	11.3	-
Total equity and liabilities	1,500.4	1,541.7	-2.7%

Consolidated Cash Flow Statement

€ million	1st Quarter	
	2018	2017
Cash flow from operating activities		
Result from continuing operations before income taxes	40.2	-5.1
Adjustments to reconcile the result from continuing operations to cash flow from operating activities:		
Interest expense (net)	6.7	11.6
Result from the disposal of property, plant and equipment	-4.2	-0.1
Depreciation/amortization expense	18.3	12.4
Value adjustments due to step acquisitions	-28.1	0.0
Restructuring expenses	0.0	0.6
Result from investments accounted for At-Equity	-4.1	-2.5
Amortization of refinancing costs	0.4	2.2
Interest received	0.4	0.1
Interest paid	-4.7	-13.7
Income taxes paid	-0.9	-0.9
Changes in provisions, net	-13.3	-11.7
Changes in working capital		
Inventories	-10.7	1.2
Trade receivables and contract assets	-25.2	-22.0
Trade payables	6.5	-18.5
Changes in other operating assets/liabilities	3.4	14.6
Cash flow from operating activities - continuing operations	-15.3	-31.8
Cash flow from operating activities - discontinued operations	0.0	13.5
Cash flow from operating activities - continuing and discontinued operations	-15.3	-18.3

€ million	1st Quarter	
	2018	2017
Cash flow from investing activities		
Payments to purchase intangible assets and property, plant & equipment	-8.2	-4.9
Proceeds from the sale of intangible assets and property, plant & equipment	3.9	7.2
Payments for the acquisition of subsidiaries, net of cash acquired	-23.1	0.0
Payments received for divestitures	2.4	0.0
Payments for capital contributions concerning investments accounted for At-Equity and investments in other financial assets	0.0	-2.0
Cash flow from investing and cash management activities - continuing operations	-25.0	0.3
Cash flow from investing activities and cash management activities - discontinued operations	62.6	-12.8
Cash flow from investing activities and cash management activities - continuing and discontinued operations	37.6	-12.5
Cash flow from financing activities		
Proceeds from issuance of financial liabilities	0.0	0.0
Repayment of financial liabilities	-239.7	-1.0
Payments in connection with financing activities	0.0	-0.4
Other financing activities	0.0	0.0
Cash flow from financing activities - continuing operations	-239.7	-1.4
Cash flow from financing activities - continuing and discontinued operations	-239.7	-1.4
Effect of foreign exchange rate changes		0.1
Net change in cash and cash equivalents	-217.4	-32.1
Cash and cash equivalents at beginning of period	382.9	324.5
Cash and cash equivalents at end of period	165.5	292.4
Time deposits at end of period	0.0	5.0
Total liquidity	165.5	297.4
Less: Cash and cash equivalents of discontinued operations at end of period	0.0	7.4
Liquidity	165.5	290.0

Condensed Consolidated Statement of Changes in Equity

€ million	1st Quarter 18		Total equity
	Equity attributable to the shareholders of the parent company	Non-controlling interests	
Balance at December 31	457.0	11.3	468.3
Cumulative adjustment on initial application of IFRS 15 and IFRS 9 (net of tax)	13.8		13.8
Balance at January 1	470.8	11.3	482.1
Net result for the period	32.2		32.2
Other comprehensive income	-5.0	0.1	-4.9
Comprehensive income	27.2	0.1	27.3
Balance at March 31	498.0	11.4	509.4

€ million	1st Quarter 17		Total equity
	Equity attributable to the shareholders of the parent company	Non-controlling interests	
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

¹⁾ In particular in connection with the acquisition of the non-controlling interests or the valuation of non-controlling interests in subsidiary partnerships

Notes to the Condensed Consolidated Interim Financial Statements

Description of business

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

Basis of preparation and changes to the Group's 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, 2017. The condensed consolidated interim financial statements as of March 31, 2018, apply the same accounting principles and practices as well as the same estimates and assumptions as those used in the 2017 annual financial statements, except for the adoption of the new standards IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments* effective as of January 1, 2018.

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

The condensed consolidated interim financial statements were authorized by the Board of Management on May 8, 2018. The condensed consolidated interim financial statements and interim group management report have been neither audited nor subject to an auditor's review.

Changes in scope of consolidation

Acquisitions

The acquisition of SGL Automotive Carbon Fibers GmbH & Co KG, Munich (Germany) was completed on January 11, 2018. This transaction makes SGL the sole owner of the former joint venture with the BMW Group (renamed SGL Composites GmbH & Co. KG). The U.S. company of SGL ACF will, in a next step, be transferred to SGL not later than by the end of 2020; in this context, SGL Group exercises full control over the U.S. company based on the voting majority of 51% already upon the acquisition of the German shares. By acquiring ACF, SGL Group is forging ahead with its strategy to consolidate all key activities in the

value chain – from carbon fibers and materials to components – within the SGL Group, giving it overall responsibility. Both companies will be integrated into the business unit CFM. Prior to obtaining control, the companies were consolidated on a proportional basis as joint operations within the meaning of IFRS 11. In a business combination achieved in stages, obtaining a controlling majority is recognized under the assumption of a cash payment (for the new 49% share) and an exchange (of the previously held 51% share at fair value). The difference between the carrying amount and the fair value of the previously held shares led to an increase in other operating income in the income statement in the amount of €28.1 million (net of positive cumulative currency translation differences of €0.5 million). Based on the preliminary purchase price allocation, the breakdown of the fair value of identifiable assets and liabilities in SGL ACF on the date of acquisition on 100% basis is as follows. The corresponding proportional (51%) carrying amounts taken from the Group financial statements immediately prior to the acquisition are shown for information purposes in column “Carrying amounts according to IFRS 11”:

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

¹⁾ Values immediately prior to the acquisition date

The other intangible assets are comprised of customer relationships with an estimated useful life of 51 months. Of the total consideration given for the acquisition, an amount of USD 62.2 million is due at the end of 2020 and €24.3 million (net of cash acquired) were paid at closing on January 11, 2018. As of the acquisition date January 11, 2018 until March 31, 2018 and with the transition from the proportional consolidation to full consolidation, the newly acquired companies contributed €38.8 million to the Group sales revenue and €3.1 million to Group operating profit (incl. additional depreciation and amortization expense on assets identified as part of the purchase price allocation).

Disposals

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

New accounting pronouncements with mandatory adoption as of January 1, 2018 **IFRS 15 Revenue from Contracts with Customers**

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

IFRS 9 Financial instruments

The standard changes the accounting requirements for classifying and measuring financial assets, for impairment of financial assets and for hedge accounting. Financial assets are classified and measured on the basis of the entity’s business model and the character of the financial asset’s cash flow. A financial asset is initially measured either “at amortized cost”, “at fair value through other comprehensive income”, or “at fair value through profit or loss”. The classification and measurement of financial liabilities under IFRS 9 are unchanged compared with the current accounting requirements of IAS 39.

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

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

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

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

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

The effects of the adoption of IFRS 9 result from the change from the implementation of the incurred loss model.

The following tables summarize the impacts of adopting IFRS 15 and IFRS 9 on the Group's interim balance sheet and its interim income statement and OCI as of March 31, 2018. There was no impact on the Group's interim statement of cash flows.

Impact on the interim consolidated income statement and OCI:

€ million	Amounts without adoption of IFRS 15 and IFRS 9	1st Quarter 18		As reported
		IFRS 15 adjustments	IFRS 9 adjustments	
Sales revenue	250.5	12.9		263.4
Cost of sales	-202.7	-7.3		-210.0
Gross profit	47.8	5.6		53.4
Impairment loss on trade receivables, other financial assets and contract assets	0.0		-0.2	-0.2
Operating profit	41.8	5.6	-0.2	47.2
Result before income taxes	34.8	5.6	-0.2	40.2
Income tax expense	-2.4	-1.5	0.1	-3.8
Net result for the period	28.2	4.1	-0.1	32.2
Other comprehensive income (OCI)	-8.9	4.1	-0.1	-4.9

Impact on the interim consolidated balance sheet:

€ million	31. Mar. 18			Netting	As reported
	Amounts without adoption of IFRS 15 and IFRS 9	IFRS 15 adjustments	IFRS 9 adjustments		
Assets					
Inventories	315.1	-37.1			278.0
Trade receivables and contract assets	156.5	63.2	-2.0		217.7
<i>thereof: trade receivables</i>	156.5	0.0	-1.6		154.9
<i>thereof: contract assets</i>		63.2	-0.4		62.8
Deferred tax assets	15.3		0.6	-6.5	9.4
Liabilities					
<i>Deferred tax liabilities</i>	13.5	6.9		-6.5	13.9
Equity					
Accumulated losses	-865.9	19.2	-1.4		-848.1

Discontinued operations pursuant to IFRS 5

Result from discontinued operations

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

€ million	1st Quarter	
	2018	2017
Sales revenue from discontinued operations	-	103.4
Total expenses from discontinued operations	-4.2	-95.4
Result from operating activities of discontinued operations before income taxes	-4.2	8.0
Attributable tax expense	-	-1.5
Result from discontinued operations ¹⁾	-4.2	6.5
Earnings per share - discontinued operations, basic and diluted (in €)	-	0.05

¹⁾ Attributable to the shareholders of the parent company

Other disclosures

Investments accounted for At-Equity

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

	1st Quarter	
€ million	2018	2017
Ownership interest	50%	50%
Income statement		
Sales revenue (100%)	46.0	48.0
Operating profit	13.1	6.3
Net financing result	0.0	-0.4
Net result for the period (100%)	8.4	3.6
Share of SGL Group in the net result for the period (50%)	4.2	1.8
Balance Sheet	31. Mar. 18	31. Dec. 17
Non-current assets	41.3	41.2
Current assets	69.8	64.9
<i>Thereof cash and cash equivalents</i>	<i>27.3</i>	<i>31.2</i>
Non-current liabilities	7.3	6.5
<i>Thereof financial liabilities</i>	<i>0.0</i>	<i>0.0</i>
Current liabilities	29.1	33.2
<i>Thereof financial liabilities</i>	<i>0.0</i>	<i>0.0</i>
Net assets (100%)	74.7	66.4
Share of SGL Group in the net assets (50%)	37.4	33.2
Goodwill/customer base	3.7	3.8
Carrying amount of material joint ventures	41.1	37.0

The carrying amount of remaining investments accounted for At-Equity was €8.1 million (Dec. 31, 2017: €8.1 million) and their contribution to the result from investments accounted for At-Equity during the first quarter 2018 was €0.1 million (Q1/2017: €0.7 million).

Additional disclosures on financial instruments

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

€ million	Measurement category under IFRS 9	Carrying amount at Mar. 31, 18	Carrying amount at Dec. 31, 17
Financial assets			
Cash and cash equivalents	1)	165.5	379.3
Trade receivables and contract assets	1)	217.7	126.4
Marketable securities and similar investments (31.12: Available-for-sale financial assets)	2)	4.3	4.4
Other financial assets	1)	4.0	62.4
Derivative financial assets: Derivatives without a hedging relationship	3)	-	0.8
Derivative financial assets: Derivatives with a hedging relationship	n.a.	1.7	2.0
Financial liabilities			
Convertible bonds	4)	156.4	394.2
Bank loans, overdrafts and other financial liabilities	4)	202.1	112.9
Refinancing costs	4)	-3.3	-3.7
Finance lease liabilities	n.a.	22.4	22.4
Trade payables	4)	99.1	89.3
Miscellaneous other financial liabilities	4)	55.7	4.4
Derivative financial liabilities: Derivatives without a hedging relationship	5)	-	0.0
Derivative financial liabilities: Derivatives with hedging relationship	n.a.	0.0	0.0
Thereof aggregated by measurement category in accordance with IFRS 9 (31. Dec. 2017: measurement category in accordance with IAS 39)			
¹⁾ Financial assets measured at amortized costs (31. Dec. 2017: IAS 39 measurement category: Loans and receivables)		387.2	568.1
²⁾ Financial assets measured at fair value through profit and loss (31. Dec. 2017: IAS 39 measurement category: Available-for-sale financial assets)		4.3	4.4
³⁾ Financial assets measured at fair value through profit and loss (31. Dec. 2017: IAS 39 measurement category: Financial assets held for trading)		-	0.8
⁴⁾ Financial liabilities measured at amortized costs (31. Dec. 17: IAS 39 measurement category: Financial liabilities measured at amortized cost)		510.0	597.1
⁵⁾ Financial liabilities measured at fair value through profit and loss (31. Dec. 2017: IAS 39 measurement category: Financial liabilities held for trading)		-	0.0

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

31. Mar. 18				
€ million	Level1	Level2	Level3	Total
Marketable securities and similar investments	4,3	-	-	4,3
Derivative financial assets	-	1,7	-	1,7
Derivative financial liabilities	-	0,0	-	0,0

31. Dec. 17				
€ million	Level1	Level2	Level3	Total
Available for sale financial assets	4,4	-	-	4,4
Derivative financial assets	-	2,8	-	2,8
Derivative financial liabilities	-	0,0	-	0,0

The fair market value of the convertible bond 2015/2020 as of March 31, 2018, was €176.5 million (December 31, 2017: €176.3 million). As the fair value is derived from quoted prices in active markets, these financial instruments are allocated to Level 1. On January 25, 2018, the outstanding amount of the convertible bond 2012/2018 with a nominal value of €240.0 million was repaid on time in the amount of €239.2 million.

Seasonality of operations

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

Other additional information

Issued capital remained unchanged to December 31, 2017 at €313.2 million as of March 31, 2018, and is divided into 122,341,478 no-par value ordinary bearer shares at €2.56 per share. During the first quarter 2018, no new shares were issued from the authorized capital. As of March 31, 2018, there were 2,104,570 SARs outstanding. SGL Carbon SE held a total of 70,501 of its own shares (treasury shares) as of March 31, 2018. Based on an average number of

122.3 million shares, basic earnings per share from continuing operations amounted to €0.30 (Q1/2017: minus €0.06).

The calculation of diluted earnings per share assumes the conversion of outstanding debt securities (convertible bonds) to shares or exercise of other contracts for the issue of common shares such as stock appreciation rights. The above-mentioned financial instruments are included in the calculation of diluted earnings per share only if there is a mathematical dilutive effect during the reporting period concerned. Accordingly, EPS diluted amounts to €0.26 (Q1/2017: €0.00). EPS diluted (continuing operations) amounts to €0.29 (Q1/2017: minus €0.06).

Segment information

€ million	CFM	GMS	Corporate	Consolidation adjustments	SGL Group
1st Quarter 18					
External sales revenue	115.0	140.1	8.3	0.0	263.4
Intersegment sales revenue	0.8	0.0	6.9	-7.7	0.0
Total sales revenue	115.8	140.1	15.2	-7.7	263.4
Timing of revenue recognition					
Products transferred at point in time	113.7	128.5	8.3	0.0	250.5
Products and services transferred over time	1.3	11.6			12.9
Total sales revenue	115.0	140.1	8.3	0.0	263.4
Operating profit (EBIT) before non-recurring items (recurring EBIT)	9.3	16.8	-5.6	0.0	20.5
Non-recurring items ¹⁾	26.7	0.0	0.0	0.0	26.7
Operating profit/loss (EBIT) after non-recurring items	36.0	16.8	-5.6	0.0	47.2
Capital expenditures ²⁾	1.9	5.6	0.7		8.2
Earnings before interest, taxes, depreciation and amortization (EBITDA) before non-recurring items	17.9	22.5	-4.3	0.0	36.1
Amortization/depreciation on intangible assets and property, plant and equipment	8.6	5.6	1.3		15.5
Working Capital ³⁾	155.7	241.5	-0.6	0.0	396.6
Capital employed ⁴⁾	644.9	443.0	98.5	0.0	1186.4

€ 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 items (recurring EBIT)	7.9	8.5	-6.8	0.0	9.6
Non-recurring items ¹⁾	0.0	0.0	-0.6	0.0	-0.6
Operating profit/loss (EBIT) after non-recurring items	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 items	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 (31.12.) ³⁾	123.7	199.1	-4.3	0.0	318.5
Capital employed (31.12.) ⁴⁾	435.3	401.9	96.9	0.0	934.1

¹⁾ Non-recurring items comprise the full-consolidation effect of the former joint venture with the BMW Group (SGL ACF) and, in 2017 restructuring expenses

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

³⁾ Defined as sum of inventories, and trade receivables less trade payables

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

Subsequent Events

None.

Wiesbaden, May 8, 2018

SGL Carbon SE
The Board of Management

Dr. Jürgen Köhler Dr. Michael Majerus

Responsibility statement

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

Wiesbaden, May 8, 2018

SGL Carbon SE

The Board of Management

Other Information

Sales Revenue and Operating Profit/Loss by Reporting Segment

€ million	1st Quarter		
	2018	2017	Change
Sales revenue			
Composites - Fibers & Materials	115.0	93.6	22.9%
Graphite Materials & Systems	140.1	121.4	15.4%
Corporate	8.3	1.3	>100%
SGL Group - continuing operations	263.4	216.3	21.8%
SGL Group - discontinued operations (PP)	0.0	103.4	-100.0%

€ million	1st Quarter		
	2018	2017	Change
EBIT before non-recurring items (recurring EBIT) ¹⁾			
Composites - Fibers & Materials	9.3	7.9	17.7%
Graphite Materials & Systems	16.8	8.5	97.6%
Corporate	-5.6	-6.8	17.6%
SGL Group - continuing operations	20.5	9.6	>100%
SGL Group - discontinued operations (PP)	0.0	3.9	-100%

¹⁾ Non-recurring items of €26.7 million and minus €0.6 million in the first quarter 2018 and 2017, respectively

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

€ million	2017					2018
	Q1	Q2	Q3	Q4	Full Year	Q1
Sales revenue						
Composites - Fibers & Materials	93.6	82.6	77.7	78.0	331.9	115.0
Graphite Materials & Systems	121.4	133.7	126.4	128.7	510.2	140.1
Corporate	1.3	2.7	2.7	11.3	18.0	8.3
SGL Group - continuing operations	216.3	219.0	206.8	218.0	860.1	263.4
SGL Group - discontinued operations (PP)	103.4	114.0	131.4	16.8	365.6	0.0

€ million	2017					2018
	Q1	Q2	Q3	Q4	Full Year	Q1
EBIT before non-recurring items (recurring EBIT) ¹⁾						
Composites - Fibers & Materials	7.9	4.5	4.8	5.5	22.7	9.3
Graphite Materials & Systems	8.5	15.4	13.6	10.3	47.8	16.8
Corporate	-6.8	-7.0	-7.9	-8.7	-30.4	-5.6
SGL Group - continuing operations	9.6	12.9	10.5	7.1	40.1	20.5
SGL Group - discontinued operations (PP)	3.9	3.0	14.5	3.0	24.4	0.0

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

¹⁾ Non-recurring items of €8.9 million in the year 2017 and €26.7 million in the first quarter 2018

Quarterly Consolidated Income Statement

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

Financial Calender

May 29, 2018

- Annual General Meeting

August 07, 2018

- Report on the First Half Year 2018
- Conference call for investors and analysts

November 06, 2018

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

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Important Note

This interim report contains statements relating to certain projections and business trends that are forward-looking, including statements with respect to SGL 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 related to SGL Group's cost savings programs. You can generally identify these statements by the use of words like "may", "will", "could", "should", "project", "believe", "anticipate", "expect", "plan", "estimate", "forecast", "potential", "intend", "continue" and variations of these words or comparable words. These statements are not historical facts, but rather are based on current expectations, estimates, assumptions and projections about SGL 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 may have on SGL Group's financial condition and results of operations 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.

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