

Annual Report 2015

SGL Group is the global specialist in carbon and graphite-based high-performance materials.

Production sites worldwide



€1.3 billion

in sales revenue

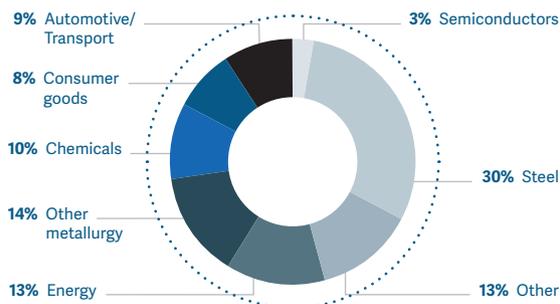
€32.6 million

in EBIT before non-recurring charges

5,658

employees

Sales revenue by customer industry



50%

combined growth in sales revenue by the year 2020 is our goal for our business units Composites – Fibers & Materials (CFM) and Graphite Materials & Systems (GMS)

Our path forward.

Focused. Sustainable. Committed.

The decision to legally separate the core business with graphite electrodes and to turn our business units Composites – Fibers & Materials (CFM) and Graphite Material & Systems (GMS) into the primary growth pillars of SGL Group marks a turning point in the almost 25-year history of our Company. The path forward – the path to profitable and sustainable growth – will from now on be characterized by a targeted, systematic focus on innovative materials and solutions that promote developments in the megatrends mobility, energy supply and digitization. In the following interview, Dr. Jürgen Köhler, CEO of SGL Group, explains the strategic realignment and outlines the growth opportunities on our path forward.

“Our markets are
growth markets.”



An interview with Dr. Jürgen Köhler, CEO of SGL Group

“Shaping the future of mobility, energy supply, and digitization.”

In 2015, SGL Group adopted a new strategy.

What does this mean in practice?

Essentially it means that in the future, SGL Group will focus less on cyclical markets and more on high-growth industries. Our business units Composites – Fibers & Materials (CFM) and Graphite Materials & Systems (GMS) are driving developments in the megatrends of mobility, energy supply, and digitization. We are targeting to organically increase the sales revenue generated annually by these businesses to over €1.1 billion by 2020, a rise of more than 50%. EBITDA in this period will advance at a higher rate than sales revenue. In contrast, our third business unit, Performance Products (PP), which mainly supplies the steel industry, will be made a separate legal entity by mid-2016.

Why do you follow different strategies with your business units?

The three business units of SGL Group have very different growth prospects that call for different strategies. Take, for example, our business unit PP, and in particular the business with graphite electrodes. The market that we operate in is highly cyclical and has been subject to considerable price pressure for several years due to overcapacities in the steel industry. In recent years, graphite electrodes have become a commodity, suffering from the huge price pressure that comes from being a product that is essentially exchangeable. This

means that only one factor is the key to success: cost efficiency. In the other two business units, CFM and GMS, our situation is quite different. Here we are able to work with our customers to shape markets and megatrends such as mobility, energy supply, and digitization. And we are leaders in innovation. By supplying high-performance materials made from carbon, graphite, and composites, we play an important part in driving developments in technologies such as lithium-ion batteries, and in making serial production of lightweight vehicles a reality.

Does this mean that the SGL Group’s original core business with graphite electrodes no longer has a future in the Company?

As the former head of the graphite electrode unit, I am very familiar with this business and I know that its long-term prospects remain strong. We are one of the top two suppliers globally and have long-standing relationships with many customers. And we are the only supplier to have an integrated production network on the three main regions of the world. What’s even more important, there is no substitute product for graphite electrodes. It’s simply impossible to recycle steel without them. However, in order to better protect the business against the current slump and against future cyclical downturns in the market, we are making changes to the business model and to our organizational structure.



The aim is to achieve further mid-term cost savings of nearly €30 million per year. But that in itself is not enough. We have to explore other options for securing the future of our PP business. This includes finding partners or investors who have the means necessary to drive forward this capital-intensive business regardless of the prevailing economic conditions.

SGL Group has been restructuring for nearly three years now. Is an end in sight?

The conclusion of our SGL2015 cost savings program and the sale of the aerostructure business of HITCO last December show that we have successfully completed a major part of our restructuring. It's now time to look forward. Of course, we will continue to optimize costs and structures in the coming years as well. But now the focus is firmly on growth.

You are optimistic to increase the total annual sales revenue generated by CFM and GMS by more than 50% to €1.1 billion. What are your assumptions?

It's not like we've set these targets from an ivory tower. They are based on objectives that have been jointly agreed with the respective management teams, and are backed by detailed action plans, responsibilities, schedules, etc. We therefore feel very confident that sales revenue in these segments will grow by at least 50% by 2020. In the areas of digitization and energy storage, for example, we are anticipating solid double-digit annual growth rates.

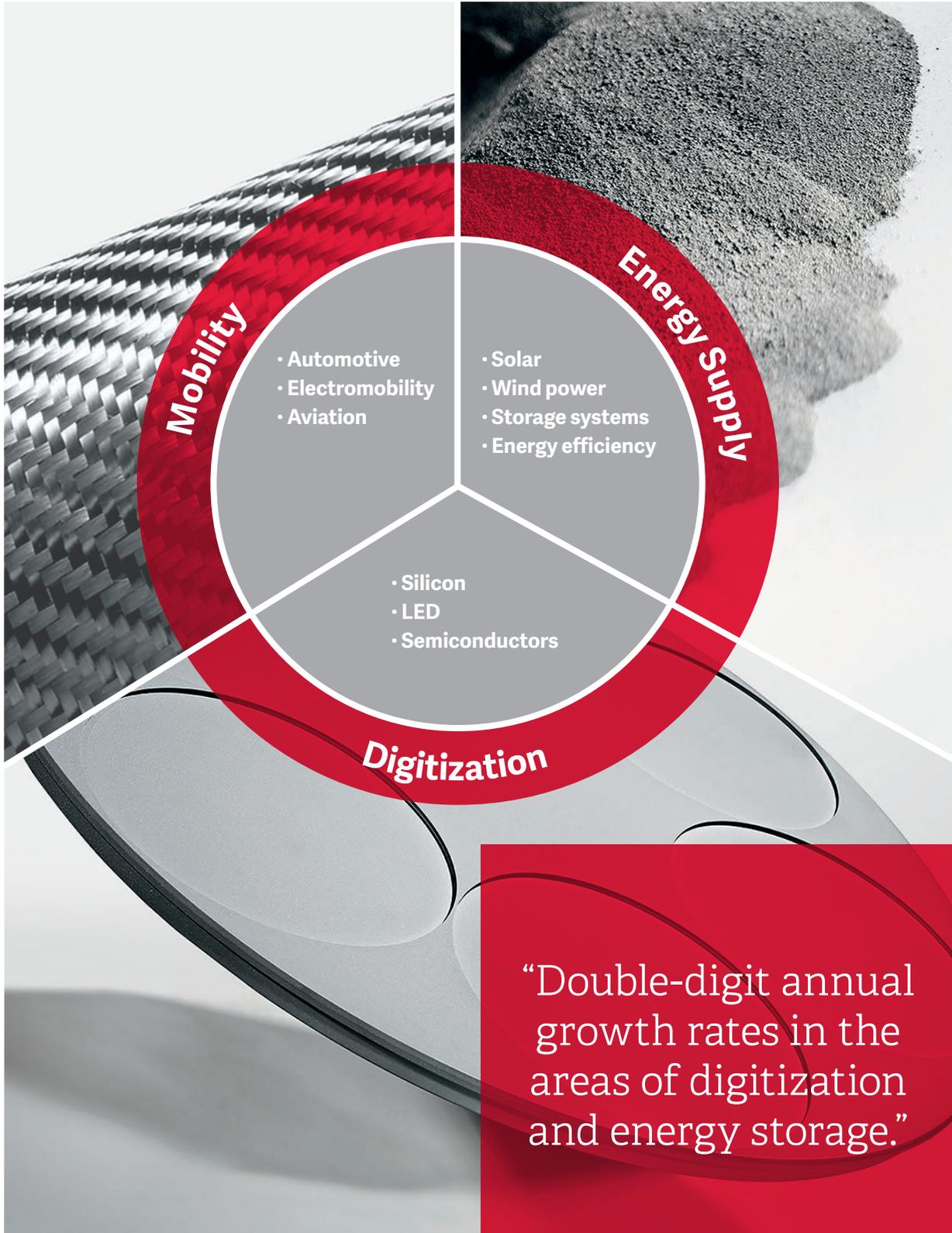
What profitability targets have you set yourself?

We want earnings to increase at a faster rate than sales revenue so that we can achieve profitable growth. Our aim is to achieve a return on capital employed (ROCE), based on EBITDA, of at least 15% in each of our business segments. This will enable us to cover our cost of capital. We already have activities that are achieving this profitability.

You've also set some ambitious targets for the CFM business unit. How do you plan to achieve these?

By 2020, we want the annual sales revenue of CFM to increase to nearly €500 million through organic growth. Carbon fiber is still a very young technology, existing for approximately 40 years. Only in the past few years has it begun to be used in standard industrial applications. And we are right at the fore-front in several of these, including the automotive industry and wind energy. Furthermore, we have a key competitive advantage as the only European company that covers the entire

Materials and solutions for megatrends





“We are experiencing a quantum leap in the use of carbon fiber in automotive manufacturing.”

carbon fiber value chain – from the raw material, the precursor, right through to the fiber and the finished components. This gives us complete control over the properties and quality of our products and our costs.

People outside the industry mainly associate SGL Group and its carbon fiber business with the BMW i3. Are there any plans for collaborations with other manufacturers?

SGL ACF, our joint venture with BMW, undoubtedly achieved a technological breakthrough in the automotive sector. For the first time ever, there is a serially produced electric car, whose passenger cell is made entirely from carbon fiber composites. For SGL Group this was, of course, a great achievement. And the new BMW 7-Series launched in 2015 is equipped with multiple CFRP components, among others, in its roof frame. We are talking about real large-scale production. This is a quantum leap for carbon fibers in the automotive material mix. After initially guaranteeing exclusivity for this revolutionary new technology that we developed together with BMW Group, we are now free to supply other vehicle manufacturers – including from our US site in Moses Lake. Going forward, we also expect this business to deliver substantial growth. Through our other joint ventures we are already supplying vehicle components based on carbon fiber technology to companies such as Porsche and Audi.

What role does the aviation industry play? Composite fiber materials have been used in huge quantities for a number of years now, for example in Boeing’s Dreamliner.

In comparison with other market segments and with sales revenue in the low double-digit millions, the aviation industry unfortunately still plays only a minor part in our portfolio. This is about to change in the coming years, however. We are looking to dramatically increase the volume of sales revenue from aviation by

drawing on the expertise that we have gained in the automotive sector. We see particular potential in the business with non-structural components such as floor panels, cladding, and gear doors.

15%

**ROCE is our profitability target
for all segments**

You are seeing good growth potential for your composite materials in the aviation and wind energy segments. Why did you sell SGL Rotec in 2013 and HITCO last year?

SGL Group paid the price for a period in which the investment focus was broader than it is today. It became clear over the years, that the manufacturing processes used by these two companies did not match to the core competency of SGL Group. Their focus was more on manual construction of large, individual components. Other companies are able to do this better. Our focus is firmly on material and applications competence. At our German site in Meitingen we are therefore setting up a center for lightweight construction and applications that is due to open in 2018. The aim is to help our customers make optimum use of composite materials – in the right combination with other materials, using the right manufacturing processes, and at competitive costs.

How do you plan to increase profitability in the carbon fiber business?

Firstly, we are aiming to improve profitability by capitalizing on the economies of scale and higher capacity utilization that result from the described growth in demand and sales revenue. Secondly, we are looking to benefit

from greater cost efficiency. That goes for the whole value creation process. We are on a steep learning curve that is leading to better quality and less waste and therefore much lower costs. Our joint venture with BMW Group is a perfect example of this. Our own precursor, that is currently going into volume production, will further improve our cost position. We are no longer dependent on third parties here. We are therefore confident that CFM too will attain the targeted increase in ROCE to at least 15%.

Your GMS business unit is the great unknown. What makes it special? Where is the growth coming from?

GMS has been a very profitable part of our business for a number of years now. Here too we are looking to substantially increase sales revenue. GMS is our 'hidden champion'. We are a global expert in carbon and graphite technology and one of the biggest providers of solutions based on these materials. Take the graphite anode material used in energy storage, for example. Until now, growth has mainly been driven by what we call the 3 Cs – cameras, cellphones and computers. In every laptop and in every cellphone you'll find lithium-ion batteries that are made using



anode materials. But lithium-ion batteries will also increasingly be needed for electric cars and stationary energy storage systems. Industry experts are predicting annual growth of at least 10% here. We want to capitalize on this and achieve at least the same pace of growth.

Demand for electric vehicles has so far been rather modest. Do you really believe we are on the cusp of a breakthrough?

I drive an electric car myself. I'm absolutely thrilled about the technology, the performance, and the driving pleasure. For these vehicles to be successful, it is essential that the battery range is increased and that an extensive charging infrastructure is put in place. Both are on the horizon. The aim in Europe to reduce fleet-wide averages of CO₂ emissions to 75 grams per kilometer by 2025 can only be achieved by significantly increasing the number of electric cars on the road.

1/3

of GMS sales revenue is generated by products that are less than four years old

When will we finally see large-scale production of electric batteries in Europe?

The cell market is dominated by manufacturers from the Far East – from Japan, China, and South Korea. We've undoubtedly got a lot of catching up to do here in Europe and Germany.

We are, however, the only western supplier of graphite-based anode materials. That means that whenever demand for electric vehicle batteries picks up momentum, we are perfectly positioned to capitalize on this.

What other application areas and growth drivers are there for your specialty graphites?

Specialty graphite also plays a vital part in the production of wafers for computer chips and in the production of all types of semiconductors. There also wouldn't be any solar cells or LEDs without graphite. Graphite is needed in the manufacturing processes of these products because of its purity, thermal resistance, and other unique properties. Demand in these segments will continue to increase globally, and in some cases, quite sharply. Industry experts predict that LED demand will increase by an average of 10% annually in the years to come. Graphite is also needed for a number of highly technical chemical processes because it is extremely resistant to corrosion and a fantastic conductor of heat. This is why the chemical industry is one of our biggest customer groups.

Is SGL Group sufficiently financed to implement its growth strategy?

In the past few years, across all business units, SGL Group has invested a triple-digit million euro amount in our value chains and our production facilities, so that we can achieve long-term organic growth. This minimizes the need for substantial capital expenditure in the near future. SGL Group has a solid financial base for the organic growth program of GMS and CFM. What is clear, however, is that the quicker we succeed in implementing the new strategy, the quicker our balance sheet will significantly improve.

When do you expect to have substantial free cash flow again?

We are striving to bring free cash flow into positive territory as quickly as possible. In 2015, we managed to achieve positive cash flow in our operational businesses. This is a good sign and shows the earnings power that we have in our businesses. After all, it was again primarily one-off items that had a negative impact on free cash flow in 2015 as a whole.

2016 will be another decisive year then. What expectations do you have for it?

We are confident about our prospects for 2016, with the exception of the graphite electrodes business. Unfortunately, the situation here took another turn for the worse in the fourth quarter of 2015. Customers are holding off on placing orders. This is depressing both demand and prices, and affecting the profit outlook. In the cathodes business and in GMS and CFM, however, we are optimistic that the positive trend will continue in 2016. Nevertheless, the weak growth prospects in the graphite electrode business mean that we anticipate an overall loss for the Group. Our assessment of 2016 will therefore depend largely on how successful we are in implementing our new strategy.

The SGL share was not among the winners last year. What makes SGL shares a worthwhile investment?

I firmly believe that the strategic realignment of SGL Group will bear fruit. Our markets are growth markets. Through our expertise, experience, and passion for our materials and solutions we are helping to advance and accelerate developments in the megatrends of mobility, energy supply, and digitization. And we will be less dependent on cyclical businesses in the future. We are systematically pursuing profitable, stable, and sustainable growth.



“The strategic realignment will bear fruit.”

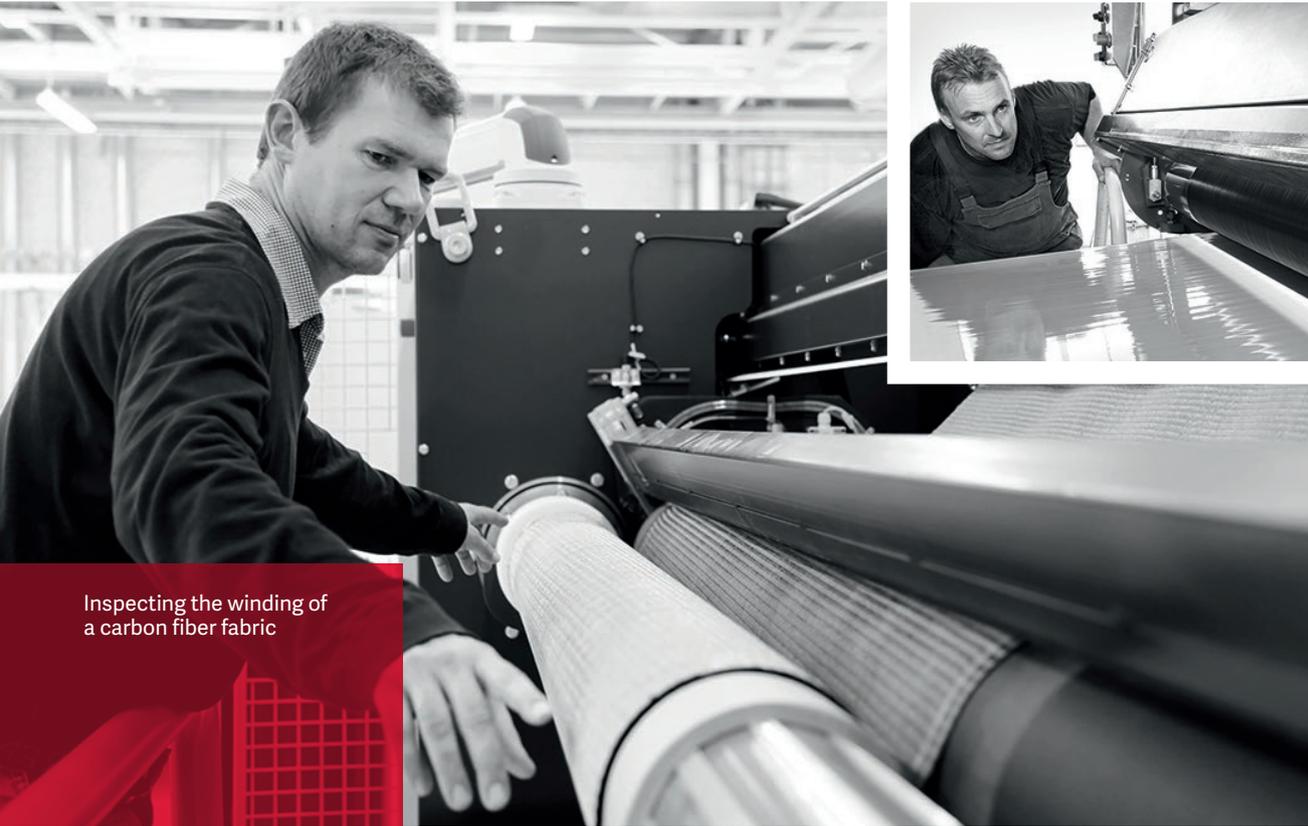
In the best hands

Exceptional material properties on the one hand. Commitment, application know-how, and fascination with modern technology on the other. SGL Group is the place where it all comes together. Our nearly 5,700 employees deliver innovative and sustainable solutions using high-performance materials based on carbon and graphite. By doing so, they provide fundamental added value for our customers' businesses. And for the megatrends mobility, energy supply and digitization that are changing our world.

Visual check of prepregs for lightweight components



Inspecting the winding of a carbon fiber fabric



Detailed planning of apparatus and systems for the chemical industry





Test of carbon fibers in the laboratory



Processing a meander heater made of fine grain graphite for the semiconductor industry



Measuring the thickness of graphite felt for the thermal insulation of high temperature furnaces



Tolerance testing of graphite cathodes used in aluminum production



On the finishing line: Graphite electrodes used in the production of electric-furnace steel

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Five-year Financial Summary

Key Figures 2015

9.0% Return on capital employed (ROCE_{EBITDA})

€m	Footnote	2015	2014	Changes
Financial performance				
Sales revenue		1,322.9	1,335.6	-1.0%
<i>thereof outside Germany</i>		80%	80%	-
<i>thereof in Germany</i>		20%	20%	-
EBITDA before non-recurring charges	1)	121.1	84.1	44.0%
EBIT before non-recurring charges	1)	32.6	2.7	> 100%
Result before tax		-182.1	-104.4	-74.4%
Consolidated net result	2)	-295.0	-247.0	-19.4%
Return on sales (ROS)	3)	2.5%	0.2%	2.3% - points
Return on capital employed (ROCE _{EBITDA})	4) 5)	9.0%	5.9%	3.1% - points
Earnings per share, basic (in €)		-3.22	-3.26	1.2%
Net assets				
Equity attributable to shareholders of the parent company		289.3	567.6	-49.0%
Total assets		1,856.1	2,170.3	-14.5%
Net debt		534.2	389.9	37.0%
Equity ratio	6)	15.6%	26.2%	-10.6% - points
Gearing	7)	1.85	0.69	> 100%
Number of employees (December 31)	8)	5,658	6,342	-10.8%
Financial position				
Capital expenditure in property, plant and equipment and intangible assets		74.9	132.6	-43.5%
Depreciation and amortization		88.5	81.4	8.7%
Working capital		450.3	462.4	-2.6%
Free cash flow	9)	-74.9	-121.3	38.3%

¹⁾ Before non-recurring charges of €160.9 million in 2015 and €51.2 million in 2014

²⁾ Consolidated net result (attributable to shareholders of the parent company)

³⁾ Ratio of EBIT before non-recurring charges to sales revenue

⁴⁾ Ratio of EBITDA before non-recurring charges to average capital employed

⁵⁾ Average capital employed (= the sum of goodwill, other intangible assets, property, plant and equipment and working capital, each at beginning of year and end of year)

⁶⁾ Shareholders' equity to total assets

⁷⁾ Net debt to equity attributable to shareholders

⁸⁾ As of December 31, including discontinued operations

⁹⁾ Net cash provided by operating activities (continuing operations) less net cash used for investing activities (continuing operations)

Our Reporting Segments 2015 at a Glance

Reporting segments	PP Performance Products	GMS Graphite Materials & Systems
Products	<ul style="list-style-type: none"> – Graphite and carbon electrodes – Cathodes – Furnace lining 	<ul style="list-style-type: none"> – Graphite specialties (products based on coarse and fine-grain graphite) – Expanded graphite – Systems for the chemical industry
Key industries	<ul style="list-style-type: none"> – Aluminum – Steel – Metallurgical and non-metallurgical applications 	<ul style="list-style-type: none"> – Semiconductor – Energy – Chemicals – Automotive
Sales revenue by segment	<p>25% Cathodes & Furnace Linings</p> <p>75% Graphite & Carbon Electrodes</p>	<p>23% Process Technology</p> <p>77% Graphite Specialties</p>
Strengths	<ul style="list-style-type: none"> – Leading competitive position in basic industries 	<ul style="list-style-type: none"> – Sustainable growth potential in renewable energies, energy efficiency and energy storage – Broad product portfolio – Profound material know-how

Key figures		2015	2014	Change
Sales revenue	€m	533.4	588.2	–9.3%
EBITDA before non-recurring charges ¹⁾	€m	57.6	65.1	–11.5%
Operating profit/loss (EBIT) before non-recurring charges ¹⁾	€m	19.4	26.0	–25.4%
Return on sales (ROS) ²⁾		3.6%	4.4%	–

¹⁾ Non-recurring charges include restructuring expenses of €73.0 million and impairment losses of €78.9 million in 2015, and restructuring expenses of €9.8 million and goodwill impairment loss of €10.6 million in 2014

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

Key figures		2015	2014	Change
Sales revenue	€m	453.5	440.4	3.0%
EBITDA before non-recurring charges ¹⁾	€m	56.6	61.5	–8.0%
Operating profit/loss (EBIT) before non-recurring charges ¹⁾	€m	34.1	40.0	–14.8%
Return on sales (ROS) ²⁾		7.5%	9.1%	–

¹⁾ Non-recurring charges include restructuring expenses of €5.3 million in 2015 and €0.1 million in 2014

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

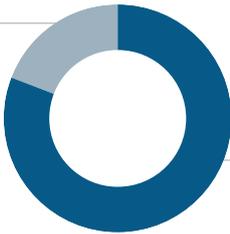
CFM

Carbon Fibers & Materials ¹⁾

- Carbon fibers
- Prepregs/fabrics made of carbon fibers

- Automotive
- Industrial applications
- Energy
- Other consumer goods
- Aerospace & Defense

19% SGL ACF



81% Carbon Fibers & Composite Materials

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

¹⁾ As of January 1, 2016: Composites – Fibers & Materials

Key figures		2015	2014	Change
Sales revenue	€m	327.3	296.4	10.4%
EBITDA before non recurring charges ²⁾	€m	30.0	-8.8	> 100%
Operating profit/loss (EBIT) before non-recurring charges ²⁾	€m	9.3	-22.5	> 100%
Return on sales (ROS) ³⁾		2.8	-7.6	-

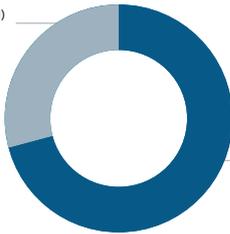
²⁾ Non-recurring charges include restructuring expenses of €0.5 million in 2015 and €10.5 million in 2014

³⁾ EBIT (before non-recurring charges)/sales revenue

T&I and Corporate

- Research activities
- Corporate and service functions
- SGL Excellence

29% Corporate ¹⁾



71% T&I ¹⁾

- Significant improvements achieved with SGL2015
- Central research and development activities for continuous innovations at T&I

¹⁾ Proportion of employees as of Dezember 31, 2015

Key figures		2015	2014	Change
Sales revenue	€m	8.7	10.7	-17.9%
EBITDA before non recurring charges ²⁾	€m	-23.2	-33.7	31.2%
Operating profit/loss (EBIT) before non-recurring charges ²⁾	€m	-30.2	-40.8	26.0%
Employees (at year-end)		161	174	-7.5%

²⁾ Non-recurring charges include restructuring expenses of €3.2 million in 2014 and €20.2 million in 2014

Letter from the Board of Management

**Dear Shareholders,
Dear Employees and Friends of SGL Group,**

In 2015, we began the process of realigning SGL Group. Our growth strategy is now firmly focused on the two business units Composites – Fibers & Materials (CFM) and Graphite Materials & Systems (GMS). Because of the very difficult market environment, in particular for graphite electrodes, we will be legally separating our third business unit, Performance Products (PP). This will open up strategic options for safe-guarding this segment. We will also be taking further steps to align the capacities and the business model in the graphite electrode business to the changed market conditions.

The objective of this groupwide realignment is to return to profitable and sustainable growth. By 2020, we aim to have increased sales revenue from CFM and GMS, our two core business units, by 50% to approx. €1.1 billion. The objective is for earnings to increase at a faster rate than sales revenue and for return on capital employed (ROCE) to rise to at least 15%.

As well as changing the future strategic direction of SGL Group, we also made progress in operational terms last year. We successfully completed our SGL2015 cost savings program, having raised the original savings target of €150 million to €240 million in two steps. By the end of 2015, cumulative savings of €202 million had been achieved. And thanks to the measures that have been put in place, we are on course to make the remaining savings by the middle of this year. The key factor here was the rigorous implementation of organizational and structural initiatives throughout the Group. We also further streamlined our Company portfolio. By selling SGL Rotec in 2013 and HITCO last year, we withdrew from activities that we no longer perceive to be our core business because in the foreseeable future they would not achieve our minimum return criteria.

In the business unit Composites – Fibers & Materials, we made a long-awaited profit and in Graphite Materials & Systems we posted respectable results in spite of the challenging conditions. Both our future growth segments therefore generated an operating profit, as did the cathodes, furnace linings and carbon electrodes business in the Performance Products segment. The graphite electrode business performed disappointingly, slipping into the red in the fourth quarter because of the renewed downturn in the steel market.

Group sales revenue, which totaled approx. €1.3 billion, was at roughly the same level as in 2014 and therefore within our forecast, whereas operating profit before one-off items rose significantly, to €32.6 million. However, one-off charges for the sale of the aerostructure activities of HITCO, and impairment losses and restructuring costs, primarily in the graphite electrode business, led to a substantial net loss.

In the two business units Composites – Fibers & Materials and Graphite Materials & Systems our forecast for 2016 is for solid growth in an economically challenging environment. We also anticipate a stable performance from the business with cathodes, furnace linings and carbon electrodes in the Performance Products segment. However, the persistent price pressure on graphite electrodes will tarnish the overall picture. We therefore predict another after-tax loss at Group level.

We continue to work hard on the implementation of our strategic realignment. By the middle of the year we will have legally separated the business unit Performance Products – half a year earlier than originally planned. Therefore, we have already initiated the process of examining the strategic options. At the same time we are forging ahead with the projects that are designed to drive growth in the Composites – Fibers & Materials and Graphite Materials & Systems segments.

There's no doubt about it: Moving forward will not be easy. However, we have a clear plan that we are rigorously putting into action with the help of our committed employees.

Our special thanks go to them. They have gone through some tough times with us over the past three years. They have been active in shaping the change process and have lost none of their passion for their work and for our high-performance products.

Of course, our thanks also go to our loyal customers, suppliers, business partners and shareholders. We will do everything in our power to get SGL Group back on the road to long-term success.

Yours sincerely,

The Board of Management of SGL Group



Report of the Supervisory Board

Dear Shareholders,

The fiscal year 2015 was again dominated by the strategic realignment of SGL Group. Significant elements were the decision to accelerate the growth strategy in the business units Graphite Materials & Systems (GMS) and Carbon Fibers & Materials (CFM) and the decision to carve out the business unit Performance Products (PP). Further deterioration in the market conditions for the graphite electrodes business during the course of the year caused by overcapacity in China and the fall in the price of iron ore, forced the Company to examine further options, such as plant closures. Supported by the Supervisory Board, the Board of Management will continue its systematic reorganization of the Group to return to long-term profitable growth.

Focus of the Supervisory Board's Advisory and Monitoring Activities

The work of the Supervisory Board over the past year was again shaped to a large degree by the challenging economic conditions faced by SGL Carbon SE and its affiliated companies (SGL Group). As Chairwoman of the Supervisory Board, I myself maintained a regular and close dialog with the CEO to discuss business performance, planning, risk management, and also specific business-related issues.

At four meetings in March, April, September, and December 2015, and also at two extraordinary meetings in July 2015, the Supervisory Board provided the Board of Management with advice as well as closely and continually monitoring the management of the business. The Board of Management kept us informed in a regular, timely, and comprehensive manner. Where legislation and the Articles of Incorporation required the Supervisory Board to make decisions concerning individual transactions or actions by the Board of Management, we were consulted at an early stage and adopted the necessary resolutions.

Prior to these meetings, the Board of Management held discussions with the shareholder representatives and employee representatives on the Supervisory Board. The chairpersons of the Supervisory Board committees also talked with their Supervisory Board colleagues and with members of the Board of Management in preparation for the relevant committee meetings. When the Supervisory Board meetings were held, the Board of Management provided us with timely and comprehensive information – both verbally and in written form – on the agenda items being discussed. Any cases, where operating performance had deviated from budgets and targets, were explained in detail, which enabled us to discuss with the Board

of Management the reasons for these discrepancies and the appropriate action to take. In addition, the Board of Management provided regular reports on material transactions, the quarterly financial statements, and how SGL Group was perceived in the financial markets.

The Company's financial situation and the outlook for both the following quarter and the rest of the year were discussed at all Supervisory Board meetings. These deliberations covered, in particular, trends in the Company's operational and financial KPIs, the opportunities and risks facing the Company, and its risk management methods. The tough market and competitive conditions, especially in the graphite electrodes business, cost saving measures and the growth plans for the business units GMS and CFM presented by the Board of Management constituted key issues for deliberation and were the subject of regular, in-depth Supervisory Board discussions. Other important issues addressed by the Supervisory Board included the disposal of HITCO's aerostructures activities as well as short- and medium-term financial planning.

Given the difficult market conditions, the agenda at every meeting included a discussion of the problems faced by the graphite electrodes business and the possible corrective action.

At the meeting in March, the Supervisory Board discussed the 2014 annual financial statements with the external auditors and approved the annual report. The Supervisory Board approved the agenda for the Annual General Meeting, which also included the Nominating Committee's proposed candidates for election to the Supervisory Board as shareholder representatives. Following a report presented by the Board of Management on the status of negotiations relating to the disposal of HITCO, the sale was then approved in principle. At this meeting, the Supervisory Board also addressed the remuneration of the Board of Management, particularly the attainment of the targets for 2014 and the setting of new targets for 2015.

Items covered at the April meeting of the Supervisory Board included not only the current position of the business and the assessment of the Board of Management regarding the expected course of business over the rest of 2015 but also the re-election of Ms. Klatten as the Chairwoman of the Supervisory Board and the election of Georg Denoke – who had been newly appointed as a member of the Supervisory Board at the 2015 Annual General Meeting – as a member and also Chairman of the Audit Committee.

In July, two extraordinary meetings were held at which the Supervisory Board devoted its energies to discussing business performance and the economic conditions faced by the Company. Discussions focused on the business unit PP and possible strategic options. The Supervisory Board also debated the option of issuing a new convertible bond to fund the outstanding convertible bond due to mature in 2016 and authorized the Audit Committee to make the necessary decisions on its behalf. The Supervisory Board also gave its final approval for the sale of HITCO's aerostructures activities.

Following the successful placement of the new convertible bond at the beginning of September, the meeting of the Supervisory Board in the same month discussed the PP carve-out and progress made in the closing process of the sale of HITCO's aerostructures activities. The Supervisory Board also addressed corporate governance issues and targets for the proportion of women on the Board of Management of SGL Carbon SE. The Supervisory Board did not think there was much sense in making any changes to the Board of Management in the short term, and therefore decided to maintain the current status and set an initial target of 0% for the proportion of women on the Board of Management of SGL Carbon SE. Other notable items covered in this meeting included issues in connection with the remuneration system for the Board of Management and its appropriateness, as well as a standard limit on the duration of membership on the Supervisory Board. With regard to the latter, the Supervisory Board decided, among other things, to limit the duration of membership on the Supervisory Board to three periods of office under normal circumstances.

At its September meeting, the Supervisory Board also passed a resolution setting up a special committee for strategic issues. The committee's role is to work in close collaboration with the Board of Management, providing support and advice in all strategic issues facing the Company.

The December meeting focused on the Company's operational planning and budget for 2016, together with its medium-term planning. The Supervisory Board was also given an overview of the status of individual projects, particularly the planned PP carve-out.

Attendance at the six Supervisory Board meetings averaged more than 97%. Every committee meeting was attended by all the respective members. Every member of the Supervisory



Susanne Klatten, Chairwoman of the Supervisory Board

Board therefore participated in significantly more than half of the meetings of the Supervisory Board and of committees of which they were members. In the reporting period, there were no indications of conflicts of interest among the members of the Board of Management or the Supervisory Board that would have required immediate disclosure to the Supervisory Board.

Annual financial statements and consolidated financial statements 2015

Both at the Audit Committee meeting and at the Supervisory Board meeting held in March 2016, the Supervisory Board verified that the books and records, the single-entity financial statements of the parent company SGL Carbon SE prepared in accordance with the German Commercial Code (HGB) and the consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS), as adopted

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

At its meeting on March 22, 2016 the Supervisory Board also discussed the disclosures pursuant to sections 289 (4) and 315 (4) HGB. Please refer to the corresponding disclosures in the management report (pages 103 to 104). The Supervisory Board has examined these disclosures and is satisfied that they are complete.

Corporate Governance

At its September meeting, the Supervisory Board updated the corporate governance principles of SGL Carbon SE, taking into account the latest version of the German Corporate Governance Code (DCGK) which had been amended on 5 May 2015. The Governance and Ethics Committee, which is composed of three independent Supervisory Board members, held three meetings in the year under review. Further details regarding the principles of corporate governance applied in the Company by the Board of Management and by the Supervisory Board can be found in the Corporate Governance and Compliance Report on pages 22 to 27 of this annual report and in the corporate governance declaration on the Company's website at www.sglgroup.com under "Investor Relations/Corporate Governance".

The declaration of conformity adopted in September pursuant to section 161 of the German Stock Corporation Act (AktG) now no longer contains any exceptions at all to the recommendations of the German Corporate Governance Code. Further details relating to the declaration of conformity are included in the Corporate Governance and Compliance Report in this annual report and have been published on the Company's website at www.sglgroup.com.

Activities of the Committees

The Supervisory Board has set up a total of five permanent committees in order to ensure that its duties are discharged efficiently. The members of these committees are listed in the Corporate Governance and Compliance Report (see pages 23 to 24). The committee chairmen reported in detail on the work of these committees at the meetings of the Supervisory Board.

At its meeting in July 2015, the **Strategy and Technology Committee** addressed the strategic targets for the long-term profitable growth of SGL Group. The committee also held detailed discussions on the growth initiative for GMS and CFM, which aims to achieve an organic increase in sales revenue of approximately 50% in both business units by 2020. At the same time, the Strategy and Technology Committee discussed the plans for the legal separation of the business unit PP. The committee supported the Board of Management's proposed approach, which aims, in particular, to align the graphite electrodes business model with the specific market circumstances in the steel industry while at the same time keeping all strategic options open.

The **Audit Committee** met on four occasions in 2015 (in March, July, September, and December) and was also kept regularly informed prior to publication of the quarterly reports. The Audit Committee was responsible for the final decision on the issue and placement of the convertible bond in September 2015. When reviewing the quarterly financial statements, the Audit Committee also discussed ongoing issues relating to reporting and internal audit as well as any other special topics of current interest. All the meetings were also attended by the independent auditors to enable the Company's audit procedures, key audit issues, and material findings arising from audits of the annual financial statements to be discussed in a timely manner. At its July meeting, the Audit Committee discussed the financing situation, progress reports on the sale of HITCO's aerostructures activities, the negotiations with the Spanish tax authorities

regarding the findings of a tax audit, and also, in particular, EU reforms relating to the audit of financial statements. The September meeting mainly focused on the placement of the new convertible bond and further developments in connection with the closing process of the disposal of HITCO's aerostructures activities. Other significant items covered at the meeting included the structure of the risk management system, the way the system operates, and the review carried out by the corporate controlling department regarding the target attainment in capital investment projects. Key items covered at the March and December meetings included the annual financial statements and consolidated financial statements, the system for documenting and managing risk, the efficiency of the internal control system, and the audit fees for 2015. The Audit Committee also discussed the audits carried out in the year under review by the internal audit department, material findings from these audits and the audit plan for 2016.

The **Personnel Committee** held a total of four meetings, focusing on the attainment of targets by the members of the Board of Management, target agreements with the Board of Management, and the appropriateness of Board of Management remuneration. The Personnel Committee also addressed the issue of the proportion of women on the Board of Management.

The **Nominating Committee** held a meeting in March 2015 at which it debated the proposals to be submitted to the Annual General Meeting regarding the shareholder representatives on the Supervisory Board and recommended to the Supervisory Board that, at the forthcoming Annual General Meeting, Ms. Klatten and Mr. Eichler be proposed for re-election and Mr. Denoke be proposed for election for the first time.

The **Governance and Ethics Committee** held a total of three meetings in 2015, in March, September, and December respectively. In addition to the ongoing analysis of potential conflicts of interest in the Supervisory Board, the other main items covered by the committee were current issues arising in relation to the joint operations with the BMW Group. The committee received regular reports from the CEO to enable it to assess whether there were any conflicts of interest among members of the Supervisory Board or whether any major shareholders were exercising undue influence over business decisions. During the course of its investigations in the reporting period, the committee did not identify any matters that would have required further action.

Appointments to the Board of Management

There were no changes to the Board of Management of the Company in the reporting period.

Appointments to the Supervisory Board

At the Annual General Meeting in April, Ms. Klatten and Mr. Eichler were re-elected to the Supervisory Board. Mr. Georg Denoke was elected to replace Mr. Andrew Simon who retired.

Thanks from the Supervisory Board

We would like to take this opportunity to say a special thank you to Andrew Simon, who has worked tirelessly over many years for the benefit of the Company, both as a member of the Supervisory Board and as Chairman of the Audit Committee.

The Supervisory Board wishes to thank the Board of Management, the staff and the employee representatives of all SGL Group companies for their work, without which it would not have been possible to meet the challenges facing the Company's business in 2015.

Wiesbaden, March 22, 2016

The Supervisory Board



Susanne Klatten
Chairwoman of the Supervisory Board

Corporate Governance and Compliance Report

Responsible Corporate Governance

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

Shareholders and Annual General Meeting

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

Close cooperation between the Board of Management and the Supervisory Board

The Board of Management and the Supervisory Board of SGL Carbon SE work closely together in the interest of the Company and pursue the common goal of sustainably increasing the Company's enterprise value. SGL Carbon SE and SGL Group are managed by the Board of Management, which currently comprises three members. Its tasks include, in particular, defining the Company's objectives and its strategic orientation, managing and monitoring operating activities and setting up and monitoring an efficient risk management system. The Board of Management comprehensively informs the Supervisory Board in good time and on a regular basis on all of the relevant developments in the Company. Such developments primarily include current business trends, planning and strategy as well as risk and compliance management. In particular, it is the Supervisory Board's responsibility to monitor the fundamental business decisions made by the Board of Management and advise it on business matters. The Supervisory Board is directly involved in decisions of fundamental importance to the Company. Such decisions may include, for example, the

commencement of new operations, discontinuation of existing units, or issuance of bonds. The Supervisory Board of SGL Carbon SE consists of twelve members, including shareholder and employee representatives. All members of the Supervisory Board are appointed by the Annual General Meeting, which is required to vote for the employee representative candidates proposed by the employees. In accordance with the Articles of Incorporation of SGL Carbon SE, in the case of a split resolution, the Chairman of the Supervisory Board or, if the Chairman is unable to participate in a resolution vote, the Deputy Chairman representing the shareholders, has the casting vote. If necessary, the Supervisory Board can also meet without the Board of Management.

Objectives for composition of the Supervisory Board

In accordance with the requirements of the German Corporate Governance Code, the Supervisory Board defined the objectives for its composition in December 2010. According to the current version dated September 2015, the following objectives must be observed in the composition of the Supervisory Board:

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

The age limit for Supervisory Board members is generally 72. As a rule, members of the Supervisory Board should no longer be proposed as candidates for the Supervisory Board after the end of their third period of office. Periods of office resulting from appointment by the courts to the Supervisory Board are not considered. If a member of the Supervisory Board holds a material equity interest in the company according to Item 5.4.1 of the German Corporate Governance Code, controls any such material shareholder of the company, or acts as a representative for a material shareholder, there is a fundamental exception to the above rule, and there is thus no restriction on this member's candidacy. Each member shall ensure that he or she has sufficient time to fulfill his or her mandate. Supervisory Board members who also sit on the management board of a publicly traded company shall not accept more than three memberships in supervisory boards in publicly traded companies outside the Company and in supervisory bodies of companies with comparable requirements.

All members of the Supervisory Board have to be in a position to duly perform the duties of their office. At least one member shall be a financial expert with experience in the fields of financial accounting and/or financial auditing to ensure that all responsibilities associated with the Company's financial accounting are carried out properly. The Supervisory Board shall include members from different countries to reflect the business structure of SGL Group. Members of the Supervisory Board shall have experience in the fields of business SGL Group is active in, such as in the steel industry or the technology sector. The number of members with experience in technical fields (in particular the fields of chemistry and engineering) and the number of members with commercial backgrounds shall be well balanced. Furthermore, the Supervisory Board shall always have a sufficient number of independent members. Consequently, at least half of the shareholder representatives in the Supervisory Board shall be independent.

The Supervisory Board's objectives for its composition as set out above have been and will continue to be taken into account in the proposals for appointing new members to the Supervisory Board. The current composition of this body covers all necessary fields of expertise and is also in line with issues such as diversity and independence. With regard to a reasonable level of female participation in the Company's Supervisory Board, the "Gesetz für die gleichberechtigte Teilhabe von Frauen und Männern an Führungspositionen in der Privatwirtschaft und im öffentlichen Dienst" (Act on equal opportunities for women and men for executive positions in the private sector and the public service) dated 24 April 2015 even demands that the Company's Supervisory Board has at least 30% of both female and male members (subject to transitional rules for existing mandates).

Rules for possible conflicts of interest

Members of the Supervisory Board shall disclose any conflicts of interest to the Chairman and/or Deputy Chairmen of the Supervisory Board. This includes both concrete conflicts of interest, as well as sufficiently probable potential conflicts of interest. Any significant conflicts of interest of a Supervisory Board member that are not only temporary in nature shall lead to that member's resignation from the Board. In order to be able to deal suitably with any issues concerning (potential) conflicts of interest and, as suggested by shareholders, a new committee in the Supervisory Board was formed in September 2013: the Governance and Ethics Committee (see below in the section on

Supervisory Board Committees). There were no indications of conflicts of interest among the members of the Board of Management or the Supervisory Board in the reporting period that had to be disclosed to the Supervisory Board without delay. During the period under review there were also no contracts for advisory or other services between Supervisory Board members and the Company.

Relationships with related parties are presented in the notes to the consolidated financial statements **Note 27**.

Deductible for D&O insurance

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

Committees support the work of the Supervisory Board

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

Personnel Committee

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

Nomination Committee

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

Audit Committee

The Audit Committee consists of four members. Through to the Annual General Meeting on April 30, 2015 the Committee was chaired by Mr. Simon, who retired from the Supervisory Board at the end of this General Meeting. Mr. Denoke was elected as the new Chairman of the Audit Committee in the Supervisory Board meeting which followed the 2015 Annual General Meeting. Its other members are Dr. Bortenlänger, Mr. Leppek and Mr. Stettberger. The responsibilities of the committee include monitoring the Company's financial accounting process, risk management, compliance, and consequently its internal control and auditing system. In addition, it is in charge of carrying out its own review of the consolidated financial statements of SGL Group and the annual financial statements of SGL Carbon SE.

Furthermore, the committee is in charge of the relationship between the Company and its independent auditors. In this context, its main responsibility is to prepare the Supervisory Board's proposal to the Annual General Meeting for the appointment of the auditor. In doing so, it must ensure that the auditor is both qualified and independent. The committee also defines key audit issues, agrees on audit fees, and performs the preparatory work related to appointing the auditor. In connection with the issue of the convertible bond in 2015, the Supervisory Board also assigned to the audit committee the competence to take the Supervisory Board's final decision on executing this financing measure.

Strategy/Technology Committee

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

Governance and Ethics Committee

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

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

Systematic Risk Management

Since a responsible approach to risk is an integral part of all good corporate governance practices, SGL Group developed an appropriate risk management system early on. The system ensures that the Company's risk management and control procedures are adequate and effective. The concept is to identify any business or financial risks as early as possible so that appropriate countermeasures can be taken. The Company is working to enhance the system on an ongoing basis and adapt it to reflect changing circumstances. The Board of Management reports at regular intervals to the Supervisory Board and in particular to the Audit Committee on existing risks and their development. Further information on the risk management system (RMS) can be found in the report on opportunities and risks on pages 80 to 89.

Updated Declaration of Compliance

During the year under review, SGL Carbon SE's Board of Management and Supervisory Board dealt with constantly improving corporate governance in line with the recommendations in the German Corporate Governance Code and in particular with the changes to the German Corporate Governance Code resolved by the responsible government commission on May 5, 2015. On September 17, 2015, the Board of Management and the Supervisory Board issued the current version of the Declaration of Compliance pursuant to section 161 of the German Stock Corporation Act (AktG). SGL Carbon SE meets the recommendations of the German Corporate Governance Code, as amended:

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

"The Board of Management and Supervisory Board declare:

1. The last declaration of compliance was issued on December 17, 2014. Since then, SGL Carbon SE has complied with the recommendations of the "Government Commission on the German Corporate Governance Code" ("Regierungskommission Deutscher Corporate Governance Kodex") in the version dated June 24, 2014 (publication as of September 30, 2014) with the following exceptions:

■ Code section 4.2.2 (2) Sentences 2, 3: When measuring the remuneration for the Board of Management as part of the currently existing employment agreements for the Board of Management, the recommendation to consider the ratio of remuneration for the Board of Management to the remuneration for top-level executives and also the workforce as a whole, also over time, and in the comparison to ascertain how the executives and the relevant workforce is to be determined, was not implemented. When defining the current remuneration system for the Board of Management as of January 1, 2014, the review of the remuneration structure for top-level executives in the company had not yet been completed, and as a result, no corresponding decisions should be taken on this basis. An examination of the relative proportion of the remuneration of the Board of Management to the remuneration of the senior management and the workforce should take place only after the new remuneration system for senior management, which was implemented on January 1, 2015, has been effective for some time and has – according to the Supervisory Board’s assessment – provided a stable foundation for objective comparison.

2. The “Government Commission on the German Corporate Governance Code” (“Regierungskommission Deutscher Corporate Governance Kodex”) issued a new version of the German Corporate Governance Code on May 5, 2015 (announcement dated June 12, 2015). SGL Carbon SE also complied with the new version of the code as set out under Item 1 above, with the exception of a new recommendation in the revised Code Item 5.4.1 (2) Sentence 1. According to this new recommendation, the Supervisory Board shall define a company-specific limit for the period of membership to the Supervisory Board.
3. In today’s Supervisory Board meeting [September 17, 2015], the Supervisory Board resolved a limit within the meaning of Code Item 5.4.1 (2) Sentence 1 after in-depth discussion.

In addition, the appropriateness of the Board of Management’s remuneration according to Code Item 4.2.2 (2) sentences 2, 3 (vertical comparison) was acknowledged. As of today, SGL Carbon SE thus fully meets the recommendations in the “Government Commission on the German Corporate Governance Code” (“Regierungskommission Deutscher Corporate Governance Kodex”) in the Code version dated May 5, 2015.

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

Active and transparent shareholder communication

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

Directors’ Dealings

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

Directors’ Dealings in 2015

Date of transaction	Name of person	Type of security/right	WKN and International Securities Identification Number (ISIN)	Type of transaction	Price/(€)	Quantity	Total amount traded (€)
Supervisory Board							
Sept. 10, 2015	SKion GmbH	Convertible bond	A168YY/DE000A168YY5	Subscription	100,000.00	250	25,000,000.00

At year-end 2015, the members of the Company's Board of Management jointly held around 0.12% of shares, i.e., they neither directly nor indirectly held more than 1% of the outstanding shares in the Company. Supervisory Board members held approximately 27.35% of shares. Of this total, Susanne Klatten held around 27.35% through SKion GmbH.

Remuneration of the Board of Management and the Supervisory Board

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

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

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

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

The key elements of the remuneration system for the Board of Management and the individual remuneration for the members of the Board of Management and the Supervisory Board have been published in the remuneration report as part of the management report in this annual report (see pages 95 to 102).

Share-based incentive systems for SGL Group employees

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

Compliance as part of our management and corporate culture

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

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

Part of SGL Group's compliance organization is a network of regional and local compliance officers. In order to ensure the transfer of knowledge between the Compliance network and Group Compliance, telephone conferences are held once per quarter, and regional compliance conferences are held every two years. These platforms allow us to constantly further develop our compliance program while considering site-specific requirements and also to regularly train our compliance officers. The local compliance officers are the point of contact for employees at the respective sites for all matters pertaining to compliance, and they also support the compliance department

when introducing compliance initiatives at the various sites. This means that the compliance network is also used by the SGL Group initiative Information Security, spanning multiple departments. Local compliance officers support this initiative by increasing awareness of information security at the various sites, and introducing new information security topics throughout the group.

The SGL Group code of conduct and the guidelines on the whistleblower system are available in a total of ten local languages, and are issued to all new employees as part of their introductory documents. A signed copy of the confirmation that they will uphold SGL Group's code of conduct is filed in their respective employee file. All of SGL Group's employees participate in mandatory training on the code of conduct. This is held as both face-to-face training and also eLearning. In addition, during the year under review, a code of conduct for suppliers and sub-contractors was introduced, as SGL Group expects all of its sub-contractors and suppliers to undertake to equally act in a legal, ethical and sustainable manner.

As a result of changed local legislation and the increased requirements from international anti-corruption laws, the SGL Group guidelines for gifts and invitations was revised in 2015. This guideline is also available in several local languages and is also part of new employees' introductory documents. Last year, anti-corruption training was held as another key component of SGL Group's anti-corruption program. This training was initially introduced for purchasing and sales employees and in future it will also be offered for employees in the marketing and finance departments. Top-level executives receive training on this topic as part of the annual Group Communication Forum (GCF). As part of the SGL Group anti-corruption program, a Business Partner Compliance Process was introduced in 2013 to review all of the intermediaries used. This process includes having all of the intermediaries go through a multi-stage check prior to signing the agreement.

All of the compliance-relevant group-wide policies and training documents and information on the Compliance Network are available for employees to download in several languages from the SGL Group intranet. It provides all of SGL Group's employees with extensive information on all aspects of compliance. If an employee wants to issue a confidential notice of a potential compliance violation (whistleblowing), SGL Group's intranet includes a link to the confidential mailbox.

A comprehensive, global antitrust compliance program was introduced at SGL Group already in 2001. Regular mandatory training sessions form a material part of this program. These are offered as both face-to-face and eLearning training sessions. These mandatory training sessions are aimed at all of the executives in the top three levels of management in the group, as well as all purchasing, sales and marketing employees. A further module was added to the eLearning training offering in 2015. The target group is trained constantly, every two years, on cartel law. All new employees in this target group receive the SGL Group Antitrust Compliance Guideline with their introductory documents, and have to sign this.

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

Our compliance program for export control has been working with an IT-based compliance module since 2009. This supports the efficient monitoring of relevant export transactions. Furthermore, on site training sessions and workshops on export control compliance are held regularly. In addition, Web-based online training is also offered. It is mandatory for the target group to participate in training.

The Supervisory Board's Audit Committee addressed the Company's compliance report in detail at its meeting in December 2015. In addition, the Governance and Ethics Committee was also informed of the compliance activities.

Information on the auditors

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, office Eschborn, has been the statutory auditor of SGL Carbon SE and the SGL Carbon SE Group since the 2004 financial year (January 1, 2004 – December 31, 2004). Mr. Bösser has signed as the responsible Public Auditor since the 2013 financial year (January 1, 2013 to December 31, 2013).

For details on the statutory auditor's fees, please refer to page 176 of the 2015 annual report.

SGL Group in the Capital Markets

The shares of SGL Carbon SE were unable to keep pace with the overall positive stock markets trend in 2015. At the end of the year, our stock was down nearly 6% compared to the year-end 2014, closing at €12.94.

The performance of the key stock market indices was quite volatile in 2015, due, among others, to expansive central bank monetary policies across the globe, various geopolitical crises, and the success of a number of major IPOs. By contrast, the IMF's multiple downgrades of global growth expectations had an only limited impact on stock market performance.

Commodities prices lost considerable ground between the beginning and the end of 2015. The price of Brent crude dropped by 35%, and iron ore, which represents a major cost factor for some of our customers, fell by 43% to its lowest level in several years. The price decline is fundamentally based on oversupply in combination with slightly weaker overall demand in the emerging economies, particularly in China. The drop in commodities prices has been accompanied by a significant devaluation in the currencies of numerous emerging economies.

In the reporting year, stock markets in Europe were impacted by the European Central Bank's decision of January 22, 2015, to increase its bond purchasing program to €60 billion per month. Although the ECB's expansionary monetary policies helped a number of leading indices to a positive outcome for the year, this also led to lower returns on capital market debt products than have been seen for many years. The European base rate persisted at 0.05%, the same level as at the end of 2014. The euro depreciated significantly in value due to the ECB's expansionary policies, especially at the beginning of the year. Over the year as a whole, the currency lost around 10% in value against the US dollar.

In Germany, the DAX ended the year 2015 with a gain of 9.6% to 10,743 points. The 2015 gain was much more pronounced than the increase of 2.6% posted in 2014, due predominantly to the

impact of expansionary monetary policies. However, the above factors resulted in volatile performance for the DAX, which reached a record high of 12,375 on April 10, 2015. The DAX recorded its annual low of 9,428 in September 2015 as a result of weaker-than-expected economic data. The MDAX mid-cap index saw a much stronger rise of 22.7% during the reporting year, while the SDAX small-cap index – which includes the shares of SGL Group – gained even more with an increase of 26.6%.

Key figures for SGL Carbon SE shares

	2015	2014
Number of shares at year-end	91,806,502	91,422,526
High (€) ¹⁾	17.50	29.45
Low (€) ¹⁾	12.57	12.28
Closing price at year-end (€)	12.94	13.72
Market capitalization at year-end (€m)	1,188.0	1,254.3
Average daily turnover in Xetra trading (number of shares)	197,178	205,445
Free float (%)	approx. 37	approx. 37
Earnings per share (€) (basic)	-3.22	-3.26

¹⁾ Historical prices adjusted to reflect the capital increase

Relative share price performance



SGL Group shares performed in line with the positive stock market trend until the end of 2015

Despite the sustained difficult business conditions in 2015, our shares performed in line with the SDAX – albeit with some major fluctuation – until the beginning of November 2015.

The shares of SGL Group responded positively to the announcement made on April 24, 2015, that our carbon fibers would be used in the new BMW 7-series. The capital markets also responded well to our publication on July 7, 2015, with which we described the updated strategic realignment. In this context, we agreed on the legal separation of our business unit Performance Products and a growth initiative for the business units Graphite Materials & Systems and Carbon Fibers & Materials. On July 20, 2015, we announced the signing of an agreement to sell the Aerostructures activities of Hitco to Avcorp Industries in Canada. That announcement also gave our stock a good boost on the markets.

On November 3, 2015, we published our fourth-quarter earnings projection and an initial forecast for 2016. The updated projection was negatively impacted by another downturn in the steel markets and caused our shares to drop back again.

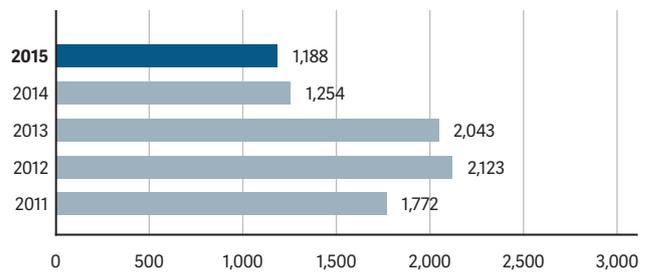
SGL Group shares reached an annual high of €17.50 on March 11, 2015. The annual low of €12.57 was recorded on December 21, 2015. As a result of the factors described above, the stock lost almost 6% in value over the course of 2015 and ended the year at €12.94.

In the initial weeks of 2016, our shares performed in line with the general downward trend on the stock markets. With partially high volatility, SGL Group’s shares fell more sharply than the SDAX index, mirroring the share price performance of steel, mining and oil companies. On February 8, 2016, our shares reached a low of €8.44 based on the daily closing prices. The stock price then made a considerable recovery to quote at €10.38 on February 15. However, that is still well below the closing price for 2015.

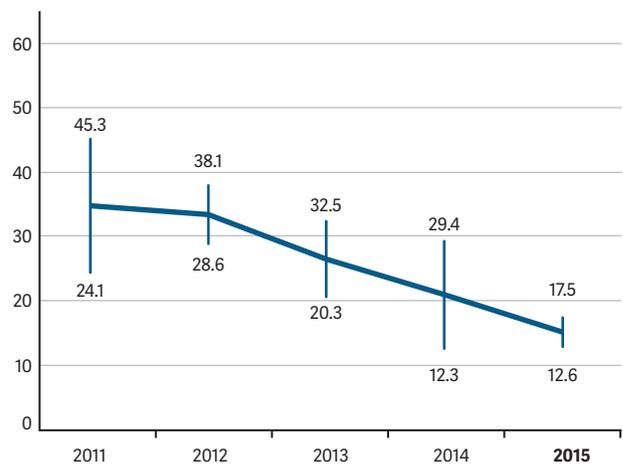
Share price performance in €



Market capitalization in €m



Highest and lowest price of the share¹⁾ in €



¹⁾ Historical prices adjusted to reflect the capital increase

Declining market capitalization due to low share price, trading volumes remain high

The decrease in the share prices of SGL Group resulted in a decline in market capitalization over the course of 2015. After reaching €1,254.3 million in 2014, market capitalization was down to €1,188.0 million at the end of 2015. As of December 30, 2015, the freefloat market capitalization of SGL Carbon SE was €463.9 million. This put the company in 68th place in the index rankings as calculated by Deutsche Börse AG, down from 66th place in the previous year (source: Deutsche Börse). Deutsche Börse calculates the index rankings using the average volume-weighted share price over the 20 days preceding the respective reference date. A total of 91,806,502 shares were in circulation as of December 31, 2015, approximately 0.4 million more than at year-end 2014. The rise in the number of shares was due above all to the capital increase carried out in the spring of 2015 for the purpose of issuing shares for the employee stock option plan.

Stable shareholder base

SKion GmbH, the investment company held by Susanne Klatten, remains the largest shareholder in our company with a stake of approximately 27.35%.

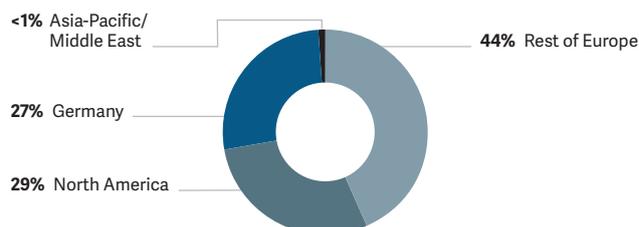
In addition, BMW AG and Volkswagen AG hold the following shareholdings subject to disclosure requirements based on the respective voting rights announcements:

BMW AG	October 15, 2014 ¹⁾	18.44%
Volkswagen AG	August 4, 2015 ¹⁾	9.88%

¹⁾ Date of the most recent voting announcement

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

Geographical distribution of institutional investors



According to a shareholder identification exercise carried out in March 2015, the geographical distribution of institutional investors was as follows: approximately 27% of our shares are held by investors in Germany, 44% in the rest of Europe, and 29% in North America. Other regions, such as Asia, the Middle East, and South America, are hardly represented in the shareholder base at well under 1%.

Business situation necessitates continued dividend suspension

Due to the accumulated loss reported by the parent company SGL Carbon SE in fiscal 2015, the Company had no capacity to distribute dividends. However, we are working with the utmost priority on making our Company sustainably profitable again. Only then will the payment of continuous, earnings-related dividends be possible.

2015 Annual General Meeting

A total of 69.46% of the voting capital was represented at the Annual General Meeting of SGL Carbon SE held on April 30, 2015 (2014: 72.37%). This equates to 63,764,214 shares and the same number of votes. A total of approximately 750 shareholders, shareholder representatives, and guests participated in our Annual General Meeting. All of the items on the agenda were approved by a large majority. The speech held by CEO Dr. Jürgen Köhler was again broadcast via the Internet. His speech and the results of all votes are available to our shareholders and other interested parties in the Investor Relations section of our website under the "Annual General Meeting" menu item. SGL Carbon SE's next Annual General Meeting will be held on May 18, 2016.

Intensive communication with the capital markets

As of mid-February 2016, SGL Group was being covered by a total of 11 German and international financial analysts (previous year: 14 financial analysts). Dialog with analysts focused on the Group's strategic realignment, the legal separation of the PP segment, the earnings situation in the current economic environment, and SGL Group's medium-term performance. In mid-February 2016, the analysts rated our shares as follows: six analysts issued a sell, underperform, or underweight recommendation and four analysts issued a hold or neutral recommendation. One analyst rated our stock as a buy with an outperform recommendation. The analysts' investment recommendations reflected a broad spectrum of price targets. On February 15, 2016, our shares closed at €10.38; the analysts' price targets ranged from €8.00 to €15.50.

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

Analyst coverage ¹⁾

Baader Bank

Bank of America Merrill Lynch

Bankhaus Lampe

Commerzbank

Deutsche Bank

DZ Bank

J.P. Morgan Cazenove

Kepler Cheuvreux

Landesbank Baden-Württemberg

MainFirst Bank

MM Warburg

¹⁾ As of February 15, 2016

We aim to provide all capital market participants with transparent, timely, and comprehensive information on SGL Group's current business position and its future prospects. With this objective in mind, we continued to vigorously pursue our investor relations activities in 2015. In more than 200 one-on-one meetings with analysts and investors in Germany and abroad, we gave a general overview of SGL Group and provided information on our strategic realignment, the legal separation of the PP segment – including details on the currently challenging graphite electrodes market – and on our growth prospects for the medium- to long-term future.

Capital market conferences and roadshows were our main forums for intensive, face-to-face dialog with institutional investors. All in all, we participated in twelve investor conferences and two roadshows in Germany and abroad in 2015. We expanded our activities aimed at bond investors during the reporting year and participated in several capital market conferences targeted specifically to that investor group.

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

The Investor Relations section of our website offers a wealth of information aimed above all at retail investors and interested third parties. In addition to the annual and interim reports, further materials such as presentations, press releases, and ad-hoc announcements can be found here. All notifications relating to directors' dealings and voting rights are also available online. Anyone who wishes to receive electronic versions of our financial reports and investor relations press releases may sign up to our e-mail distribution list.

Key data for SGL Carbon SE shares

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

Refinancing improves maturity profile

We considerably improved the maturity profile of our financing in the reporting year. On September 9, 2015, SGL Carbon SE issued a non-subordinated, unsecured bond with an option to convert to shares in SGL Carbon SE. The bond was issued in a principal amount of €167 million with a coupon of 3.5% p.a. and maturing on September 30, 2020. The initial conversion price was set at €18.6451, which corresponds to a premium of 30% on the reference price of €14.3424. The bond issue was offered to institutional investors outside of the United States, and the preemptive rights of existing shareholders of SGL Carbon SE were excluded.

Our anchor investors – SKion GmbH, BMW AG, and Volkswagen AG – had previously informed us of their intention to subscribe to up to 55% of the convertible bond, which approximately corresponds to the level of their equity investments in SGL Group at that time. As a result of the high demand from institutional investors, it was not possible to fully allocate the subscription requests of our anchor investors.

Most of the proceeds from the bond issue went towards refinancing the outstanding volume of €134.7 million (originally €190 million) of the convertible bond due in 2016 (coupon of 3.5%). An invitation was issued to current bondholders to offer their notes at a cash buyback price of 102% of the principal amount (equates to €51,000 per 2009/2016 bond). More than 80% of investors took advantage of the offer. The remaining holders of the 2009/2016 bond issue received a settlement as provided for in the bond conditions upon attainment of a minimum threshold for the outstanding principal amount.

Overview of SGL Carbon SE bonds

Performance of the 2013/2021 corporate bond and the two convertible bonds (2012/2018 and 2015/2020) varied greatly in the past year. Whereas the 2013/2021 corporate bond and the 2015/2020 convertible bond trended slightly downward over the course of the year in line with the decline in our share price, the 2012/2018 convertible bond registered a slight upward trend. Taken together, the bonds were quoted at slightly below their principal amounts at year-end 2015. The convertible bonds in particular were not able to decouple from the decline in our share price. The negative effects of heightened risk aversion in the market for high-yield bonds also had an impact.

Corporate bond

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

Convertible bonds

WKN	ISIN	Coupon	Maturity date
A1ML4A	DE000A1ML4A7	2.75%	January 25, 2018
A168YY	DE000A168YY5	3.5%	September 30, 2020

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



Further information on SGL Group, our shares and bonds

Contact our Investor Relations department:

Söhnleinstrasse 8
65201 Wiesbaden/Germany

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

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

We look forward to hearing from you!

Performance of convertible bond in €
(matures September 30, 2020)



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



Group Management Report

The fiscal year 2015 was a directional year for SGL Group, during which we laid the foundations for a successful future by further defining our strategic realignment. This Group Management Report provides detailed information on the business development and their underlying conditions in 2014 and also provides in-depth explanations of our financial position, net assets and results of operations. In addition, we also report on sustainability and SGL Group's entrepreneurial responsibilities, and provide an outlook on the anticipated development with its material opportunities and risks.

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SGL Group

Business model of the Group (organizational structure and business activity)

Legal structure of the Company

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

Business units and organizational structure

SGL Group is a globally active company with a workforce of 5,658 employees at the end of December 2015. We operate a total of 41 production facilities either independently or in cooperation with our joint venture partners, of which 22 are located in Europe, eleven in North America and eight in Asia. With a service network in more than 100 countries, we can flexibly accommodate the regional and industry-specific requirements of our customers. We consistently adapt to increasing globalization by developing new facilities, such as our carbon fiber plant in Moses Lake (USA), which we operate together with our joint venture partner BMW Group. The closure of production sites, such as the discontinuation of our graphite electrode production in Lachute (Canada), Narni (Italy) and currently Frankfurt-Griesheim (Germany), are also part of the process to adapt our production footprint to increasing globalisation.

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

As a manufacturer of carbon products, SGL Group supplies a broad range of industries. Carbon is characterized by excellent electrical and thermal conductivity, resistance to heat and corrosion, self-lubricating qualities and light weight combined with strength.

Due to these unique material properties, we sell to a wide spectrum of industries, ranging from the more traditional industrial sectors, such as the steel, aluminum and chemical industries, to newly developed future high-growth areas, such as the solar, lithium ion battery and LED industries.

In order to create additional synergies and to further streamline the organizational structure and processes, SGL Group has merged the former five to three business units as of January 1, 2015. In this context, the independent business units Graphite & Carbon Electrodes (GCE) and Cathodes & Furnace Linings (CFL) have been merged to form the business unit Performance Products (PP). The former business units Graphite Specialties (GS) and Process Technology (PT) now form the business unit Graphite Materials & Systems (GMS). The business unit Carbon Fibers & Composite Materials (CF/CM) initially remained unchanged and will continue to be presented in the reporting segment Carbon Fibers & Materials (CFM) together with the proportionately consolidated joint operations with the BMW Group (SGL ACF). As of January 1, 2016 Carbon Fibers & Composite Materials and the 51% interest in SGL Automotive Carbon Fibers (SGL ACF) were merged to form the new business unit CFM, under a single management. The name was changed at the same time. "CFM" now stands for "Composites – Fibers & Materials". This name better describes the CFM's newly defined business model. Materials competence and the global production network for fibers and materials will continue to form this business unit's foundations, and CFM will continue to systematically expand its approach towards developing composite materials for its various market segments. As a result, from fiscal year 2015, all of our operational activities will be bundled in the three reporting segments PP, GMS, and CFM.

The central and service functions, research activities and our SGL Excellence activities will continue to be included in the separate reporting segment T&I and Corporate (previous year Corporate and Others).

Resource allocation is decided at a business unit level and reviewed and approved by the Board of Management at its annual objectives meetings. These three global business units have comprehensive responsibility for the businesses, which

also includes direct responsibility for the results of their operations. In addition, the profitable growth of our business units is supported by our corporate functions and service centers, our research activities in the central R&D organization, Technology & Innovation (T&I), and our Six-Sigma-based SGL Excellence activities.

As part of the Group-wide SGL2015 cost savings program, the disposal process for companies and activities that are no longer part of the Company's core business was initiated. In June 2014, SGL Group's Board of Management resolved to sell HITCO Inc. (Gardena, USA). Accordingly, the former business unit Aerostructures (AS) was classified as discontinued operations in the consolidated balance sheet and in the consolidated income statement since June 30, 2014. The sale of HITCO's business with structural aircraft components ("Aerostructures") to Avcorp Industries Inc. (Canada) was signed on July 20, 2015, and the transaction closed on December 18, 2015.

On July 7, 2015, we resolved to legally separate the business unit Performance Products within SGL Group, in order to adjust the business model to the market's changed requirements, in particular for graphite electrodes, and to create flexibility for strategic options. Further information on the strategic reorientation can be found under "Management, objectives and strategy" on page 39.

Reporting structure

This annual report presents our business activities for the past fiscal years as well as the comments in the outlook based on the three business units set out above, which correspond to a total of four reporting segments together with the corporate functions: Performance Products (PP), Graphite Materials & Systems (GMS), Carbon Fibers & Materials resp. Composites – Fibers & Materials in the outlook (CFM) as well as T&I and Corporate.

Reporting on joint ventures

For strategic reasons, SGL Group holds interests in companies together with other shareholders. Some of these companies (e.g., SGL Qianhai Carbon, SGL Kumpers) are fully consolidated and included in the results of their respective segments. Our 51% share in SGL Automotive Carbon Fibers (Germany) and SGL Automotive Carbon Fibers (USA), our joint ventures with the BMW Group for the production of carbon fibers and carbon fiber based fabrics for the automotive industry, have been accounted for as joint operations and proportionally consolidated in SGL Group's financial statements based on its respective ownership interests, and in line with accounting standard IFRS 11 Joint Arrangements. In reporting, these activities will be presented together with CF/CM in the reporting segment CFM. In addition, SGL Group also holds the following material interests in companies accounted for using the equity method.

Material investments accounted for At-Equity (as of December 31, 2015)

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

You can find additional information on material investments accounted for at equity under **Note 8**.

Management and control

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

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

By way of a resolution of the Supervisory Board on December 19, 2013, a new remuneration system for the Board of Management was introduced on January 1, 2014. Details of the remuneration system and the remuneration received by the individual members of the Board of Management can be found in the remuneration report on page 95 ff.

Products, services and business processes

The core product of the business unit **Performance Products (PP)** consists of high-quality graphite electrodes utilized in electric arc furnaces that recycle scrap to produce steel. The share of electric arc furnaces in global steel production is currently approximately 22%. Graphite electrodes account for a relatively low proportion of total electric steel manufacturing costs (2–3%), but the electrodes' performance has a significant impact on the profitability of steel manufacturing. Graphite electrodes are consumable goods, which are consumed within six to eight hours of use and have to be constantly replaced during the continuous production process. In addition, this division produces high quality cathodes which are used to produce aluminum. In contrast to the electrodes, cathodes used in aluminum smelters have a life of up to approximately seven years, and are, therefore, considered capital goods. Carbon electrodes, which are used in other metallurgical smelting applications (e.g. silicon), as well as furnace linings for producing primary steel, which are also investment goods, round off the business unit PP. The business unit Performance Products has a global production network at its disposal with six production sites in Europe, two in North America, and one in Asia.

The business unit **Graphite Materials & Systems (GMS)** comprises a broad range of customized graphite-based products. Graphite components are manufactured, purified and, in some cases, refined by adding a special coating – all according to customer requirements. At present, product developments that support efficient power generation and energy storage, such as anode materials for lithium ion batteries, are enjoying strong growth. In addition, sales revenue in the business unit GMS is generated, first and foremost, from customers in the solar, semiconductor and LED industries, the chemical and automotive industries and in the areas of metallurgy and high temperature applications. The emphasis is on finished products with a high value-added content. These components are used, for example, in heating elements for monocrystalline production of silicon in the semiconductor and solar industries. In addition, solutions

are being offered for the automotive and other manufacturing industries in the form of bearing and pump components, as well as graphite based seals. So-called “expanded graphites” based on natural graphite are utilized in a large number of industries such as heating and air-conditioning equipment, chemical and automotive applications. In addition, it also offers high quality products and solutions for the chemical and pharmaceutical industries and the environmental sector, particularly with graphite heat exchangers, columns, pumps and systems.

Carbon Fibers & Materials (CFM) (from January 1, 2016: **Composites – Fibers & Materials**) bundles all of the material business based on carbon fibers and covers the entire, integrated value chain, from raw materials to carbon fibers and composite materials. Carbon fibers and carbon fiber composites will benefit sustainably from the substitution process for base materials. They are increasingly in demand as substitute materials for traditional materials because of their unique properties, such as the combination of lower weight and higher stiffness. Carbon Fibers & Composite Materials (CF/CM) focuses, in particular, on customers from the automotive, wind and other industries. The value chain in the business unit CF/CM is supplemented by our joint ventures Brembo SGL and Benteler SGL, which develop and produce fiber-based components and assemblies for the automotive industry. In our joint venture SGL ACF which we formed together with the BMW Group in 2009 (SGL Group’s participating interest: 51%) we produce carbon fibers at the facility in Moses Lake, Washington (USA) which are then further processed to become carbon fiber based fabrics at a second location in Wackersdorf (Germany). BMW Group uses this to produce components, for example for the passenger cell in the BMW i3 and i8, and also individual components for the 7-series.

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

Products and services of companies accounted for At-Equity

Brembo SGL

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

Benteler SGL

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

Major sales markets

The steel industry continues to be SGL Group’s largest customer industry. However, the proportion of SGL Group’s consolidated revenues for which it accounts once again fell substantially

last year to 30% after 35% in the previous year. This was primarily due to the significant downturn in prices and volumes in the graphite electrode business. As a result, the relative proportions accounted for by the other customer industries have increased slightly or remained stable. A notable factor in this regard is, in particular, the higher proportion of revenues generated with other metallurgical industries. This grew from 11% in the previous year to 14% in the year under review and is due, in particular, to higher cathode revenues in the business unit Performance Products. The proportion of sales with the automotive industry also increased during the past fiscal year from 7% (2014) to 9% (2015). This was due primarily to the substantially higher deliveries of carbon fiber fabrics to the BMW Group. The proportion of revenues accounted for by the semiconductor industry also increased slightly to 3% in 2015 compared to 2% in 2014.

Management, objectives and strategy

Internal management system

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

Key leading indicators for the anticipated development of operations in our business units include the actual or forecasted growth in important customer markets, incoming orders and corresponding capacity utilization in the Company.

In the business unit **Performance Products** these indicators generally show a reliable picture of anticipated developments for the current fiscal year. During difficult economic periods, such as at the start of the financial crisis in the second half of 2008, or the major increase in Chinese steel exports since 2013, which have caused steel production in the rest of the world to decrease, our customers' ordering behavior for our main product, graphite electrodes, has become increasingly short-term. By contrast, the business unit **Graphite Materials & Systems** serves a large number of industries.

Medium to long-term market and demand indicators for the reporting segment **Carbon Fibers & Materials** (from January 1, 2016: business unit **Composites – Fibers & Materials**) are available only to a limited extent, as developments are still highly project driven since these products are still at an early stage in their lifecycle. As a result, the business development of these activities is often affected by project delays. In spite of this, however, we believe that there is an increasing trend in substituting traditional materials with carbon fibers and carbon fiber based composite materials in a range of industrial applications, such as in the automotive and wind industries.

Vision

Our vision:

We are the leading Carbon Company

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

SGL Group – The Carbon Company

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

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

Broad Base. Best Solutions.

Our Broad Base is our strength and the value added we provide to our customers. It refers to our core competencies (high-temperature technology as well as materials, applications, and engineering know-how), our broad product portfolio, and our global presence with a worldwide sales network and 41 production sites in Europe, North America, and Asia. For instance, in our business unit Composites – Fibers & Materials, we are the only European company that covers the entire value chain from PAN precursor to carbon fibers and through to select composite components (e.g. for the automotive industry).

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

In many cases, our Best Solutions contribute to the development of solutions which lead to a continuous and sustainable reduction of greenhouse gases. The unique properties of carbon make it particularly suited for the implementation of global trends such as weight reduction as well as renewable

energy sources and higher energy efficiency. As a result, we generated slightly more than 50% of Group sales revenue during the reporting period from environmentally friendly, resource saving applications.

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

SGL2015 cost savings program

Since the middle of fiscal year 2013 we have been facing more difficult market and competitive conditions, and these already had a major impact on our earnings development in 2013. These include, in particular, unsatisfactory development in prices and volumes for graphite electrodes.

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

Originally, based on the actual costs in 2012, savings of approx. €150 million were to be recorded through the end of 2015. Around €69 million of this was already realized in 2013, and this figure was followed by a further €88 million in 2014. As a result, we increased the savings target in two stages to more than €200 million in September 2014 and €240 million in the first quarter 2015. Further cost savings of €45 million were generated in the year under review, and thus €202 million since the program was initiated. The remaining savings will be recorded in the first half of 2016.

The SGL2015 cost savings program was associated with non-recurring restructuring expenses, which we anticipated with a low triple digit million euro amount. A major proportion of these restructuring expenses (€84 million) were already included in the 2013 financial statements. Further restructuring expenses of €34 million and €9 million were incurred in 2014 and 2015. No further expenses in connection with SGL2015 are anticipated for fiscal year 2016. Of the restructuring expenses, approx. two thirds are cash-effective (of which approx. €46 million in 2014 and approx. €13 million in 2015). For 2016, a slightly lower figure is expected than in the year under review.

As part of SGL2015 we have now executed a large number of concrete activities to improve our operational and organizational structures and to restructure production sites. These include the closure of the graphite electrode production facility at our Canadian plant in Lachute at the end of the first quarter of 2014. In a second stage, during the second half of 2014, we discontinued our graphite electrode production in our Italian plant in Narni. On February 1, 2016 we publicly announced the closure of our German graphite electrode plant in Frankfurt-Griesheim.

We published the details of our organizational restructuring program on December 10, 2013. The core of the program involved streamlining our centralized and service functions and our management structures, as well as enhancing the operational role of our business units.

Throughout the Group, up to 300 jobs were affected by the planned restructuring activities. In addition to the planned job cuts, the sub-project of organizational restructuring was expected to reduce indirect spending by approx. €40 million by 2015. In addition, in November 2014, we announced further streamlining of our organizational structure to just three business units. By the end of 2015, 325 jobs had been eliminated and savings in indirect spending of €36 million realized.

A first measure announced on December 20, 2013 to optimize our portfolio was the sale of our rotor blade activities to a strategic investor. This sale was completed by the end of 2013. In July 2015 we signed an agreement on the sale of HITCO's business with aerostructure components (HITCO Carbon Composites, Inc., USA) to the Canadian company Avcorp Industries. This transaction closed in December 2015.

In order to further optimize our business processes, we launched an additional group-wide program called "Business Process Excellence (BPX)" in the beginning of 2015. This program aims to further simplify and standardize central processes, and thus realize additional sustained improvements. In the first stage, this program focusses on purchasing, supply chain management and sales.

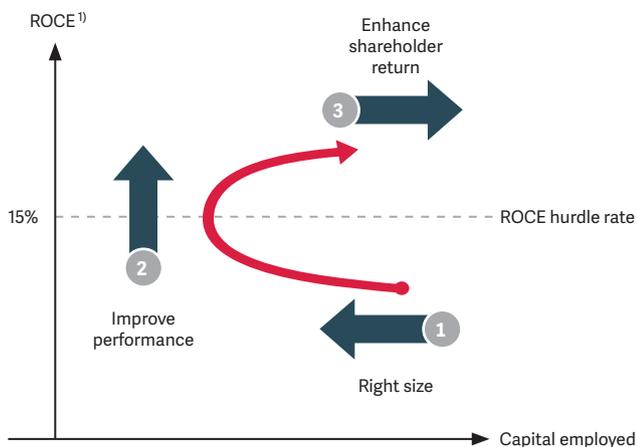
Further development of the strategic realignment

We already defined the key elements of our strategic realignment in the fall of 2014. The core element was transitioning the central KPI from return on sales (ROS¹⁾ to return on capital employed (ROCE²⁾), as this KPI more accurately reflects the profitability of our capital-intensive business and in future will lead to our capital expenditure being substantially more return oriented. In addition, the ongoing review of our portfolio is based on achieving the ROCE target over the medium term. In order to consistently implement this objective, the long-term incentive systems for both the Board of Management and also all of the top and middle-level executives have been geared to Group ROCE.

¹⁾ Based on EBIT

²⁾ Based on EBITDA; capital employed (CE) is defined as the sum total of goodwill, other intangible assets, property, plant and equipment, and working capital

Strategic realignment. Right size – Improve performance – Enhance shareholder return



¹⁾ Measured by EBITDA divided by capital employed

The strategic process comprises three elements which partially overlap. The first stage was to review the portfolio regarding which production equipment, products or businesses can reach the minimum profitability target in a certain period. The sale of the rotor blade and the aerostructures production of HITCO Carbon Composites and the termination of the joint venture with Lindner to market graphite radiant ceilings were decisions taken in this context. From the current perspective, further adjustments cannot be ruled out. The second stage comprises activities to improve earnings, initially summarized in the Group-wide SGL2015 cost savings program. In the third stage we will grow again, with sufficient capacity being available for most of our businesses due to the high level of investment in the previous years. From the current perspective, we believe that capital expenditure is potentially only required for highly select projects, such as for anode materials for the lithium ion battery industry, and only if our minimum ROCE target can be reached.

Financial targets

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

Return on capital employed (ROCE) ¹⁾	≥ 15%
-------------------------------------------------	-------

¹⁾ Based on EBITDA. Capital employed (CE) is defined as the sum of goodwill, other intangible assets, property, plant and equipment and working capital

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

Additional significant financial targets in the medium term are:

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

¹⁾ Ratio of net debt to shareholders' equity

²⁾ Ratio of net debt to EBITDA before non-recurring charges

Further strategic milestones for long-term profitable growth were defined in July 2015. A comprehensive growth initiative was resolved for the business units GMS and CFM, which aims to record organic revenue growth of approx. 50% until 2020 compared to 2014. In addition, selective external growth activities are planned to supplement our portfolio in terms of our technology and market positions. In addition, the business unit Performance Products (PP) will be made legally independent within SGL Group, allowing the unit to optimally adjust its business model to the changed market conditions, in particular for graphite electrodes. In addition, this step creates greater flexibility for strategic options.

Growth initiative at GMS and CFM:

Dynamic revenue growth planned through to 2020

The business units GMS and CFM are already characterized by dynamic market and product developments with substantial above-average growth potential. SGL Group is an enabler for its customers' production processes and products with its innovative carbon and graphite products, helping them to serve global mega-trends such as mobility, digitization, energy efficiency and urbanization. In so doing, customers are offered customized applications along the entire material value chain. In the business unit GMS, this includes, for example, anode material for lithium ion batteries and in CFM, this includes carbon fiber-based composite materials for use in areas including lightweight automotive construction.

Taken together, these two business units recorded revenues of €781 million in 2015 and EBIT before non-recurring charges of €43 million. GMS has recently already achieved its target returns, and CFM was able to turn around in the year under review and record a positive contribution to earnings. As part of the accelerated organic growth, the market position for both business units is to be expanded along the value chain, and processes and costs in the units will to be further optimized. Combined revenues are estimated to increase by approx. 50% until 2020, compared to the €737 million in 2014, while meeting the targeted minimum return on capital employed (ROCE) of 15%. In addition, we also plan to selectively use external growth opportunities. These will primarily serve to supplement the portfolio with regard to our technical competences and regional market positions.

Independence of PP: Streamlining the business model and flexibility for strategic options

PP's business model is increasingly moving toward standardized products for cyclical markets which offer long-term growth potential. We are taking this step based on the changed underlying conditions, in particular for graphite electrodes. The corresponding activities aim to ensure that this business unit is able to compete over the long term. At the same time, this business unit's independence will give it the opportunity to react flexibly to strategic options that may result in this

industry. This will give SGL Group the room to participate in possible future consolidation scenarios in the graphite electrode industry. Initially, we planned to complete legal independence at the latest by the end of 2016.

The renewed deterioration in the market conditions for graphite electrodes at the end of 2015 as a result of further increases in Chinese steel exports and a renewed drop in iron ore prices will lead to a substantial downturn in the earnings situation in the business unit PP in fiscal year 2016. This recent development demands rapid implementation and conscientious execution of the requisite activities. As a result, the technical carve-out of the business unit PP within SGL Group will be concluded significantly earlier than had been planned, around the middle of 2016. In addition, SGL Group has also accelerated the process to define and implement strategic options for PP.

At the same time, we have reviewed and decided on additional activities to optimize our sites, reduce our capacity, and also to further reduce staff as part of the adaptation of the business model – in this context, additional restructuring expenses of €82 million have been recognized in 2015, most of which are not cash effective. The closure of the graphite electrode plant in Frankfurt-Griesheim (Germany), which we announced on February 1, 2016, is to be seen in this context.

Share price performance in 2015

You can find a description of our share price performance as well as key indicators and other information on all aspects of our shares on pages 28–33.

Technology & Innovation

Our centralized research and development

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

T&I's research and development activities support SGL Group's strategic objectives and fall into the core areas of Carbon Fibers & Composite Materials, Future and Group Technologies, Graphite Materials & Systems as well as Performance Products.

Our research expenditure totaled €37.5 million in the past fiscal year (2014: €38.0 million), accounting for 2.8% of consolidated sales revenues (2014: 2.8%). At the end of 2015, there were 115 T&I employees (2014: 121).

Highlights from our development areas

We also continued our long-standing programs in **Carbon Fibers & Composite Materials** in 2015. These include "Air Carbon II", a project in which we develop innovative carbon fibers together with partners from the European aviation industry. We have successfully reached the planned milestones in this project. We have also successfully continued our development program for thermoplastic carbon fiber composite materials. This group of materials offers advantages compared to duroplastic matrix systems, such as shorter cycle times and improved recycling which should better enable industrial serial application and which makes them particularly interesting for use in automotive construction. From this group of materials, we successfully launched thermoplastic, unidirectional carbon

fiber tapes, long fiber reinforced thermoplastics as well as organic sheeting on the market in 2015.

We initiated a development project for a new type of tailor-made carbon fiber for thermoplastic applications in 2015. This is subsidized by the Bundesministerium für Bildung und Forschung (BMBF – Federal Ministry for Education and Research). This MAI CaFeE project (carbon fiber with enhanced elongation) will develop a carbon fiber with significantly enhanced elongation, and a surface structure which is optimally adapted to the already developed finish system.

We successfully completed several development projects for innovative semi-finished products such as optically transparent prepregs and expanding our snap cure portfolio. These open up new opportunities, for example, for customers in the automotive segment.

Future and Group Technologies was newly established in 2015 and is home to activities that are of group-wide and strategic technical importance. A key focus of our activities last year was identifying future activity areas. Based on a systematic analysis of global technology and mega-trends, our corporate strategy and also our core competences, we have selected four key technology areas. Greater focus on future activity areas aims to increase our innovational prowess over the medium to long term, and also to open up new opportunities for growth. We will continue to develop these four areas with studies and projects in 2016.

The expertise that we have built up over the years, and our competent advice on producing and developing gas diffusion media for fuel cells also led to a further positive development in 2015.

Our business unit **Graphite Material & Systems** develops, for example, components for future energy systems such as lithium ion batteries and redox flow batteries. In 2015 we once again expanded our technical competence for lithium ion batteries. In our close strategic alliance with Hitachi Chemical, the global market leader for synthetic graphite anode materials

for lithium ion batteries, we are working on optimizing costs while consistently maintaining high quality. In order to meet the future requirements for e-mobility, we are developing the next generation of anode materials for lithium ion batteries with increased storage density as part of funded projects together with partners. These batteries will enable a greater reach for electric vehicles.

In a customer-specific project with BMW, we have successfully developed anode materials with greater storage capacity. We have successfully production-tested a lower-cost version of the process to produce graphite anode materials for lithium ion batteries with support from the development department.

Our **Performance Products** projects aim to improve energy, as well as material and cost efficiency in the production processes and to develop alternative and improved materials. Modelling is one of our most important tools. We constantly test additional sources of raw materials and qualify new raw materials for production in order to improve the quality of our products and our cost situation.

We developed a new material for furnace bricks in 2015. This will be qualified in customer segments which we were previously unable to reach. In graphite electrodes, we have developed improvements in electrode column connections in steel plants and tested these successfully with customers.

Strategic industry alliances and research networks are the key to success

As part of the strategic alliance for synthetic graphite with the Technical University AGH in Krakow, several masters and doctoral candidates are working on long-term topics for raw material and process development as well as application modelling. In addition, SGL Group is an active member of the management bodies of international scientific carbon societies. Our involvement in the executive committee of the Arbeitskreis Kohlenstoff (AKK – Working Group for Carbon Materials) in 2015 focused on organizing and holding “The Annual World Conference on Carbon” in Dresden with approx. 600 international participants.

As a co-founder of the competence network for lithium ion batteries (KLiB), we are working together with companies including BASF, Bosch, Daimler and BMW on the development of lithium ion batteries for e-mobility and stationary energy storage.

SGL Group is an active member of Carbon Composites e.V. (CCeV) and is represented on its board. This association of companies and research institutions spans the entire value chain for high-performance composite materials in Germany, Austria and Switzerland. Since 2013 CCeV has formed the new umbrella organization for the German composites industry “Composites Germany” together with three other associations and organizations.

The professorship of Carbon Composites (LCC) endowed by SGL Group at the Technical University of Munich (TUM) is a hub for multinational projects with industrial partners. The existing networks, for example, with universities in Singapore, help us to internationalize our own development activities.

New patents were registered in all of our business units in 2015, in order to further protect our know-how.

T&I is SGL Group’s talent pool

Last year, T&I also fulfilled its task of winning new talents for the company. T&I supported a total of 41 diploma students, interns and student trainees in 2015. We are thus developing junior talents, in particular for engineering and materials sciences. During the past fiscal year, 9 excellently trained T&I employees transitioned to our business units to take over new positions and to reinforce networking within the company.

Economic Report

Overall economic and industry-specific underlying conditions

Economic conditions

In contrast to initial forecasts, the global economy failed to recover also in 2015. According to the International Monetary Fund (IMF), the growth rate of 3.1% instead of the anticipated 3.5% was even lower than in both of the two previous years. The global economy suffered, in particular, from China's weak growth. In addition, the year was also characterized by the continuing downturn in prices for oil and commodities, the higher value of the US dollar and high volatility on the financial markets. According to the IMF, the driving forces in established economies at 1.9% were not as strong as had been forecast (2.4%). The pace of growth for emerging and developing nations was not as strong as had been expected at 4.0% instead of the forecast 4.3%.

The global economy weakened in 2015

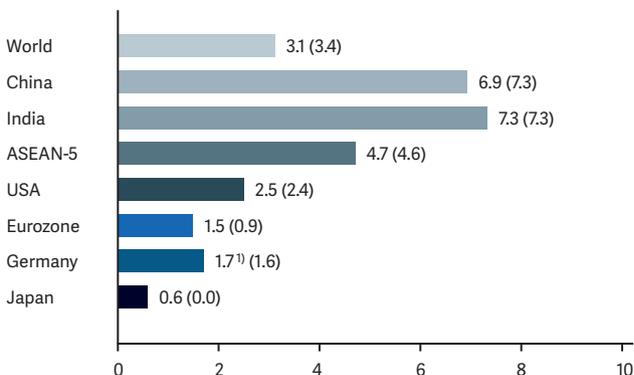
In the USA, the upswing gained pace after a weak first quarter. As a result of the subdued industrial sector (appreciation of the dollar, slump in the energy sector), the pace of growth was slower than had been hoped. The FED only initiated the long-awaited change in interest rate policy at the end of 2015. The ECB's further easing of monetary policy (start of the bond purchase program), the devaluation of the euro and falling energy prices boosted almost all countries in the euro area. The German economy enjoyed robust growth and was driven by private consumption and investments in capital equipment. In contrast, China's economic growth weakened perceptibly, which slowed growth significantly in neighboring and industrialized countries. Emerging economies in Southeast Asia (ASEAN-5) were not able to recover as hoped. Brazil and Russia fell into deep recession.

Development of key customer industries

Steel industry: China depresses the global steel market – no turnaround for electric steel

The World Steel Association (WSA) estimates that global steel demand fell by 1.7% in 2015 to 1,513 million tons (2014: plus 0.7%), and by 3.5% in China alone. According to the WSA, the production of crude steel fell by 2.8% globally to 1,623 million tons. China, which produces 50% of the entire volume of crude steel (almost exclusively blast furnace steel) only reduced production by 2.3% and exported heavily. Production also fell in the EU (minus 1.8%), Japan (minus 5.0%), USA (minus 10.5%),

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



Source: IMF, World Economic Outlook (update) from January 2016

¹⁾ German Federal Statistics Office

South Korea (minus 2.6%) and Brazil (minus 1.8%). The downturns were moderate in Germany (minus 0.6%) and Russia (minus 0.5%), and only India increased its output in 2015 (plus 2.6%). The global reductions were not enough to stabilize the market. Capacity utilization fell on average to 69.7% (2014: 73.4%) and steel prices fell again substantially. At the same time, blast furnace steel was boosted by the massive fall in iron ore (a good minus 40% in US dollars) and coal prices. In contrast, electric steel production is relevant for our graphite electrodes. Despite the fact that costs for steel scrap have halved in US dollars, electric steel production has not recovered in this environment. According to the Federation of the German Steel Industry (Wirtschaftsvereinigung Stahl) electric steel production even fell by 3.4% in Germany in 2015.

Excess aluminum production and price slump decelerate investment requirements

According to the International Aluminum Institute (IAI), global production of primary aluminum increased by 9.0% to 57.9 million tons in 2015. With the exception of North America (minus 2.5%), growth – in some cases substantial – was recorded in all key regions. The Aluminum Association put the decline in the USA at 7.2%, and the downturn in Canada remained moderate at 0.8%. In contrast, according to the IAI's information, manufacturers in Europe (Western: plus 4.1%, Eastern: plus 1.7%) and the Gulf states (plus 5.6%) have increased their production. Asia drove the growth in global output. China alone, which

produces more than half of the world's primary aluminum, raised its production by 15.1%. Asian countries outside China increased their production by 23.5%. Despite the 4% increase in demand, which was driven by industries including automotive and aviation, the aluminum market continued to suffer from the notable surplus supply. Aluminum prices fell substantially in 2015 – by a good 20% in US dollars. In view of the massive pressure on profitability, manufacturers outside Asia were reluctant to make investments.

Chemicals industry: Stable growth, continued subdued investments in Germany

The Verband der Chemischen Industrie (VCI – German Chemicals Industry Association) estimates that global chemicals and pharmaceuticals production increased again by 4.0% in 2015 and not the forecast 4.5%. Chemicals in China recorded much stronger production, up 9.5%, however the pace of expansion cooled down compared to the previous year. The industry recorded accelerated growth in particular in the USA (plus 3.5%), India (plus 4.5%) and Russia (plus 5.5%). In addition, Japan (plus 0.5%) returned to growth, albeit flat. In the EU, production growth slowed from 4.1% in the previous year to 3.0%. Growth for the chemicals and pharmaceuticals companies based in Germany was low again at 1.0% (2014: plus 0.7%), and thus had a dampening effect. Without pharmaceuticals (plus 4.5%), production in Germany fell by 0.5%, as was the case in the previous year. In addition to downturns in basic chemicals, output for consumer chemicals was also lower due to higher imports. This industry only increased its investments in Germany by 1.0%, and by 2.0% in other countries in 2015.

Lithium ion batteries: Double-digit growth, importance of e-mobility increases

To date, demand for lithium ion batteries has been mostly driven by consumer electronics (notebooks, tablets, smartphones). The automotive industry is now increasingly driving demand. In 2015, new registrations for electric cars in Western Europe increased by 103% to 185,266, and new registrations for hybrid cars rising 21% to 225,528 units (ACEA). Production of electric cars (including hybrids) in China increased by approx. 230% to 340,471 cars and trucks in 2015 according to information from the industry association CAAM. The Industry Ministry even put production for 2015 at 379,000. According to estimates by industry experts (TechNavio), the total market for lithium ion batteries is growing at 11.9% p.a., and even by

22.8% p.a. for electric cars. According to Navigant Research, the global market for materials for the production of high-performance batteries reached a volume of more than 8 billion US dollars in 2015, with annual growth of a good 11%.

Polysilicon: Photovoltaic boom drives manufacturers to further expand capacity

The end markets for polysilicon are the photovoltaic industry (PV), which accounts for a good 90%, and the semiconductor industry. Market researchers believe that the volume of newly installed PV systems worldwide has expanded from 53 GW to a good 58 GW as a result of the boom on the largest sub-markets of China and the USA. This constitutes growth of 20% to 33%. At the same time, the PV markets in Germany and Japan fell in 2015. Semiconductors, the second end market for polysilicon, stagnated in 2015 as a result of the weaker than expected demand for PCs, tablets and smartphones (plus 0.2%) according to information from the industrial association Semiconductor Trade Statistics. Driven by positive forecasts for dynamic PV growth in future, both the PV and also the capital-intensive polysilicon market regularly operate with free capacity, which is filled as demand increases. In 2015 manufacturers invested once again in expanding their polysilicon capacities.

Only slight growth in the automotive industry, lightweight construction comes into focus

According to information from the industry experts LMC Automotive, the global automotive market (light vehicles) only recorded slight growth in 2015 (production plus 1.6%, sales plus 1.2%). According to the Verband der Automobilindustrie (VDA – German automobile industry association), the three largest car and light vehicle markets of China (plus 9.1%), the USA (plus 5.8%) and Western Europe (plus 9.0%) recorded substantially higher sales figures in 2015 than in the previous year. In contrast, new registrations fell double-digit in Japan (minus 10.3%), Brazil (minus 25.6%) and Russia (minus 35.7%). Automotive production is increasingly focusing on electronic networking and, in particular, reducing exhaust emissions. This is driving electric mobility. The German automotive industry alone invested more than €14 billion in research and development for electric mobility in this regard in recent years according to the VDA. In the case of electric cars with combustion engines, consistently reducing weight plays a central role in addition to optimized drive technology. This can only be achieved using lightweight construction, benefiting our carbon fiber business.

Wind industry once again records double-digit growth

After its strong recovery in the previous year, the wind industry continued to grow in 2015 at a faster than forecast rate. In its April 2015 forecast, the Global Wind Energy Council (GWEC) predicted growth of 3.9% to 53.5 GW for the year. However, according to the World Wind Energy Association (WWEA) the global new installations accounted for 21.7 GW by the middle of 2015 alone (plus 23%). Given this basis, the WWEA is putting

new installations for the year as a whole at 57 GW (plus 7%). This growth is once again being driven by China, Brazil, India and the USA. However, new installations in Germany and other European countries were at a substantially lower level than in the previous year. The amount of capacity installed on the global market will reach approx. 428 GW (plus 15%) by the end of 2015 according to the WWEA.

Business overview

Fiscal year 2015 impacted by additional restructuring activities

We presented the following targets for the year in the previous annual report and at our year-end press conference in March 2015:

Outlook for 2015 as published in the 2014 Annual Report	Actual data for fiscal 2015	Target met
Sales revenue to remain almost unchanged compared with 2014	Sales revenue 1% below prior year	✓
EBIT before non-recurring charges to improve significantly compared with 2014	EBIT before non-recurring charges: €33 million (2014: €3 million)	✓
EBITDA to improve significantly compared with 2014	EBITDA: €121 million (2014: €84 million)	✓
ROCE _(EBIT) and ROCE _(EBITDA) before non-recurring charges to improve significantly compared with 2014	ROCE _(EBIT) at 2.4% (2014: 0.2%) ROCE _(EBITDA) at 9.0% (2014: 5.9%)	✓
Restructuring expenses in a high single-digit million euro range	Restructuring expenses amount to €82 million	–
Consolidated net loss from continuing operations significantly below 2014 level	Consolidated net loss of minus €199 million (2014: €128 million)	–
Cost savings in mid-to-high double-digit million euro range	Savings amount to €45 million	✓
Capital expenditure in 2015 significantly below prior year	Capital expenditure of €75 million (2014: €133 million)	✓
High negative free cash flow from continuing activities and significant increase in net debt	Negative free cash flow of minus €75 million; net debt of €534 million (2014: €390 million)	✓

Sales revenue 1% below prior year level

The positive sales trend in the reporting segments GMS and CFM was entirely offset by declining prices and demand for graphite electrodes in the reporting segment PP. Group sales revenue decreased by approximately 1% year on year (currency adjusted: minus 8%) to €1,322.9 million.

EBIT before non-recurring charges, EBITDA and ROCE_(EBIT) significantly improved

EBIT before non-recurring charges improved significantly to €32.6 million during the reporting period, compared with €2.7 million in 2014. This was based in particular on the encouraging trend seen in the reporting segment CFM, which showed

an EBIT-Turnaround from a loss of €22.5 million to profit of €9.3 million. The EBITDA trend was correspondingly positive, increasing from €84.1 million to €121.1 million, and the EBITDA margin also improved accordingly.

High restructuring expenses in 2015 from planned site closure

Restructuring expenses and other non-recurring charges doubled, from €41 million in fiscal year 2014 to a total amount of €82 million in fiscal year 2015. In addition to the measures that were already anticipated during the previous year, particularly in connection with SGL2015, the closure of another graphite electrode site was necessary in light of further deterioration in

the steel markets. As a result, the expenses reported during the year under review increased by €63 million.

Additional cost savings of €45 million achieved during year under review

After savings of €69 million in fiscal year 2013 and €88 million in fiscal year 2014, we succeeded in significantly increasing the cost savings resulting from our SGL2015 initiative in line with our projections. The savings for 2015 amounted to €45 million, and we expect additional savings in the mid-double-digit million euro range to again be attainable in 2016. We were therefore able to raise our total savings target (based on the actual costs in 2012) in two steps, from an initial amount of €150 million to more than €200 million in September 2014, and now to €240 million.

Investment volume adjusted in 2015

As projected, capital expenditure for intangible assets and property, plant and equipment decreased significantly during the year under review to approximately €75 million, down from €133 million in the previous year. The capital expenditure of about €70 million recognized in 2014 as a result of the expansion of carbon fiber and fabric capacities at SGL ACF (our joint venture with the BMW Group) was reduced significantly as planned to about €11 million in 2015 and is now completed.

Free cash flow impacted by one-off payments

Free cash flow from continuing operations improved to minus €74.9 million, compared with minus €121.3 million in the previous year. The root causes of the negative free cash flow were essentially one-off payments, such as a tax payment for prior years and payments made to terminate currency hedges. The above factors were only partially offset by the improved operating result and an additional €22 million reduction in working capital in fiscal 2015.

Key events impacting business performance

New convertible bond issued and 2009/2016 convertible bond redeemed

On September 9, 2015, SGL Carbon SE issued an unsecured convertible bond in an aggregate principal amount of €167 million that matures in September 2020. The convertible bond is convertible to approximately nine million shares and carries a coupon of 3.5% p.a. SGL Carbon SE used the proceeds from the

offering to refinance the repayment of the 2009/2016 convertible bond (whose outstanding principal amount was €134.7 million on the date the new convertible bond was issued), as well as for general corporate purposes. Within the framework of a repurchase invitation that expired on September 15, 2015, more than 80% of the outstanding amount of the 2009/2016 convertible bond was tendered for purchase against cash. SGL Carbon SE repaid the principal amount of the remaining convertible bonds in October in connection with its right to early redemption based on a minimal outstanding aggregate principal amount.

Considerable non-recurring charges in 2015

Weak demand and persistent price pressure in our business with graphite electrodes (GE) led to an event-driven impairment test on property, plant and equipment and other intangible assets at the end of fiscal year 2015. Consequently, SGL Group recognized non-cash impairment charges on non-current assets totaling €78.9 million in accordance with IFRS in fiscal 2015, attributable to the reporting segment PP. Further details can be found under **Note 7** in the notes to the consolidated financial statements.

In light of the further deterioration in the market for graphite electrodes, the closure of the graphite electrode site in Frankfurt-Griesheim was publicly announced at the beginning of February 2016. The closure will contribute to improving capacity utilization and the cost base of the remaining graphite electrode production network, and to safeguard the future of our business unit PP. The closure required additional restructuring expenses of €63.0 million as of the end of fiscal 2015. The operating model for PP is being adapted in an additional restructuring project. The new approach comprises a new sales strategy, optimized structures and adjustments to personnel resources (focusing on management and support functions), as well as measures to further optimize processes at our sites. The details concerning the transformation of PP will be agreed with the employee representatives during the first quarter of 2016. Restructuring expenses of €3.4 million relating to with the transformation measures were already taken into account as of year-end 2015.

To keep the Bonn site in our reporting segment GMS sustainably profitable, we initiated our Bonn2020 strategy during the summer of 2015. Bonn2020 aims to implement cost savings initiatives and develop a future strategy for the site. Measures were developed in collaboration with employee representatives, leading to restructuring expenses of €4.4 million in fiscal 2015.

For reporting purposes, impairment losses and restructuring expenses are all aggregated under the term “non-recurring charges.” For full-year 2015, such non-recurring charges totaled €160.9 million (2014: €51.2 million), comprising impairment losses of €78.9 million, restructuring expenses of €9.0 million incurred as part of the SGL2015 cost savings program, the measures carried out in Frankfurt-Griesheim (€63.0 million) and Bonn (€4.4 million), the adaptation of the operating model for PP (€3.4 million), and consultancy and other restructuring measures (€2.2 million).

Sale of HITCO’s aerostructures business leads to impairment loss

On July 20, 2015, SGL Group concluded an agreement with Toronto-listed Avcorp Industries Inc. (Canada) for the sale of the civil and military aerostructures business of our subsidiary HITCO Carbon Composites, Inc. (USA). HITCO’s materials business was not part of this transaction. The terms of the agreement resulted in overall negative disposal proceeds of USD 47 million (including repayments of customer advance payments and costs relating to various services to the benefit of the buyer). The related cash outflow was approximately €40 million, approx. €21 million of which was paid on closing in mid-December 2015. The remaining amount will be paid in two installments in 2016 and 2017. The agreement led to a loss on disposal of €65.5 million which is reported together with the operating loss of €30.6 million as discontinued operations in the income statement for fiscal year 2015.

Further streamlining of the organization as part of SGL2015 – reporting structure adjusted

As of January 1, 2015, our organizational structure was further streamlined within the framework of SGL2015, our Group-wide cost savings program, and our former five business units were merged to three operating business units. The restructuring will create additional synergies and will further streamline our organizational structure and processes within our units.

The business units Graphite & Carbon Electrodes (GCE) and Cathodes & Furnace Linings (CFL) were merged to form the operating business unit Performance Products (PP). For financial reporting purposes, and unchanged to prior periods, this business unit will be presented under the reporting segment with the same name, Performance Products. The former business units Graphite Specialties (GS) and Process Technology (PT) now form the business unit Graphite Materials & Systems (GMS), and will be reported as such. The business unit Carbon Fibers & Composite Materials (CF/CM) remained unchanged and continued to be presented together with the proportionately consolidated joint operations with the BMW Group (SGL ACF) in the reporting segment Carbon Fibers & Materials (CFM). As a result, since January 1, 2015, all of our operating activities have been bundled in the three reporting segments of PP, GMS, and CFM. Central and service functions, research and our SGL Excellence activities are now included in the separate reporting segment T&I and Corporate.

Financial performance of the Group

Income Statement

€m	2015	2014	Change
Sales revenue	1,322.9	1,335.6	-1.0%
Gross profit	248.6	221.0	12.5%
Operating profit/loss (EBIT) before non-recurring charges ¹⁾	32.6	2.7	> 100%
Operating profit/loss (EBIT)	-128.3	-48.5	> -100%
Result from investments accounted for At-Equity	0.5	-6.4	> 100%
Net financing result	-54.3	-49.5	-9.7%
Result before tax	-182.1	-104.4	-74.4%
Income taxes	-15.1	-21.4	29.4%
Non-controlling interests	-1.7	-2.0	15.0%
Consolidated net result (continuing operations)	-198.9	-127.8	-55.6%
Discontinued operations	-96.1	-119.2	19.4%
Consolidated net result (attributable to the shareholders of the parent company)	-295.0	-247.0	-19.4%
Earnings per share, basic (in €)	-3.22	-3.26	1.2%
Earnings per share, diluted (in €)	-3.22	-3.26	1.2%

¹⁾ Before restructuring expenses and impairment losses of €82.0 million and €78.9 million in 2015 and €40.6 million and €10.6 million in 2014

Sales development of the reporting segments

The 1% decrease in Group sales revenue year on year (currency adjusted: minus 8%) can be attributed to a significant decline of 9% (currency adjusted: minus 17%) in sales revenue in our

reporting segment Performance Products (PP), which was due to reduced prices and volumes for graphite electrodes. As a result, the share of our reporting segment PP in total Group sales revenue decreased to 40% (2014: 44%).

Sales revenue by segment

€m	2015	% of total	2014	% of total	Change
PP	533.4	40.3%	588.2	44.0%	-9.3%
GMS	453.5	34.3%	440.4	33.0%	3.0%
CFM	327.3	24.7%	296.4	22.2%	10.4%
T&I and Corporate	8.7	0.7%	10.6	0.8%	-17.9%
Total	1,322.9	100%	1,335.6	100%	-1.0%

In contrast, our reporting segment Graphite Materials & Systems (GMS) recorded a slight increase in sales of 3% (currency adjusted: minus 4%) year on year. While sales during the previous year benefited from a large order from a customer in the electronics industry, in 2015 it was the upturn in the photovoltaics and semiconductor markets in particular that had a positive effect on sales. The development seen in our project business for the chemicals industry was also above average. The share of our reporting segment GMS in Group sales increased from 33% to 34%.

Sales in our reporting segment CFM were also encouraging. The main reason for this was the ramp-up of various automotive programs. Taking HITCO's materials business into account, the 10% (currency adjusted: 4%) sales increase in our reporting

segment CFM surpassed the development seen in both of our other reporting segments, PP and GMS. As a result, CFM's share in Group sales increased from 22% in the previous year to 25% in 2015.

Overall, the sales development of SGL Group was negatively influenced by lower prices, particularly in our reporting segment PP, in a total amount of €63 million. Volume decreases (particularly in our reporting segments PP and GMS) also reduced Group sales by a total of €61 million. In contrast, currency translation gains (particularly as a result of the stronger US dollar) increased sales by €91 million year on year.

Please see pages 58–61 for details on the financial performance of our reporting segments.

Sales revenue by destination

€m	2015	% of total	2014	% of total	Change
Germany	266.2	20.1%	264.0	19.8%	+0.8%
Europe excluding Germany	325.0	24.6%	313.6	23.5%	+3.6%
North America	299.9	22.7%	310.7	23.2%	-3.5%
Asia	326.1	24.6%	317.4	23.8%	+2.7%
Rest of world ¹⁾	105.7	8.0%	129.9	9.7%	-18.6%
Total	1,322.9	100.0%	1,335.6	100.0%	-1.0%

¹⁾ Latin America, Africa, Australia

Sales revenue by region: Europe remains the largest sales market

The regional distribution of our sales revenue remained largely unchanged. Consequently, SGL Group's business activities continued to focus on Europe (€591.2 million; share in sales: 45%), in which Germany was the largest individual market with revenue of €266.2 million, equating to a 20% share in sales. In Asia, the Group's second-most important sales region, sales increased by 3% to €326.1 million in 2015 (2014: €317.4 million), representing the strongest trend seen in SGL Group's three major sales regions. Sales in the North American region decreased slightly by 3% year on year, while the region's share in Group sales remained at more or less the same level of about 23%.

Business in North America fell during the year under review, mainly due to the non-recurrence of a large order received from a client in the electronics industry in the prior year in our reporting segment GMS. This effect was partially offset by the strong US dollar. The positive sales trend seen in Asia was the result of an increase in deliveries to the lithium ion battery and the photovoltaic industry in our reporting segment GMS. Higher sales in the rest of Europe were primarily caused by better project business in our reporting segment GMS. The sales development in Germany was impacted by offsetting effects. Higher sales of composite materials in our reporting segment CFM largely offset the decrease in sales of graphite electrodes in Germany.

Sales revenue by origin

€m	2015	% of total	2014	% of total	Change
Germany	412.5	31.2%	429.6	32.2%	- 4.0%
Europe excluding Germany	580.6	43.9%	616.3	46.1%	- 5.8%
North America	245.5	18.5%	212.5	15.9%	+ 15.5%
Asia	84.3	6.4%	77.2	5.8%	+ 9.2%
Total	1,322.9	100.0%	1,335.6	100.0%	- 1.0%

In terms of sales origin, we continued to manufacture mostly in Germany (31%; 2014: 32%), the rest of Europe (44%; 2014: 46%), and North America (19%; 2014: 16%). The decrease in Germany and the rest of Europe was primarily the result of reduced sales due to lower demand for graphite electrodes. The increase in North America reflects the slightly higher deliveries of our joint operations with the BMW Group to manufacture carbon fibers. In Asia, the increase was caused by the increased activities of GMS in China and Japan.

New order development

The order intake situation was satisfactory in all business units during the course of 2015. All in all, the combined order level at our three business units at the end of 2015 was below that of the prior year in value terms due to price factors.

In our reporting segment **PP**, the order backlog for graphite electrodes at the end of 2015 was slightly below the level at the

end of the previous year. Due to contract negotiation delays, the order backlog for cathodes was also slightly below the high level seen at the end of the prior year. Demand in both of these areas is still coming in at lower price levels. Overall, we expect delivery volumes in 2016 to be on a level comparable to that of the previous year.

In our business unit **GMS**, we recorded a stable to slightly higher order intake in 2015 compared to the prior year. Demand from the solar sector and for electronic applications was particularly positive. The general upward trend seen in our business with lithium ion batteries remained intact, driven for the most part by increasing demand for e-mobility and stationary battery systems. In our Process Technology business, order intake was stable and the base business showed a slightly positive trend. This was offset by weak demand in fracking/shale gas, however, due to the drop in oil prices.

The order intake trend seen in our reporting segment **CFM** continued to be positive. Our projects for the automotive industry in particular showed a significant increase in sales. This is offset by lower sales revenues from acrylic fibers, as their price is closely linked to the lower oil prices.

Operating profit (EBIT) before non-recurring charges increases to €33 million

€m	2015	2014	Change
Sales revenue	1,322.9	1,335.6	-1.0%
Cost of sales	-1,074.3	-1,114.6	3.6%
Gross profit	248.6	221.0	12.5%
Selling expenses	-149.5	-145.0	-3.1%
Research and development costs	-37.5	-38.0	1.3%
General and administrative expenses	-57.4	-60.9	5.7%
Other operating income/expenses	28.4	25.6	10.9%
Operating profit (EBIT) before non-recurring charges¹⁾	32.6	2.7	> 100%
Restructuring expenses/other	-82.0	-40.6	> -100%
Impairment losses	-78.9	-10.6	> -100%
Operating profit/loss (EBIT)	-128.3	-48.5	> -100%

¹⁾ Before restructuring expenses and impairment losses of €82.0 million and €78.9 million in 2015 and €40.6 million and €10.6 million in 2014

SGL Group's sales revenue decreased by €12.7 million (1.0%) year on year. By comparison, the decrease in the cost of sales was somewhat greater at 3.6% year on year. In addition to lower prices for energy and raw materials, the significant drivers of this relative cost reduction in 2015 were in particular additional cost savings resulting from SGL2015. Depreciation on fixed assets, most of which is included in the cost of sales, increased to €88.5 million (2014: €81.4 million), mainly as a result of the completion of carbon fiber lines at SGL ACF. Despite tariff increases included in salary and wage costs, the personnel expenses included in the cost of sales were kept constant overall due to the lower number of employees. Gross profit improved accordingly by 12.5% to €248.6 million in fiscal 2015 (2014: €221.0 million).

During 2015, we continued to successfully pursue the SGL2015 cost savings program that we launched during the summer of 2013. SGL2015 generated savings of approximately €45 million during fiscal 2015 (2014: €88 million). The savings for fiscal 2015 include savings of approximately €18 million (2014: €25 million) from our SGL Excellence Initiative. The majority of the savings related to cost of sales, although the functional costs described below were also reduced. Total savings generated through SGL2015 add up to €202 million as of year-end 2015.

Other functional costs (selling expenses, research and development expenses, and general and administrative expenses) increased slightly more than sales revenue with a rise of 0.2% to €244.4 million year on year (2014: €243.9 million). The net amount of other operating income and expenses not attributable to functional costs amounted to income of €28.4 million in fiscal year 2015 (2014: income of €25.6 million).

Selling expenses increase more than sales revenue

Selling expenses rose by 3.1% (€4.5 million) to €149.5 million in 2015 (2014: €145.0 million), meaning that this cost item increased whereas sales revenue decreased. The main reasons for the increase were higher freight costs due to increased delivery volumes in the cathode business, as well as write-downs on customer receivables in our reporting segment PP. Freight costs also increased slightly year on year due to the stronger US dollar. Accordingly, the ratio of selling expenses (including freight costs) to sales revenue increased to 11.3%, up from 10.9% in the previous year.

R&D focusing on core activities

Our R&D activities are focused on developing components for future energy systems, the continued development of synthetic graphites, and on process optimization in the production of carbon fibers and carbon fiber composites. Focusing our research more on core activities helped us to reduce our research and development costs further to €37.5 million in fiscal 2015 (2014: €38.0 million). These costs continued to equate to 2.8% of sales (2014: 2.8%).

General and administrative expenses reduced by an additional 6%

During fiscal 2015, we once again reduced general and administrative expenses by an additional €3.5 million year on year, from €60.9 million in 2014 to €57.4 million in 2015. This equated to a further reduction of 5.7% during fiscal 2015, after the decrease of 17.3% that was already realized during the prior year. Overall, the savings achieved over a period of three years thus totaled approximately 33%, or more than €27 million, and relate in particular to our administrative offices in Wiesbaden (Germany) and Charlotte, NC (USA). The achieved savings from SGL2015 amounted to some €7 million during the year under review (2014: €11 million), and were primarily the result of lower personnel costs due to decreased employee numbers, adjustments to pension plans, and lower operating consultancy costs and travel expenses. Thus we once again managed to reduce general and administrative expenses more than proportionately to the sales decline in fiscal 2015.

Other operating income and expenses – net expense from currency hedges

The net amount of other operating income and expenses that cannot be attributed to functional costs was €28.4 million in fiscal year 2015 (2014: €25.6 million). That amount includes currency gains and losses, with a net expense of €3.3 million from hedging foreign currency positions in fiscal year 2015 (2014: gain of €4.8 million). The expense in 2015 primarily resulted from hedging transactions relating to amounts in US dollars and Japanese yen. The figure for the year under review also comprised cost charges to joint ventures of €8.7 million (2014: €9.2 million), income from the sale of fixed assets of €5.9 million (2014: €1.2 million), income from government grants for projects of €3.7 million (2014: €4.4 million), and insurance compensations of €2.9 million (2014: €0.8 million).

Restructuring expenses include additional plant closure costs for Frankfurt-Griesheim – SGL2015 savings targets exceeded

Restructuring expenses totaled €82.0 million in fiscal 2015 (2014: €40.6 million). The closure of our German graphite electrode plant in Frankfurt-Griesheim was announced on February 1, 2016 as a further substantial measure in our reporting

segment PP. Production will be wound down in stages during the course of 2016, which will contribute to improving capacity utilization and the cost base of the graphite electrode production network, and safeguard the future of our business unit PP. Our aim is to implement the downsizing connected with the closure in a socially responsible manner. Total restructuring expenses of €63.0 million have already been taken into account in 2015 for the closure of the graphite electrode plant in Frankfurt-Griesheim. Those costs consist of write-downs on fixed assets and inventories of €30.1 million as well as severance and liquidation costs totaling €32.9 million.

In order to keep the Bonn site in our reporting segment GMS sustainably profitable, we initiated our Bonn2020 strategy during the summer of 2015. Bonn2020 aims to implement cost savings initiatives and develop a future strategy for the site. Measures were developed in collaboration with employee representatives, leading to restructuring expenses of €4.4 million in fiscal 2015.

Once again in 2015, we were able to generate significant savings from our SGL2015 initiative, which has been ongoing since 2013. Combined with our SGL Excellence activities, we realized savings of €45 million (2014: €88 million) through optimizing our processes and sites. Consequently, we have managed to reduce our cost base by a total of €202 million compared with 2012. As part of SGL2015, a number of concrete measures have been defined to improve our processes, the organizational structure and to restructure our sites – measures that are either set to be implemented or are already in progress – leading to restructuring expenses of €9.0 million during the fiscal year 2015. These relate to costs connected with the closure of sites and ongoing management consultancy services.

Impairment losses

Impairment losses in fiscal 2015 solely comprised the €78.9 million impairment on non-current assets at PP. The previous year's figure comprised the €10.6 million impairment on goodwill in the graphite electrode business in our reporting segment PP. For more details concerning impairment losses, please refer to **Note 7** of the notes to the consolidated financial statements.

Operating profit (EBIT) before non-recurring charges increases to €33 million

EBIT before non-recurring charges increased to €32.6 million in 2015, up from €2.7 million during the previous year. The corresponding EBIT margin increased from 0.2% in 2014 to 2.5% during the year under review. After taking into account non-recurring charges totaling €160.9 million in 2015 and €51.2 million in 2014, the operating loss for fiscal year 2015 amounted to €128.3 million, down from an operating loss of €48.5 million in 2014.

€m	2015	2014	Change
Operating profit/loss (EBIT)	-128.3	-48.5	> -100%
Result from investments accounted for At-Equity	0.5	-6.4	> 100%
Net financing result	-54.3	-49.5	-9.7%
Result before tax	-182.1	-104.4	-74.4%
Income taxes	-15.1	-21.4	29.4%
Non-controlling interests	-1.7	-2.0	15.0%
Consolidated net result (continuing operations)	-198.9	-127.8	-55.6%
Discontinued operations	-96.1	-119.2	19.4%
Consolidated net result (attributable to the shareholders of the parent company)	-295.0	-247.0	-19.4%
Earnings per share, basic (in €)	-3.22	-3.26	1.2%
Earnings per share, diluted (in €)	-3.22	-3.26	1.2%

¹⁾ Before restructuring expenses and impairment losses of €82.0 million and €78.9 million in 2015 and €40.6 million and €10.6 million in 2014

Result from investments accounted for At-Equity improves significantly

The result from investments accounted for At-Equity improved significantly during 2015, increasing to €0.5 million after a loss of €6.4 million in 2014. The continued positive business performance of Brembo SGL outweighed the losses incurred by the

Benteler SGL joint venture in 2015. The operating result associated with our equity investments in Benteler SGL and Brembo SGL increased accordingly to €1.8 million (2014: minus €0.3 million). Our SGL Lindner joint venture continued to have a negative impact on earnings. In this regard, we decided together with Lindner at the beginning of 2015 to discontinue the SGL Lindner joint venture aimed at marketing graphite-based cooling ceilings.

€m	2015	2014	Change
Total sales revenue of investments accounted for At-Equity ¹⁾	246.5	220.4	11.8%

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

Our reporting segment CFM accounted for by far the majority (€245.9 million) of the aggregated, unconsolidated sales revenue of our investments accounted for At-Equity in fiscal year 2015 (2014: €215.8 million; 100%-aggregated, unconsolidated values of each of the companies). Those revenues are not included in the sales revenue of SGL Group.

Brembo SGL: increasing demand leads to higher earnings

Our joint venture with Brembo for the production of carbon ceramic brake discs continued to increase its deliveries in fiscal 2015, leading to sales growth of 17% compared with the prior-year period. The production facilities in Meitingen (Germany) and Stezzano (Italy) continue to operate near full capacity. The operating profit realized in fiscal 2014 increased further during the course of 2015.

Benteler SGL focusing on series orders

In our joint venture with Benteler, a continued volume increase was seen in series production for structural components and leaf springs made from fiber-reinforced plastics at our new plant in Ort (Austria). In contrast, some smaller contracts for series production expired, meaning that overall sales was on the same level as the prior-year period. Earnings continue to be affected by start-up costs at our plant in Ort, and were thus also on the level of the previous year.

Increase in financing costs due to non-recurring income in the previous year

€m	2015	2014	Change
Interest income	0.9	1.0	-10.0%
Interest expense	-29.5	-29.4	-0.3%
Imputed interest on convertible bonds (non-cash)	-9.6	0.7	> -100%
Imputed interest on finance leases (non-cash)	-1.2	-1.3	7.7%
Interest expense on pensions	-9.3	-10.9	14.7%
Interest expense, net	-48.7	-39.9	-22.1%
Amortization of refinancing costs (non-cash)	-3.2	-2.8	-14.3%
Foreign currency valuation of Group loans (non-cash)	1.8	-1.6	> 100%
Other financial income/expenses	-4.2	-5.2	19.2%
Other financing result	-5.6	-9.6	41.7%
Net financing result	-54.3	-49.5	-9.7%

Despite a continuing drop in interest rates and lower average liquidity, interest income remained nearly constant at €0.9 million in 2015 (2014: €1.0 million).

Interest expense in particular reflects the cash interest component (coupon) of the corporate bond (interest rate: 4.875%) and the two convertible bonds (2015/2020: interest rate of 3.5%; 2012/2018: interest rate of 2.75%). In addition, the interest on investment projects capitalized in accordance with IFRS reduced interest expense by €2.1 million (2014: €2.6 million). At €29.5 million, cash interest expense remained constant overall compared with the previous year (2014: €29.4 million). The average cash interest rate was 4.1% p. a. in 2015 (2014: 3.8% p. a.).

The non-cash imputed interest on the convertible bonds is established by approximation of the below-market coupon with the comparable market interest rate at the time the convertible bonds are issued. The net interest expense in fiscal

2014 benefited from a positive imputed interest effect relating to the investor put option on the 2009/2016 convertible bond that was not exercised in 2014, improving the balance of the non-cash imputed interest/discount components in the previous year by €9.6 million.

The imputed interest for a heritable building right agreement also resulted in interest expenses that we report separately in the net financial result and which decreased slightly to minus €1.2 million (2014: minus €1.3 million). Because of decreasing discount rates, the interest expense on pensions was less than the prior-year level in the reporting year at €9.3 million (2014: interest expense of €10.9 million), despite the increase in the present value of defined benefit obligations. All in all, net interest expense increased by 22.1% to €48.7 million as a result of the imputed interest effect mentioned above, compared with the prior-year figure of minus €39.9 million.

In addition to the non-cash expense for amortization of the refinancing costs from 2012, 2013, and 2015, the other financing result includes the effects of market valuations of interest rate and currency hedges for Group loans, currency translation income and expenses arising from intercompany and external local loans, and other financial income and expenses. Overall, the other financing result amounted to minus €5.6 million in 2015 (2014: minus €9.6 million). The amortization of accrued refinancing costs resulted in an expense of €3.2 million during the year under review (2014: €2.8 million). Foreign exchange gains and losses from financing our subsidiaries resulted in an income of €1.8 million, compared with an expense of €1.6 million in 2014. The other financial expense of €4.2 million in fiscal 2015 (2014: expense of €5.2 million) primarily included the costs associated with the early redemption of the 2009/2016 convertible bond (€4.0 million), and the write-off of a financial investment in the previous year (€4.8 million).

The net financing result (excluding the result of investments accounted for At-Equity) thus declined by 9.7% in the reporting period to minus €54.3 million (2014: minus €49.5 million).

Adjusted for one-time effects, the net financing result improved by 7.1% to minus €50.4 million in fiscal 2015, from minus €54.0 million in 2014.

Group tax expense at €15 million

The income tax expense amounted to €15.1 million in the reporting period, down significantly from the tax expense for the prior year of €21.4 million. The tax expense in fiscal 2015 is the result of additional write-downs on deferred tax assets relating to loss carryforwards in the USA due to reduced earnings expectations in the relevant three-year forecast horizon. During the previous year, the tax expense was also affected by write-downs on deferred tax assets. In the year under review, tax payments amounted to €47.1 million (2014: €7.0 million). The increase year on year is due to payments of €34.7 million resulting from the conclusion of tax audits. Sufficient precautions had already been taken to mitigate the risks associated with tax audits through the recognition of provisions in previous years, meaning that the payments did not have a negative effect on earnings in fiscal 2015.

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

Decrease in non-controlling interests

Non-controlling interests (minority interests) comprise our minority partners' share in the operating result (including impairment losses). Within our Group, minority shareholders relate in particular to SGL Kumpers, SGL A&R Immobilien-gesellschaft in Lemwerder (Germany), and SGL Tokai Process Technology Pte. Ltd. Altogether, our minority interests amounted to €1.7 million (2014: €2.0 million).

Discontinued operations impacted by Aerostructures

Until its disposal in December 2015, the former business unit Aerostructures (AS) was shown under discontinued operations in the consolidated income statement. The net loss of AS for the period of €30.6 million plus the write-down of €65.5 million on the anticipated disposal proceeds resulted in a loss from discontinued operations of €96.1 million in fiscal 2015. The loss from discontinued operations of €119.2 million recognized in fiscal 2014 included the write-down of €82.5 million and AS loss for the period of €36.7 million.

Consolidated net loss at €295 million due to high non-recurring charges

Including non-controlling interests, the consolidated net loss for the year attributable to shareholders of the parent company amounted to €295.0 million, compared with a consolidated net loss of €247.0 million in 2014. Based on the average number of shares of 91.7 million (2014: 75.7 million shares), basic earnings per share decreased to a loss per share of €3.22 (2014: loss per share of €3.26). No diluted earnings per share were calculated due to the loss situation in fiscal years 2015 and 2014.

Overview on financial performance

€m	2015	2014
Sales revenue	1,322.9	1,335.6
EBITDA before non-recurring charges	121.1	84.1
Operating profit/loss (EBIT) before non-recurring charges	32.6	2.7
in % of sales revenue	2.5%	0.2%
Consolidated net profit/loss (attributable to shareholders of the parent company)	-295.0	-247.0
in % of sales revenue	-22.3%	-18.5%
Earnings per share, basic (in €)	-3.22	-3.26

Net result of SGL Carbon SE

In 2015, SGL Carbon SE, the parent company of SGL Group, reported a net loss for the year of €396.2 million (2014: net loss of €286.9 million) in accordance with the German Commercial Code (HGB). The high loss was the result of transferred losses from subsidiaries, caused by high write-downs on financial assets and the carrying amounts of investments. The net loss for the year and the accumulated loss of €351.4 million from 2014 resulted in a total accumulated loss of €747.6 million in fiscal 2015.

Financial performance of the reporting segments

Performance Products (PP): Development continues to be impacted by declining graphite electrode prices and volumes

€m	2015	2014	Change
Sales revenue	533.4	588.2	-9.3%
EBITDA (before non-recurring charges) ¹⁾	57.6	65.1	-11.5%
Operating profit/loss (EBIT) before non-recurring charges ¹⁾	19.4	26.0	-25.4%
Operating profit/loss (EBIT)	-132.5	5.6	> -100%
Return on sales ²⁾	3.6%	4.4%	-
Payments to purchase intangible assets and property, plant and equipment	30.5	27.1	12.5%
Cash generation ³⁾	67.0	64.2	4.4%
Depreciation and amortization	38.2	39.1	-2.3%
Number of employees (at year-end)	1,845	1,990	-7.3%

¹⁾ Non-recurring charges include restructuring expenses of €73.0 million and impairment losses of €78.9 million in 2015, and restructuring expenses of €9.8 million and goodwill impairment loss of €10.6 million in 2014

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

³⁾ EBITDA less payments to purchase intangible assets and property plant and equipment as well as changes in working capital

The electric steel segment relevant to our graphite electrode business continued to be plagued by weak demand during the year under review. The main cause of the continued low demand for graphite electrodes was rising overproduction in China of blast furnace steel, which was increasingly exported overseas at very low prices due to low domestic demand. This led to a decrease in the production of electric steel, whose share in global steel production only amounted to 22% after as much as 30% in the past. In addition, the dramatic drop in iron ore prices resulted in a temporary deterioration in the relative cost structure in electric steel production compared to blast furnace steel production. The resulting decline in demand for graphite electrodes and the associated price pressure led to a 9% decrease in sales in our reporting segment Performance

Products (PP) to €533.4 million in fiscal 2015 (2014: €588.2 million). Adjusted for currency effects, the decline was 17%. The strong revenue increase from cathodes and furnace linings was only able to compensate for a small portion of the decline in graphite electrode sales.

EBIT before non-recurring charges in our reporting segment PP decreased by 25% to €19.4 million during the reporting period due to the factors described above, compared with €26.0 million in 2014. During the first nine months of 2015, however, EBIT before non-recurring charges was still improving as forecasted thanks to sustained cost reductions. It was not until the steel market took another sharp downward turn in the fourth quarter that earnings for full-year 2015 were pushed below the prior-year level. As a result, we were not able to achieve the targets we had set at the beginning of the year, to slightly increase sales revenue and considerably improve earnings in the full year 2015. The disproportional decrease in EBIT before non-recurring charges compared to sales revenue can be mainly attributed to decreases in graphite electrode prices and volumes. In contrast, the income situation in the cathode business remained positive due to the good order level. Although prices were also on the decline in the cathode market, we were able to decouple from the negative sector trend thanks to our cost-effective production structure and our broad product portfolio. The savings generated by SGL2015 amounted to €20.2 million, €8.1 million of which was attributable to our SGL Excellence initiative.

As a result of the factors described above, the return on sales before non-recurring charges decreased slightly to 3.6% for full-year 2015 (2014: 4.4%).

As reported earlier, the graphite electrode plant in Lachute, Canada in the reporting segment PP was closed down at the end of the first quarter of 2014 in connection with our SGL2015 cost savings program. On February 13, 2014, we announced our intention to close our Italian graphite electrode production facility in Narni, including the associated administrative offices in Lainate. This was the second major initiative associated with our SGL2015 program. Our production was scaled

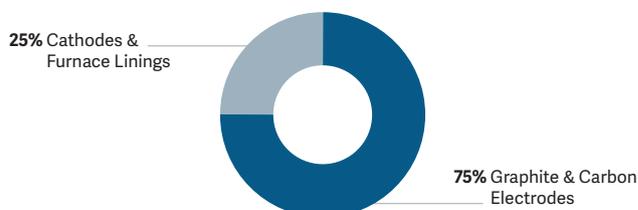
back during the first half of 2014, and permanently stopped during the second half of the year. Following another deterioration in conditions in the fourth quarter of 2015, especially in the electric steel market, we publicly announced the closure of our German graphite electrode site in Frankfurt-Griesheim at the start of February 2016. Production will be scaled back gradually, and we expect to be able to vacate the site by the end of 2016. By shutting down the three graphite electrode plants in Canada, Italy, and now Germany, we have adapted our production network to reflect the market development.

Most of the expenses incurred for the closure of our sites in Lachute and Narni were already included in the 2013 financial statements, whereas the expenses for shutting down the Frankfurt-Griesheim plant were recognized in the reporting year. This led to restructuring costs of €73.0 million in the reporting segment PP in fiscal year 2015 (2014: €9.8 million). In addition to the expenses for closing the Frankfurt-Griesheim plant, a small portion of the restructuring costs related to SGL2015 and the legal separation of the business unit PP. In 2014, the remaining goodwill of €10.6 million in Graphite & Carbon Electrodes was written down at the end of the reporting period, and an impairment loss of €78.9 million was recognized for property, plant and equipment and other intangible assets in 2015. Accordingly, non-recurring charges in 2015 totaled €151.9 million (2014: €20.4 million), and EBIT after non-recurring charges amounted to minus €132.5 million (2014: plus €5.6 million).

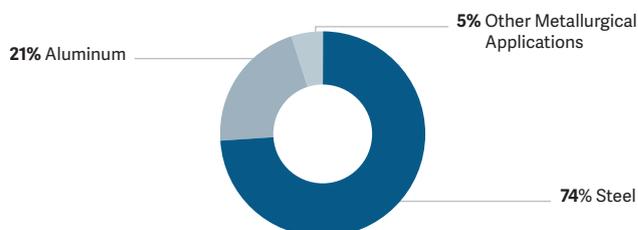
Capital expenditure increased to €30.5 million, up slightly from the prior-year level of €27.1 million. The 2015 capex related primarily to our site in Ozark, Arkansas (USA), where the graphitization process is being rebuilt to enable the plant to be operated in a significantly more cost-effective and environmentally friendly manner once work is completed. Investments were also made in necessary maintenance and environmental protection measures.

Since having officially opened our new fully integrated plant for graphite electrodes and cathodes in Banting (Malaysia) in September 2012, we have been gradually increasing our graphite electrode production at the plant. However, the weak market conditions in Southeast Asia have also affected our Banting site, meaning that production volumes in 2015 did not reach the targets that we had originally set.

Distribution of sales, 2015 (PP)



Sales revenue by customer industry, 2015 (PP)



Graphite Materials & Systems (GMS): Sales revenue and earnings development impacted by major contract in prior year

€m	2015	2014	Change
Sales revenue	453.5	440.4	3.0%
EBITDA (before non-recurring charges) ¹⁾	56.6	61.5	-8.0%
Operating profit/loss (EBIT) before non-recurring charges ¹⁾	34.1	40.0	-14.8%
Operating profit/loss (EBIT)	28.9	38.8	-25.5%
Return on sales ²⁾	7.5%	9.1%	-
Payments to purchase intangible assets and property, plant and equipment	15.2	12.6	20.6%
Cash Generation ³⁾	27.0	45.1	-40.1%
Depreciation and amortization	22.5	21.5	4.7%
Number of employees (at year-end)	2,504	2,641	-5.2%

¹⁾ Non-recurring charges include restructuring expenses of €5.2 million in 2015 and €1.2 million in 2014

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

³⁾ EBITDA less payments to purchase intangible assets and property plant and equipment as well as changes in working capital

Sales revenue in our reporting segment Graphite Materials & Systems (GMS) increased as forecasted by 3% to €453.5 million during the period under review, up from €440.4 million in the prior year. On a currency-adjusted basis, sales revenue decreased by 4%. A major project-related order from a customer in the previous year was the main reason for the decline in the reporting period after adjustment for currency effects. Most other customer industries either stabilized or showed a slight improvement in sales revenue. This was particularly the case for the solar, semiconductor, and LED industries (from a low prior-year base) and the chemicals industry relating to our Process Technology business (plant components for chemicals processes), where we benefitted from a major order. Our business with customers in the lithium ion battery industry remained at a good level. However, the further drop in oil prices in the fourth quarter led to a difficult situation for many customer industries.

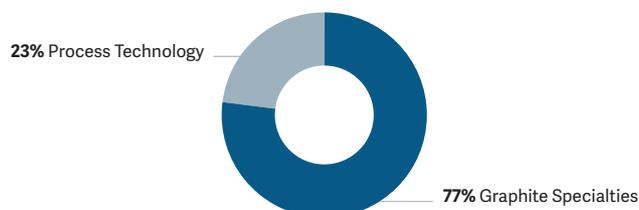
The reduction in manufacturing capacity at our plants – due primarily to the loss of the major order received in the prior year – resulted in lower earnings in the reporting segment GMS. EBIT before non-recurring charges decreased accordingly, declining by 15% to €34.1 million in fiscal year 2015 (2014: €40.0 million), and thus falling slightly below the expectations we had set at the beginning of the year under review. The sales margin (before non-recurring charges) decreased to 7.5%, putting it slightly below the level of the prior-year period (2014: 9.1%).

Cost savings from SGL2015 totaled €14.1 million in the year under review, €8.2 million of which was attributable to our SGL Excellence initiative.

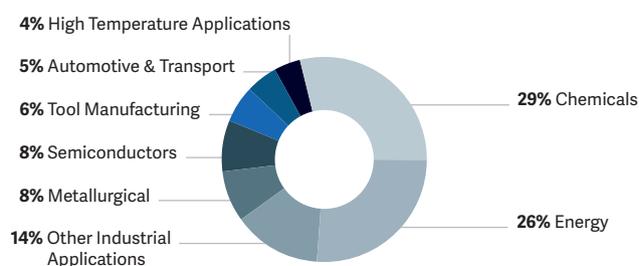
Restructuring expenses of €5.3 million were incurred in the reporting segment GMS in fiscal 2015 (2014: €1.2 million), mainly due to site optimization measures in Germany. Consequently, EBIT after non-recurring charges amounted to €28.9 million in fiscal 2015 (2014: €38.8 million).

Capital expenditure increased somewhat over the previous year to €15.2 million (2014: €12.6 million) and focused on replacement and maintenance capex, especially at our sites in Poland and in Morganton, NC (USA). Smaller expansion projects were additionally carried out, particularly in Poland and in Bonn, (Germany).

Distribution of sales, 2015 (GMS)



Sales revenue by customer industry, 2015 (GMS)



Carbon Fibers & Materials (CFM): Positive earnings contribution for the first time

€m	2015	2014	Change
Sales revenue	327.3	296.4	10.4%
EBITDA (before non-recurring charges) ¹⁾	30.0	-8.8	> 100%
Operating profit/loss (EBIT) before non-recurring charges ¹⁾	9.3	-22.5	> 100%
Operating profit/loss (EBIT)	8.8	-33.0	> 100%
Return on sales ²⁾	2.8%	-7.6%	-
Payments to purchase intangible assets and property, plant and equipment	26.6	90.2	-70.5%
Cash generation ³⁾	-25.4	-84.6	-70.0%
Depreciation and amortization	20.7	13.7	51.1%
Number of employees (at year-end)	1,148	1,139	0.8%

¹⁾ Non-recurring charges include restructuring expenses of €0.5 million in 2015 and €10.5 million in 2014

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

³⁾ EBITDA less payments to purchase intangible assets and property plant and equipment as well as changes in working capital

Sales revenue in our reporting segment CFM increased by 10% (currency adjusted: 4%) in the past year to €327.3 million (2014: €296.4 million). After adjusting for HITCO's materials business, sales revenue rose slightly as expected (by 3% to €307.0 million). Customers in the automotive and wind energy sectors registered moderate growth, whereas sales revenues in textile acrylic fibers declined slightly due to lower raw materials costs relating to the price of acrylonitrile.

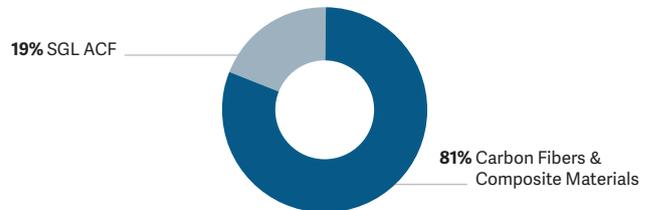
As forecasted, EBIT before non-recurring charges improved significantly to a positive €9.3 million in the reporting period, up from minus €22.5 million in the prior-year period. The considerable improvement in the earnings situation of the reporting segment was due to the completion of the development and start-up phase along with enhanced productivity at SGL ACF, a joint operations with the BMW Group, as well as to the significant improvement in capacity utilization at our carbon fiber plants. Return on sales therefore registered a substantial improvement to 2.8% after minus 7.6% in the previous year.

Cost savings from SGL2015 amounted to €4.1 million at CFM in the past year, €2.1 million of which was attributable to our SGL Excellence initiative.

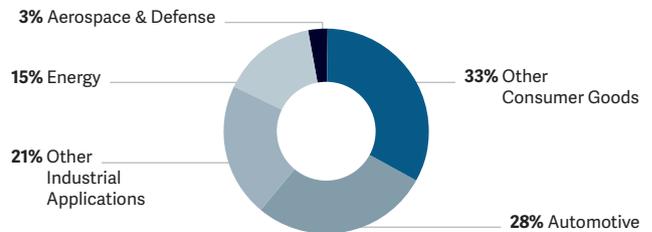
Minor restructuring expenses of €0.5 million were recognized in the reporting year (2014: €10.5 million). Overall, EBIT after non-recurring charges amounted to €8.8 million in our reporting segment CFM in fiscal 2015 (2014: minus €33.0 million).

As planned, we scaled back capital expenditure from €90.2 million in 2014 to €26.6 million in the reporting year. The lower capex level was mainly due to the completion of the carbon fiber and fabric capacity expansion at SGL ACF, our joint operations with the BMW Group. Investments in the reporting year focused on expanding manufacturing capacities at SGL Kämpers to enable production for the new BMW 7-series as well as measures at Fisipe in Portugal to convert the existing acrylic fiber lines to precursor production in the future. At SGL ACF, most of the capital expenditure went to the carbon fiber plant in Moses Lake, WA (USA).

Distribution of sales, 2015 (CFM)



Sales revenue by customer industry, 2015 (CFM)



T&I and Corporate: SGL2015 brings major improvement

€m	2015	2014	Change
Sales revenue	8.7	10.6	-17.9%
EBITDA (before non-recurring charges) ¹⁾	-23.1	-33.7	31.5%
Operating profit/loss (EBIT) before non-recurring charges ¹⁾	-30.2	-40.8	26.0%
Operating profit/loss (EBIT)	-33.5	-59.9	44.1%
Number of employees (at year-end)	161	174	-7.5%

¹⁾ Non-recurring charges include restructuring expenses of €3.3 million in 2015 and €19.1 million in 2014

EBIT before non-recurring charges improved significantly to minus €30.2 million in the reporting segment T&I and Corporate compared with minus €40.8 million in the previous year, despite nearly unchanged expenditure for Group research (Technology & Innovation, T&I). The improvement is above all attributable to the successful application of SGL2015 to corporate functions. As a result of this development, we exceeded the expectations we had set at the beginning of the year.

SGL2015 resulted in savings of €6.6 million in the reporting segment T&I and Corporate, mostly due to the implemented personnel measures and lower travel expenses. The savings generated by SGL2015 in the reporting year do not include any additional amounts from our SGL Excellence initiative.

Non-recurring charges amounted to minus €3.3 million in the period under review (2014: minus €19.1 million). The prior-year costs mainly comprised one-time payments made in conjunction with legal disputes and expenses incurred as a result of personnel changes on the Board of Management as of June 30, 2014. EBIT after non-recurring charges thus improved significantly to minus €33.5 million, up from minus €59.9 million in the prior year.

Financial position

Financial management

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

The primary objective of financial management at SGL Group is to maintain the Group's financial strength and to ensure solvency at all times. Group Treasury, a centralized function at

SGL Carbon SE, the Group holding company, governs worldwide financial management activities and is supported in its activities by employees at our local subsidiaries.

Liquidity management

Operational liquidity management is centrally coordinated and managed in close cooperation with our subsidiaries on a global basis. Insofar as permitted by legal and economic constraints, the major portion of cash in readily convertible currencies is concentrated at SGL Carbon SE, the Group holding company, by means of global cash pooling structures, and is used to balance intercompany liquidity needs. The majority of internal trading and clearing transactions is automated and settled via a central in-house cash center without the need for external bank accounts. The Group holding company acts as a clearing center for the Group companies participating in this process. In fiscal year 2015, 30 Group companies participated in the central in-house cash center (2014: 29). Weekly settlement of supplier invoices is also handled through the global in-house cash center insofar as permissible, thus allowing central management of a large portion of the Group's global cash outflows. In fiscal year 2015, an average of approximately 77% of global supplier payments were handled centrally (2014: 74%). In addition, SGL Group constantly endeavors to increase the efficiency and transparency of payment transactions by maintaining a high degree of standardization and implementing continuous improvement processes. In order to safeguard the standards we have attained, we work with monthly KPIs (key performance indicators), which allow us to constantly measure the degree of payment transaction standardization we have achieved and the related average costs, as well as to continuously improve our system.

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

Our financing agreements include stipulations regarding the investment of available cash funds. The stipulations form the basis for all cash investments. Another area we focus on with regard to the investment of cash funds is ensuring sufficient liquidity to cover cash flow fluctuations during the fiscal year and ensuring the financial stability and systemic relevance of our business partners. When investing funds, we also take the performance and success of collaboration with our business partners in recent years into account (core bank concept).

Group financing

Group financing is geared to the strategic business plans of our operating business units as well as to central Group planning. SGL Group gives constant attention to the financing opportunities presenting themselves on the financial markets and to trends in the availability of funds and the respective financing costs. Various sources of financing and financing options are examined on a regular basis to ensure that the Group's financing requirements are covered at all times with due consideration to the Group's financing objectives. We strengthened our liquidity position by issuing a convertible bond in the amount of €167 million in the third quarter of 2015 and buying back the convertible bond falling due in June 2016 prior to maturity. Our cash equivalents totaled €250.8 million at year-end 2015, giving us a more than sufficient liquidity reserve for fiscal year 2016.

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

Market price risk

In order to limit finance-related market price risk, particularly currency and interest rate risk, SGL Group utilizes both primary and derivative financial instruments. Derivative financial instruments are used exclusively to mitigate and manage financial risk. In the context of foreign currency management,

SGL Group concentrates on hedging transaction risks from future expected operating cash flows. In doing so, we consider the following major risk exposures:

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

Currency forwards and standardized (plain vanilla) options are the instruments used by the Group to hedge currency risk. Interest rate hedging is not necessary at present given our use of mostly fixed-interest financing instruments, for which reason no interest rate hedges were entered into in fiscal year 2015. The anticipated risk from currency fluctuations has been adequately hedged for fiscal year 2016. Internal guidelines specify the conditions, responsibilities, and controls required for the use of derivatives. Further details on hedging instruments and the effects of hedging can be found in **Note 28** of the notes to the consolidated financial statements.

Debt financing analysis

SGL Group's financing is primarily composed of a corporate bond in the amount of €250 million (coupon of 4.875%, maturing in 2021), a convertible bond in the amount of €240 million (coupon of 2.75%, maturing in 2018), and the convertible bond issued in fiscal year 2015 in the amount of €167 million (coupon of 3.50%, maturing in 2020). In addition, the Group still has the credit facility in the amount of €200 million, which remains undrawn as of the reporting date. The facility runs until the end of 2017.

All in all, undrawn credit facilities amounting to €206.6 million (2014: €246.1 million) were available to SGL Group at year-end 2015 to cover working capital and capital expenditure. Cash funds amounted to €250.8 million as of December 31, 2015 (2014: €347.5 million).

Since 2004, SGL Group has commissioned rating agencies Moody's and Standard & Poor's (S&P) to prepare issuer ratings, which support both private and institutional investors in evaluating the Group's credit quality. At present, SGL Group has ratings of B2 (Moody's) and B (Standard & Poor's), both with a negative outlook. The corporate bond issued by SGL Group was awarded a rating of BB- by S&P due to its top-ranking collateral structure (2014: BB). Moody's continues to rate our corporate bond at B1 (2014: B1).

The rating agencies have published the following corporate ratings for SGL Group:

Rating agency	Rating	Date of rating
Moody's	B2 (outlook: negative)	August 2014
Standard & Poor's	B (outlook: negative)	September 2015

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

Corporate bond

Rating agency	Rating	Date of rating
Moody's	B1	August 2014
Standard & Poor's	BB-	September 2015

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

Non-recurring charges result in high negative free cash flow

The cash flow statement shows the change in cash and cash equivalents of SGL Group in the reporting period and is composed of net cash provided by operating activities, net cash used in investing activities, and net cash provided by/used in financing activities. Free cash flow is defined as cash provided by operating activities less cash used in investing activities. The cash and cash equivalents shown on the cash flow statement correspond to "cash and cash equivalents" as reported on the balance sheet. Cash funds further include short-term time deposits with original terms of up to twelve months (2015: €14.0 million; 2014: €40.5 million). The cash flow statements for the reporting period and the previous year have been adjusted to reflect classification of the Aerostructures business as a discontinued operation.

Free cash flow from continuing operations improved to minus €74.9 million after minus €121.3 million in the previous year. Together with the net cash used in operating activities of discontinued operations in the amount of €28.3 million (2014: €19.3 million) and the net cash used in investing activities of discontinued operations in the amount of €23.0 million (2014: €8.1 million), the total free cash flow amounted to minus €126.2 million after minus €148.7 million in 2014.

Liquidity and capital resources

€m	2015	2014	Change
Cash flow from operating activities			
Gain/loss before income taxes	-182.1	-104.4	-74.4%
Non-recurring charges	160.9	51.2	> 100%
Depreciation/amortization expense	88.5	81.4	8.7%
Changes in working capital	21.7	48.3	-55.1%
Taxes paid	-47.1	-7.0	> -100%
Miscellaneous items	-53.4	-52.1	-2.5%
Net cash used in/provided by operating activities from continuing operations	-11.5	17.4	> -100%
Cash flow from investing activities			
Capital expenditure on intangible assets and property plant and equipment (excluding SGL ACF)	-64.1	-62.6	-2.4%
Capital expenditure on intangible assets and property plant and equipment (SGL ACF)	-10.8	-70.0	84.6%
Capital increases concerning investments accounted for At-Equity and other financial assets	7.8	-14.6	> 100%
Payments for the acquisition of companies, net of cash acquired	0.0	-0.8	-
Proceeds from sale of non-current assets	3.7	9.3	-60.2%
Net cash used in investing activities from continuing operations	-63.4	-138.7	54.3%
Free cash flow ¹⁾	-74.9	-121.3	38.3%
Net cash provided by/used in time deposits	26.5	-40.5	> 100%
Net cash used in/provided by financing activities from continuing operations	28.7	259.7	-88.9%
Free cash flow from discontinued operations	-51.3	-27.4	-87.2%
Effect of foreign exchange rate changes and other changes	0.8	1.4	-42.9%
Cash and cash equivalents at beginning of year	307.0	235.1	30.6%
Cash and cash equivalents at end of year	236.8	307.0	-22.9%
Time deposits at end of year	14.0	40.5	-65.4%
Liquidity	250.8	347.5	-27.8%
Net change in liquidity	-96.7	112.4	> -100%

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

Net cash used in continuing operating activities amounted to €12 million

In fiscal 2015, net cash used in operating activities (continuing operations) amounted to €11.5 million after cash provided of €17.4 million in the prior-year period. The decrease was mainly due to tax payments relating to prior periods, the cash impact of unwinding US dollar currency hedges, and the reduction in working capital to €21.7 million compared with the previous year (2014: €48.3 million).

The working capital recognized on the balance sheet decreased by 3%, or €12.1 million, to €450.3 million as of December 31, 2015 (December 31, 2014: €462.4 million). Working capital was impacted by non-cash effects, especially exchange rate effects from the rise in the US dollar. After adjustment for currency effects, the operational reduction in working capital totaled €21.7 million (2014: reduction of €48.3 million). The further reduction reflected the successful working capital management in response to the decline in demand in various business units. In contrast, tax payments increased by €40.1 million to €47.1 million (2014: €7.0 million). As previously announced, approx. €35 million was paid out in October 2015 based on an agreement reached on tax risks arising from company audits.

“Miscellaneous items” primarily reflect the payments made in the reporting period relating to SGL2015 and the cash effects of unwinding USD currency hedges in the amount of €34.5 million (2014: €23.0 million). Payments made for the SGL2015 cost savings program decreased to €13.4 million in fiscal year 2015 (2014: €46.1 million). In addition, higher interest payments in the amount of €31.9 million (2014: €26.1 million) also contributed to the cash outflow for continuing operations.

After adjusting for the prior year tax payment, SGL2015 restructuring payments and the one-off payments for unwinding the

US dollar hedges, free cash flow in fiscal 2015 amounted to minus €7.7 million (2014: minus €52.2 million).

Sharp decline in net cash used in continuing investing activities based on high capex level at SGL ACF in 2014

This item reflects payments for intangible assets and property, plant and equipment, equity-accounted investments and proceeds from the disposal of non-current assets. Capital expenditure at our established businesses (excluding SGL ACF) amounted to €64.1 million in fiscal 2015, or slightly above the prior-year level (2014: €62.6 million). Capital expenditure at SGL ACF, our joint operations with BMW, was only €10.8 million in the reporting year since the expansion of production capacities was largely completed (2014: €70.0 million). The figures for the past fiscal year include cash inflows of €7.8 million relating to investments accounted for At-Equity (2014: cash outflows of €14.6 million). Dividends received from joint ventures totaling €12.0 million were offset by payments totaling €4.2 million for capital increases at Benteler SGL and for ending the SGL Lindner joint venture. Net cash used in investing activities therefore decreased by €57.7 million, dropping from €132.6 million in 2014 to €74.9 million in the reporting year. The decline was primarily due to the investments for expanding capacities at SGL ACF, which was completed in 2015.

Capital expenditure, depreciation and amortization

€m	2015	2014	2013	2012 ¹⁾	2011 ¹⁾
Capital expenditure	75	133	117	131	135
Depreciation and amortization	89	81	80	80	66

¹⁾ Including proportional consolidation of SGL-ACF, excluding discontinued operations

Capital expenditure for intangible assets and property, plant and equipment was distributed as follows in fiscal year 2015: 41% for PP (€30.5 million; 2014: €27.1 million), 20% for GMS (€15.2 million; 2014: €12.6 million), 36% for CFM (€26.6 million; 2014: €90.2 million), and 3% for central projects (€2.6 million; 2014: €2.7 million). The comparative figures for the previous year were 20% for PP, 10% for GMS, 68% for CFM, and 2% for central projects.

All in all, other intangible assets and property, plant and equipment decreased to €810.4 million in fiscal year 2015 (2014: €918.1 million). The decline in non-current assets was due to an impairment loss of €78.9 million recognized in the business unit PP, an asset write-down of approx. €26 million due to the closure of the Frankfurt-Griesheim site, and the fact that depreciation on property, plant and equipment was €13.5 million higher than capital expenditures. The decline was also the

result of currency gains arising from the stronger US dollar, which compensated for the depreciation of the Malaysian ringgit and increased property, plant and equipment by a total of €9.4 million.

Proceeds from the disposal of non-current assets amounted to €3.7 million in the reporting year and related mainly to the sale of properties in Germany not required for operations. In the previous year, this item included proceeds of €0.8 million from the sale of a parcel of land and a building in Brazil. Proceeds from other non-current financial assets in the previous year included the sale of securities in the amount of €6.7 million.

Net cash provided by/used in continuing financing activities

In the year under review, net cash provided by financing activities of continuing operations amounted to €28.7 million, as opposed to the net cash provided by financing activities of €259.7 million in 2014. Cash provided by new financial liabilities of €30.1 million was reported in 2015, predominantly as a result of €167.0 million cash provided by the newly issued convertible bond maturing in 2020 less costs incurred and €134.7 million cash used in connection with the early repayment of the 2009 corporate bond. In the previous year, the net cash inflow comprised €267.5 million from the capital increase carried out in October 2014 plus €50.0 million increase in SGL ACF's debt as well as cash outflows for the repayment of local loans, particularly in Malaysia, in the amount of €50.8 million. In 2015, net cash used in financing activities also included payments of €4.2 million relating to refinancing costs (2014: €6.0 million).

Liquidity decrease to €251 million

Available liquidity decreased to €250.8 million as of the end of fiscal year 2015 (2014: €347.5 million) due to the negative free cash flow. At the end of the fiscal year, liquidity included short-term time deposits in the amount of €14.0 million (2014: €40.5 million). This secures our liquidity needs despite the difficult environment.

Contractual payment obligations

The most significant contractual payment obligations comprise the repayment of debt, purchasing obligations and lease obligations. The total principal amount of debt repayment obligations was €785.0 million in 2015 (2014: €737.4 million). The loans taken out by the SGL ACF joint venture are repaid in installments from SGL ACF's free cash flow. The outstanding amount of the convertible bond issued in fiscal year 2015 in a principal amount of €167 million is due for repayment in 2020 unless the bondholders exercise their conversion rights before maturity, in which case up to 9.0 million new bearer shares will be created. The convertible bond issued in fiscal year 2012 in a principal amount of €240 million is due for repayment in 2018 unless the bondholders exercise their conversion rights before maturity, in which case up to 5.4 million new bearer shares will be created. The corporate bond in the amount of €250 million falls due in 2021.

As of December 31, 2015, trade payables, derivative financial instruments, and other financial liabilities totaled €230.5 million (2014: €240.9 million). Of that amount, liabilities totaling €51.1 million were due after one year (2014: €49.4 million). Income tax liabilities and other liabilities amounted to an additional €38.0 million at the end of 2015 (2014: €42.6 million). Further details can be found in **Note 25** of the notes to the consolidated financial statements.

Net assets

Overview of net assets

€m	Dec. 31, 2015	Dec. 31, 2014
Total assets	1,856.1	2,170.3
Equity attributable to shareholders of the parent company	289.3	567.6
Equity ratio	15.6%	26.2%
Working capital ¹⁾	450.3	462.4
Capital employed ²⁾	1,283.6	1,401.5
Return on capital employed (ROCE _(EBITDA)) ³⁾	9.0%	5.9%
Return on capital employed (ROCE _(EBIT)) ⁴⁾	2.4%	0.2%
Net debt ⁵⁾	534.2	389.9
Gearing ⁶⁾	1.85	0.69

¹⁾ Working capital: defined as the sum of inventories plus trade receivables and receivables from long-term construction contracts, less trade payables

²⁾ Capital employed at the end of the year: defined as the sum of property, plant and equipment, other intangible assets, goodwill, inventories, trade receivables, less trade payables

³⁾ Ratio of operating profit/loss before depreciation and amortization (EBITDA) before non-recurring charges to average capital employed

⁴⁾ Ratio of operating profit/loss (EBIT) before non-recurring charges to average capital employed

⁵⁾ Financial liabilities (nominal amount) less liquidity

⁶⁾ Net debt to equity attributable to shareholders

As of December 31, 2015, total assets decreased by €314.2 million, or 14.5%, to €1,856.1 million (2014: €2,170.3 million). Balance sheet KPIs changed significantly in the reporting year due to non-recurring charges. The decrease in total assets as of December 31, 2015 resulted from the decline in liquidity of €96.7 million, the disposal of the assets held for sale from the Aerostructures business in the amount of €63.5 million, impairment losses on non-current assets totaling €78.9 million, and write-offs of €27.3 million related to restructuring. The decline was partially offset by currency gains – particularly as a result of the stronger US dollar – which increased total assets by €38.3 million (2014: €82.1 million) and more than compensated for the weaker Malaysian ringgit.

Equity attributable to the shareholders of the parent company decreased as a result of the consolidated net loss of €295.0 million (2014: net loss of €247.0 million) – which included losses from discontinued operations in the amount of €96.1 million

and non-recurring charges of minus €160.9 million and as a result of negative, non-cash foreign exchange effects of €24.2 million. The decrease was offset by the IFRS equity components of the new convertible bond after deducting transaction costs (€19.4 million) and the adjustment to the discount rates for pension provisions in Germany and the US to reflect the higher anticipated interest rate climate, which increased equity by €3.6 million (after tax effects). In total, these effects led to a decrease in the equity ratio to 15.6% year over year (2014: 26.2%).

Gearing – the ratio of net debt to shareholders' equity – decreased to 1.85 (2014: 0.69) due to the net loss recorded in 2015. As a manufacturing company, SGL Group has a high proportion of non-current assets due to its production equipment, which is largely financed by equity (31%; 2014: 54%). The return on capital employed – ROCE_(EBIT) – defined as the ratio of operating profit (EBIT) before non-recurring charges to average capital employed – improved to 2.4% in the year under review (2014: 0.2%). The return on capital employed – ROCE_(EBITDA) – defined as the ratio of operating profit before depreciation and amortization (EBITDA) and before non-recurring charges to average capital employed – improved to 9.0% in the year under review (2014: 5.9%).

Balance sheet structure

€m	Dec. 31, 2015	Dec. 31, 2014	Change
ASSETS			
Non-current assets	939.6	1,058.7	-11.2%
Current assets	901.8	1,033.4	-12.7%
Assets held for sale	14.7	78.2	-81.2%
Total assets	1,856.1	2,170.3	-14.5%
EQUITY and LIABILITIES			
Equity attributable to shareholders of the parent company	289.3	567.6	-49.0%
Non-controlling interests	16.5	17.1	-3.5%
Non-current liabilities	1,204.8	1,083.1	11.2%
Current liabilities	345.5	445.0	-22.4%
Liabilities associated with assets held for sale	0.0	57.5	-100.0%
Total equity and liabilities	1,856.1	2,170.3	-14.5%

Assets

Non-current assets fell by a total of €119.1 million to €939.6 million in the reporting year (2014: €1,058.7 million). The substantial decline was predominantly the result of impairment losses of €78.9 million and write-downs on fixed assets of €27.3 million relating to restructuring at PP and the year-on-year decrease in non-current assets of €13.6 million (2014: increase of €51.2 million) due to the fact that capital expenditure was lower than depreciation/amortization. This was partially offset by currency effects, which increased non-current assets by €14.0 million compared with the previous year (2014: €44.7 million).

Current assets decreased by €131.6 million to €901.8 million (2014: €1,033.4 million). By contrast, the change in exchange rates, especially with respect to the US dollar, led to an increase in current assets of €17.2 million. After adjustment for currency effects, current assets decreased by €148.8 million. The decrease was primarily attributable to the decline in cash funds of €96.7 million due to the negative free cash flow. The operational reduction in current assets relates in particular to trade receivables, which we succeeded in reducing by €29.5 million. The decline in trade receivables of 16.8% exceeded the decrease in sales revenue of 1.0%. The inventories on the balance sheet have remained essentially unchanged with an increase of only 0.1% or €0.4 million. Operating inventories were reduced by €10.1 million after adjusting for the foreign exchange effects of €10.5 million.

Assets held for sale decreased from €78.2 million in the previous year to €14.7 million as of the end of 2015. The remaining line items mainly include land and buildings in the US that are no longer needed for operations and in the prior year assets held for sale in the business unit Aerostructures (HITCO).

Equity and liabilities

Shareholders' equity decreased by €278.3 million to €289.3 million as of December 31, 2015 (2014: €567.6 million). The decrease was mainly the result of the consolidated net loss of €295.0 million, which included losses from discontinued operations in

the amount of €96.1 million and non-recurring charges of €160.9 million, as well as the equity components of the newly issued 2015/2020 convertible bond of €19.4 million that are recognized directly in equity. Additional factors that have directly impacted equity are the adjustment to puttable instruments obligations for non-controlling interests in partnerships, which resulted in an addition of €12.3 million to equity (2014: deduction of €11.7 million), the changes in cash flow hedges, which resulted in a deduction of €0.2 million (2014: deduction of €3.0 million), and currency gains leading to a deduction of €24.2 million (2014: addition of €5.3 million), due in particular to the performance of the Malaysian ringgit in 2015. The equity ratio (excluding non-controlling interests) decreased to 15.6% as of the end of the reporting period (2014: 26.2%).

Consolidated Statement of Changes in Equity

€m	Shareholders Equity	Non- controlling interest	Total equity
Balance as of Jan. 1, 2015	567.6	17.1	584.7
Capital increase from share-based payment plans	6.2	0.0	6.2
Equity component of convertible bond	18.1	0.0	18.1
Net result	-295.0	1.7	-293.3
Other comprehensive income	-19.9	0.4	-19.5
Comprehensive income	-314.9	2.1	-312.8
Other changes in equity ¹⁾	12.3	-2.7	9.6
Balance as of Dec. 31, 2015	289.3	16.5	305.8

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

Up to 9.0 million new shares in SGL Carbon SE can still be created from the convertible bond issued in 2015 and up to 5.4 million new shares from the convertible bond issued in 2012.

The increase in **non-current liabilities** and the decrease in current liabilities were associated with the issue of the new convertible bond in September 2015 and the presentation of SGL ACF's debts. Most of the debt related to the financial liabilities of SGL ACF had been recognized as current at the end of fiscal 2014. However, after refinancing the debt at the end of June 2015 with a year-end 2018 maturity date, a proportionate amount of €125.4 million was recognized as non-current. Another increase in non-current loans resulted from settling the obligations from the 2009 convertible bond in the amount of €134.7 million as a result of the newly issued convertible bond maturing in 2020 in a principal amount of €167.0 million. The restructuring provisions recognized in 2015 in the amount of €13.9 million and the liabilities of €20.4 million resulting from the disposal of AS are also considered non-current. By contrast, the adjustment to the provisions for pensions based on the slight increase in discount rates in Germany and the USA led to a decrease in non-current liabilities of €4.5 million. All in all, non-current liabilities increased by €121.7 million to €1,204.8 million (2014: €1,083.1 million).

Current liabilities decreased by €99.5 million to €345.5 million as of year-end 2015 (2014: €445.0 million). The decrease resulted from the change in SGL ACF's proportionally, consolidated financial liabilities, €125.4 million of which is now recognized as non-current rather than current due to the loans' extended maturity date. Trade payables were reduced by €13.5 million year over year to €162.9 million (2014: €176.4 million). After adjusting for currency effects of €4.4 million, the operational reduction in trade payables was €17.9 million. The reduction was offset by the increase in current other provisions of €26.9 million, due in particular to the restructuring provisions recognized in the fiscal year.

Net debt

€m	Dec. 31, 2015	Dec. 31, 2014	Change
Current and non-current financial liabilities	744.8	704.8	5.7%
Remaining interest component for the convertible bonds	28.6	21.5	33.0%
Refinancing costs included	11.6	11.1	4.5%
Total debt	785.0	737.4	6.5%
Time deposits	14.0	40.5	-65.4%
Cash and cash equivalents	236.8	307.0	-22.9%
Total liquidity	250.8	347.5	-27.8%
Net debt	534.2	389.9	37.0%
<i>Of which SGL ACF</i>			
Current financial liabilities	125.4	110.5	13.5%
Cash and cash equivalents	9.9	11.0	-10.0%
Net debt SGL ACF	115.5	99.5	16.1%
Net debt excluding SGL ACF	418.7	290.4	44.2%

Financial liabilities at year-end 2015 were composed of our corporate bond as well as the convertible bonds (2012/2018 and 2015/2020), liabilities to local banks, and other financial liabilities as well as the remaining net imputed interest component for the convertible bonds still outstanding and refinancing costs. Financial liabilities are recorded in the consolidated balance sheet under "interest-bearing loans" and "current portion of interest-bearing loans." Liquidity comprise "cash and cash equivalents" as well as "time deposits" (with a residual term of less than 12 months), as stated in the consolidated balance sheet.

The proportional consolidation of SGL ACF led to an increase in net debt to €115.5 million as of December 31, 2015 (2014: €99.5 million). The financial liabilities of SGL ACF are comprised of BMW Group shareholder loans.

As of December 31, 2015, **Liquidity** had decreased by €96.7 million to €250.8 million after €347.5 million at year-end 2014, mainly as a result of the negative free cash flow. Including this figure, current and non-current financial liabilities of €744.8 million (2014: €704.8 million), the remaining imputed interest components of the convertible bonds in the amount of €28.6 million (2014: €21.5 million), and the remaining refinancing costs of €11.6 million (2014: €11.1 million), net debt of SGL Group amounted to €534.2 million at year end (2014: €389.9 million). Net debt thus increased by €144.3 million, or 37.0%, compared with December 31, 2014.

General statement on the current financial situation

Business overview for 2015

We succeeded in reaching most of the targets we had set for fiscal year 2015 and published in our 2014 annual report. The most important of these were Group sales revenue and the EBIT and EBITDA projections. Performance of the business unit CFM was especially encouraging. The success of the business unit in achieving an earnings turnaround and positive EBIT more than compensated for the weaker performance of the business unit PP in the final quarter of 2015 due to the situation on the steel market. We also succeeded in meeting all of the expectations associated with our SGL2015 cost savings program. After having targeted an amount in the mid double-digit million euro range, the savings we generated totaled €45 million.

As projected, we reduced capital expenditure significantly, which for first time in years fell below the depreciation level. The reduction was not only the result of the investment projects completed in past years, however. In light of the difficult economic climate, we are generally very cautious with our expenses and pursue a very restrictive investment policy.

Moreover, as expected, free cash flow was only negative because of non-recurring charges that are unrelated to our continuing operations, such as those associated with the unwinding of currency hedges and the back tax payment.

In contrast, non-recurring charges rose versus the prior year contrary to expectations. The main cause of the increase was the continued deterioration in steel market conditions in the fourth quarter of 2015, which necessitated an additional plant closure and recognition of an impairment loss.

Assessment of the financial situation by company management

During the fiscal year, we continued to rigorously implement the measures from our SGL2015 cost savings program, which will help us to increase our competitive standing. In 2016, we will focus on systematically implementing the strategic realignment. This will involve successfully implementing the growth initiatives identified in the business units GMS and CFM. In the business unit PP, focus is on the legal separation that should be technically completed by mid-2016. We are working at full speed to adapt our business model to the changed markets and to develop strategic options.

The businesses of SGL Group started fiscal 2016 with varying results. Sales invoiced in the initial weeks of 2016 were below the prior-year level.

Graphite electrode and cathode deliveries in the reporting segment PP are expected to be on the level of the first quarter of 2015. Due to lower prices, however, we expect sales revenues in PP to be significantly lower than during the first quarter of 2015.

Sales in graphite specialties began the first quarter of 2016 slightly below the level of the previous year, as larger deliveries to clients will not start until the second quarter of 2016. Process Technology is delivering the final components of a large order during the first quarter of 2016. Incoming orders for systems have been moderate during the first quarter of 2016 due to lower oil prices. Consequently, sales in GMS during the first quarter are expected to be slightly below the level of the previous year.

Due to an encouraging order backlog, the business unit Composites – Fibers & Materials had a good start to the year and showed initial operational improvements in all areas. Sales in CFM during the first quarter of 2016 are expected to be on the level of the previous year, as volume growth will be offset by lower prices for acrylic fibers, which are affected by oil prices.

Total sales of SGL Group's continuing operations in the first quarter of 2016 will be below the level of the prior-year quarter, in particular due to lower prices of graphite electrodes.

Accounting principles used and significant estimates made

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

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

Discretionary decisions are also made by management in relation to the application of other IFRS standards. As discussions concerning the application of a number of IFRS standards are currently ongoing, it is not inconceivable that future decisions published on the application of IFRSs will lead to an interpretation that differs from the method currently adopted by SGL Group. In such case, SGL Group would be compelled to adjust its accounting practices.

Non-financial performance indicators

Assets not recognized and off-balance sheet financial instruments

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

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

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

Funding status of pension obligations

The funding status of pension obligations, which represents the difference between the present value of the pension obligations and the fair value of the plan assets, was minus €377.2 million as of December 31, 2015 after minus €379.4 million as of December 31, 2014. As of December 31, 2015, the Group's pension obligations totaled €522.5 million compared with €523.7 million in the previous year. The decrease was due in particular to the higher discount rate. As a result, the actuarial losses from defined benefit pension plans recognized in equity (under retained earnings) decreased by €3.8 million after taxes. The status of the plan assets designated to fund the pension obligations increased from €144.3 million to €145.3 million as of December 31, 2015.

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

Corporate Social Responsibility

Socially responsible, environmentally conscious and resource-friendly behavior, commitment to our employees and our society, and the advancement of sustainable product solutions are integral parts of SGL Group's corporate culture and objectives. They are key requirements to the long-term success of our business.

Integrity and values

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

Each employee is personally responsible for ensuring that their actions are in line with the Code of Business Conduct and Ethics. The Code is part of the information package for new hires and is available in nine languages. Management serves as an important role model when it comes to personnel and leadership responsibility and compliance. Local compliance officers at our sites as well as Group Compliance are also available

when employees have questions about the Code. To report potential compliance violations, employees can send a personal or anonymous email to a confidential address.

Since the compliance program was introduced in 2011, extensive on-site and online training on the Code of Business Conduct and Ethics has been provided. Participation is mandatory for all employees. Furthermore, SGL employees are continually educated with compliance through training and communications campaigns at their sites.

In addition, business partners are expected to meet SGL Group's compliance standards. A Supplier Code of Conduct was introduced for this purpose (see also page 26 in the Corporate Governance and Compliance Report).

Employees

At the end of 2015, SGL Group had a total of 5,658 employees – a decline of 684 employees or 11% year on year. This development reflects both the disposal of the aerostructures business of HITCO Carbon Composites as well as the ongoing restructuring processes in our cost saving program SGL2015 and the strategic realignment.

Employees by region

	Dec. 31, 2015		Dec. 31, 2014		Change
Germany	2,165	38%	2,259	38%	-4%
Europe excluding Germany	1,893	34%	1,997	34%	-5%
North America	914	16%	949	16%	-4%
Asia	686	12%	739	12%	-7%
Continued operations	5,658	100%	5,944	100%	-5%
HITCO structural component business	-		398		
Total	5,658		6,342		-11%

Employees by business unit

	Dec. 31, 2015		Dec. 31, 2014		Change
PP	1,845	33%	1,990	34%	-7%
GMS	2,504	44%	2,641	44%	-5%
CFM	1,148	20%	1,139	19%	1%
T&I and Corporate	161	3%	174	3%	-8%
Continued operations	5,658	100.0%	5,944	100.0%	-5%
HITCO structural component business	-		398		
Total	5,658		6,342		-11%

The strategic advantage of diversity

The Group's workforce in continued operations remains very international. Europe has the greatest share with 71% (2014: 72%), followed by North America with 16% and Asia with 12% (both unchanged from 2014). The diversity of nationalities, cultures and languages is an important strategic advantage.

One of the ways we support interaction among and the exchange of knowledge between employees is by actively sending them on foreign assignments to our facilities in other countries. A total of 18 executives were on international expatriate assignments in 2015 (2014: 25), most of whom were in Malaysia followed by Portugal, China and the United States.

Equal opportunity, family friendliness and health management

The share of women in our workforce as of the end of 2015 remained unchanged compared with the previous year at 15%. The share of women in executive positions, which comprise the three management levels below the Board of Management, declined slightly to 13% (2014: 14%). For additional information concerning gender equality within SGL Group, please refer to our website at www.sglgroup.com under Investor Relations/Corporate Governance.

The Group's workforce has a balanced age structure, which changed only very slightly compared to the prior year: 24% of all employees are under the age of 36; 27% are between 36 and 45; 31% are 46 to 55; and 18% are over 55.

In order to support the work-life balance and health of our employees, SGL Group offers special programs at some of our locations in addition to flexible working hours, for example, childcare options during the summer break as well as medical checkups and health workshops.

Training and education

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

Training has always played an important role at SGL Group. In the year under review, we had 108 apprentices in our German facilities (2014: 124). As in previous years, the majority worked at our facilities in Meitingen (63 apprentices) and Bonn (39 apprentices). In total, SGL Group offers 13 apprenticeship programs and four dual degree programs. Beyond specialist training, we also offer interesting educational opportunities to apprentices, such as language courses and health seminars.

Our continuing education program includes a wide variety of individual options to advance professional qualifications and semiannual career development dialogues that are part of the performance review process. In 2015, we successfully launched our Corporate Training Framework – a new training program for specialists and executives with three focal points: communication, leadership and project management. In addition, our "Leadership@Work" training program and regular potential assessments of selected talents are aimed specifically at preparing employees for leadership positions. Another way we foster loyalty and continuing professional development is by supporting top junior managers as they pursue a part-time MBA, with particular focus on promoting the business know-how and management skills of our engineers and scientists.

Competing for talents – grants, internships and theses

As an innovative company, we are always competing for the best talents. Therefore, we are pleased that in 2015 SGL Group was certified once again as a Top German Employer (Top Arbeitgeber Deutschland) by the renowned Top Employers Institute (previously known as the CRF Institute).

In order to demonstrate our passion for carbon to interested students and skilled professionals and give them the opportunity to get to know the Company at an early stage, we regularly visit universities and participate in a variety of job fairs (e.g. Bonding Aachen and IKOM München). We also offer tangible support in the form of university grants, internships and provide opportunities for students to cooperate with us in writing dissertations and theses. We do this, for example, as part of our extensive alliances with various universities around the world (see page 45).

Sustainable product solutions

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

The best known example for use in sustainable solutions is lightweight construction, which plays an ever greater role in both the aerospace and automotive sectors and is being used increasingly in serial production of cars. For example, our carbon fiber composites are standard components in the BMW i3, the new BMW 7-series as well as the Audi R8. In the solar industry, graphite is irreplaceable in the production of ultra-pure silicon, which makes it possible to use renewable energies. Graphite is also the first choice for many applications in which energy storage and efficiency are critical factors, for example, as anode material in lithium ion batteries or as system components in

the LED production process. We are helping to drive the increased application of the lightweight metal aluminum to reduce weight and emissions through the use of our cathodes in the production of aluminum primarily for aircraft and automobile manufacturing. One traditional application is the recycling of scrap steel. This is the largest recycling process in the world, and our graphite electrodes are used to melt scrap steel in steel producers' electric arc furnaces.

In fiscal year 2015, just over 50% of SGL Group's sales revenue was linked to products for sustainable solutions that foster developments surrounding the mobility and energy megatrends.

Resources and environmental protection

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

The central function EHSA (Environment, Health & Safety Affairs) forms the organizational foundation for managing all production processes and continually developing all environmental protection and health and safety activities. This unit coordinates all group-wide activities, sets uniform standards and routinely audits developments in cooperation with local EHSA representatives. Furthermore, the established group-wide SGL Excellence initiative uses optimization projects to contribute to, among others, conserving raw materials as well as continuing to improve the production scrap rate.

SGL Group has invested a total of approx. €12 million over the past four years in optimizing environmental protection and the safety of our production facilities. The investments related mainly to systems for exhaust gas purification, energy recovery and to further increase process safety. Furthermore, SGL Group also improves its environmental performance by modernizing and expanding its production network. Current examples include rebuilding the graphitization at our PP site in Ozark and the expansion of our carbon fiber plant that took place in Moses Lake.

Increasing energy efficiency

Energy is required for nearly every industrial production process, from operating machines to implementing thermal steps in the production process. The high-temperature technologies used to produce carbon products are energy-intensive, however they are necessary in order to create the specific material properties for the various products. More than four-fifths of SGL Group's energy consumption is needed as heat – temperatures up to 3,000° Celsius are required in certain steps in the process.

This makes it all the more important for SGL Group to continuously improve energy efficiency in its production processes. For example, in 2015 we introduced and certified an energy management system based on the ISO standard at eleven additional European sites. Another example is the concept of energy flexibility. Based on the results of the "FOREnergy" initiative in the German state of Bavaria, specific measures to flexibly manage production process times were taken at our Meitingen site in 2015 which conform to the respective electricity supply and therefore contribute to overall power supply stabilization in Germany.

SGL Group was able to further improve efficiency in 2015 with these and other measures. Compared with the adjusted sales revenue, SGL Group's relative energy consumption declined by 3.6% year on year, from 1.64 to 1.58 megawatt hours (MWh) per €1,000 in sales revenue. At 44%, the share of primary energy consumption remained unchanged compared to last year.

Reducing CO₂ emissions

Limiting climate change is essential to environmental protection, and limiting greenhouse gases, especially CO₂, plays an important role in this.

As a result, SGL Group's carbon emissions from primary and secondary energy consumption fell further in 2015 in relation to adjusted sales revenue, from 0.57 to 0.55 tons per €1,000. Absolute CO₂ emissions in the reporting period declined year

on year by 6.5%, from 832 thousand to approx. 778 thousand tons. This is primarily due to reduced energy consumption in our facilities in the business unit Performance Products as a result of lower utilization.

Acting responsibly with cooling water

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

The water requirement at SGL Group declined from 12.7 to 11.4 million cubic meters in 2015, falling from 8.7 cubic meters per €1,000 in 2014 to 8.1 cubic meters in 2015. More than 90% of this water requirement was used to cool production systems. The remaining volume was used for cleaning or sanitary purposes. Over 50% of SGL Group's water requirement was taken from its own well, and after being used as a coolant, was fed into rivers or public canal systems in its natural state. 25% of the water requirement was taken from rivers and 17% from the public water supply.

Waste: Avoidance and Recycling take priority before Disposal

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

In addition, only just over 10% of our waste must be declared as hazardous waste and appropriately disposed of in accordance with legal requirements. These include, for example materials that can no longer be processed, such as specific filter dust from cleaning or manufacturing processes that must be disposed of at special disposal sites. All waste is meticulously recorded and precisely analyzed. The proper disposal is also documented in accordance with regulations.

SGL Group has succeeded in recent years in steadily reducing the volume of waste it generates. In 2015, the total volume of waste was 36.1 thousand tons (2014: 36.4 thousand tons). Of this amount, 4.3 thousand tons were categorized as hazardous waste in 2015 (2014: 4.4 thousand tons). The amount of waste related

to adjusted sales revenue in 2015 was 25.7 kilograms per €1,000 in sales revenue (2014: 24.9 kilograms). The relative increase can mainly be attributed to construction related waste from several implemented projects.

Environmental data ¹⁾		2015	2014
Energy consumption	in gigawatt hours (GWh)	2,215	2,404
	thereof oil and gas	977	1,066
	electricity	1,238	1,338
	in relation to economic output (MWh per €1,000 in sales revenue) ²⁾	1.58	1.64
CO ₂ emissions ³⁾	in thousands of tons (kt)	778	832
	thereof direct	201	219
	indirect	577	613
	in relation to economic output (t per €1,000 in sales revenue) ²⁾	0.55	0.57
Water requirement	in millions of cubic meters (m ³)	11.4	12.7
	thereof from Company wells	58%	63%
	from rivers	25%	20%
	from public water supply	17%	17%
	from lakes	< 1%	< 1%
	in relation to economic output (m ³ per €1,000 in sales revenue) ²⁾	8.1	8.7
Waste volume	in thousands of tons (kt)	36.1	36.4
	thereof hazardous waste	4.3	4.4
	in relation to economic output (kg per €1,000 in sales revenue) ²⁾	25.7	24.9

¹⁾ All environmental data is based on continuing operations, including proportionately consolidated entities. Prior-year figures have been made comparable

²⁾ Adjusted sales revenue (excluding price and currency translation gains and losses); base year 2014

³⁾ From primary and secondary energy consumption

Safety

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

Health & safety at work

As a result of our activities, we continue to see a positive development in the frequency rate of workplace accidents compared to the number of hours worked. This is supported by a group-wide Incident Management System, which is used to examine all workplace accidents as well as to define and to implement improvement measures based on best practices. By expanding our workplace safety programs, the frequency rate of accident-related work absences was substantially reduced in 2015

to the lowest level since the rates have been recorded. Overall, the frequency rate of accident-related work absences fell noticeably from 10.7 in 2003 to 2.0 in 2015 per 1 million hours worked.

	2015	2014
Frequency rate of accident-related work absences per 1 million working hours	2.0	5.7

Accident-related work absence data is based on continuing operations, including proportionately consolidated entities.

Product responsibility and risk management

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

In order to minimize risk with regard to SGL Group's production and processes, the Company has relied on, among other things, a uniform group-wide system to record, analyze and evaluate risk since 2002, which is being expanded regularly. This not only deals with potential workplace accidents, but also the potential consequences of fires or natural catastrophes. It also analyzes the degree, potential danger and financial effects of crises such as cleanup and repairs resulting from environmental damages or losses resulting from production downtime. SGL Group performs annual audits in cooperation with the insurance company FM Global, which include a safety analysis of all processes and systems. The audit results are discussed with the plant management and, if necessary, an action plan is created to further minimize risk.

Corporate citizenship

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

Local community involvement

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

Even if they are small and primarily voluntary activities, this commitment is an important part of our local activities. SGL Group remains true to these commitments even in a difficult economic climate – a fact that is demonstrated by a low six-digit Euro amount in financial support, which is in line with the prior year. The approximately 170 individual activities in the fiscal year was on par with the prior year.

Local community involvement by type

(based on number of activities)	2015	2014
Social	51%	44%
Art/Music	6%	6%
Sport	15%	13%
Education	25%	28%
Other	4%	9%

In Shanghai, for example, SGL Group organized and financed a visit to the Museum of Glass for more than 40 students of the Xingguang school in the city's Fengxian district. A German-Portuguese youth football and a 24-hour futsal tournament were supported by our Barreiro/Lavradio (Portugal) site as part of the wide-ranging community involvement there. At our site in Wiesbaden and in addition to financial support from the Company, SGL Group employees helped cook and serve food to children in need and in a joint campaign fulfill their Christmas wishes. For many years now the "SGL Warriors – Relay for Life" at St. Mary's in North America collect donations to fight cancer at a variety of events.

Promoting science

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

University as well as many active memberships in industry associations (see also page 45).

We award a number of prizes to provide scientists with incentives and to promote the discovery of new applications for carbon. Every year we give out the SGL Group Award for the best dissertation in the engineering department at the Technical University of Munich as well as the Swabian Prize for Science (Schwäbische Wissenschaftspreis) to foster young scientists in Augsburg. Furthermore, every two years the Utz-Hellmuth Felcht Award, which was initiated by SGL Group, is granted at the International Carbon Conference. We also sponsor the SGL Carbon Skakel Award of the American Carbon Society. In 2015, the Utz-Hellmuth Felcht Award went to Professor Hui-Ming Cheng for his work in the area of three-dimensional graphen networks for energy saving.

As a co-founder of the "Initiative Junge Forscherinnen und Forscher e.V." (IJF – Initiative for young researchers), SGL Group also offers comprehensive support for scientific education – from nursery schools through to universities. In 2015, SGL Group employees again supported the initiative with donations and active participation.

Events after the Reporting Period

No events of material significance to report.

Opportunity and Risk Report

The Board of Management of SGL Carbon SE is responsible for establishing and maintaining an appropriate and suitable risk management and internal control system. In addition, it has overall responsibility for the scope and design of the systems that have been implemented.

Risk policy

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

Risk Management System (RMS)

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

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

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

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

Internal Control System (ICS)

We define an internal control system (ICS) as the policies, procedures and measures that have been implemented by management with the aim of ensuring the effectiveness and profitability of operations (which also comprises the protection of assets, including the prevention and detection of damages to assets), the proper application of accounting standards, the reliability of both internal and external accounting, and compliance with the legal regulations that are applicable to the Company. The ICS is based on group-wide standardized documentation of the risks and controls for existing process

structures. Nearly 380 business processes worldwide are covered by approximately 1,150 controls. A large number of these controls are performed automatically or with IT support. Together with the process-related controls that are documented for all material subsidiaries of SGL Group, process-independent controls and measures at management level form the foundation of a functional ICS. The materiality of our companies is assessed annually on the basis of quantitative factors (company's contribution to net sales, total assets or net gains/losses) as well as qualitative risk indicators.

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

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

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

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

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

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

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

SAP-based consolidation software is used to prepare the consolidated financial statements. Group Accounting is responsible for this process. Binding content and deadline requirements minimize the discretion of decentralized units when recording, measuring and presenting assets and liabilities. For the consolidated financial statements, data is recorded at company level, automatically uploaded into the group-wide consolidation software and validated. A group-wide, standardized model chart of accounts has been established for recording of business transactions.

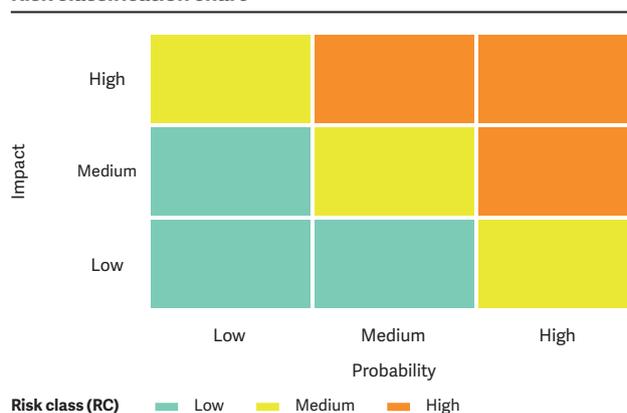
The identified risks and any implemented response measures are updated in the quarterly reporting and reported to the Board of Management. Independent auditors and Internal Audit assess the effectiveness of our internal accounting controls on an annual basis. Moreover, the Supervisory Board is also involved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

Opportunity and risk areas

Risk factors that could impact our group's business activities are assessed in the following risk and opportunity areas. If these areas also contain opportunities, such opportunities are explicitly mentioned. The order of the strategic, operational, financial, and compliance risks presented reflects the current estimation of their probability of occurrence for SGL Group and therefore provide an indication of the current importance of these risks for us.

This is also clarified by categorizing the risks into the risk classes (RCs) high, medium, and low. It should be noted that risks that are currently assessed as having a low probability of occurrence could potentially cause a greater loss to SGL Group than risks that are currently assessed as having a high probability of occurrence. Additional risks, which either have not yet been identified or are currently not classified as significant, could also affect our business activities. Unless explicitly indicated, the risks described below relate to all of our segments.

Risk classification chart



Opportunities and risks from price and capacity development (RC: high)

Our reporting segment PP supplies graphite electrodes and relies heavily on electric steel production, which is dictated by the global steel market. Since 2013, we have seen a significant decline in the steel price as a result of the massive expansion of blast furnace capacities for primary steel production, above all in China. This has been exacerbated in particular by the declining Chinese demand for local primary steel as a result of China's slowing economic growth. The resulting surplus production of Chinese steel is being increasingly exported at low prices, which has put pressure on prices and triggered Western steel producers to reduce production volumes, leading to a significant decline in electric steel production. Due to historically low iron ore prices, steel production is currently often more economical in blast furnaces than in electric arc furnaces. This economic environment makes it nearly impossible for many electric arc furnace steel manufacturers to be cost competitive. Consequently, in recent years, electric arc furnace steel capacities were idled and increased price pressure was also placed on graphite electrode suppliers. To make matters worse, the graphite electrodes market is experiencing surplus capacities on a similar scale as the steel industry.

However, potential consolidation of competitors in the graphite electrodes market harbors the opportunity that the imbalance between supply and demand will be reduced and the remaining market players could recover their returns. By separating the business unit Performance Products (PP) into a separate legal entity, we are creating an important prerequisite for participating in the expected market consolidation. And as the only graphite electrodes manufacturer with production capacities in Europe, North America and Asia, we make an attractive partner.

We see opportunities to increase volumes in the cathode business, especially if SGL Group can continue to participate in the Chinese aluminum market. Customer uncertainty concerning a change in ownership at one of our competitors at the beginning of the year could have a positive impact on our business.

In the reporting segment GMS, the graphite specialties business is experiencing more demand fluctuations in the short-term in individual markets, and our isostatic pressed and extruded graphite business will be confronted with low prices, resulting in short-term risks with regard to the impact on earnings of individual products, customer industries as well as within different regions. In Process Technology, we see intense competition for few major projects. In the medium to long term, we see very good growth opportunities because our products and solutions serve global megatrends such as energy, digitalization and mobility. We see above average growth potential, especially in the LED and semiconductor industry as well as in anode materials for the lithium ion battery industry.

Our business unit CFM supplies a wide spectrum of customer industries. As a result of the anticipated increase in demand for lightweight materials that offer high strength, high investment in the expansion of carbon fiber capacities was seen worldwide before the 2008 financial crisis. However, in many markets the use of composites and carbon fibers in place of other materials is still relatively new and the technology is not yet fully mature. Furthermore, carbon fiber products are not yet completely economically competitive. Despite the recent price stabilization,

the current demand for carbon fibers continues to be below worldwide installed capacities. Risks may result from lower growth in our customer industries and increasing quality requirements from customers.

We continue to expect that the fundamental medium and long-term trends in lightweight materials will remain on course, especially in the automotive industry. The increasingly stringent emission regulations for automobile manufacturer vehicle fleets could also accelerate demand. SGL Group could disproportionately benefit from this development because it is well positioned in the automotive industry. Furthermore, we see long-term growth opportunities in the aviation industry, where the reduction of weight and CO₂ emissions are also playing an increasingly important role.

Opportunities and risks from global and regional economic developments (RC: high)

As a global company, worldwide economic development has a significant influence on our results of operations, financial position and net assets. The macroeconomic environment is characterized by a high level of uncertainty and the world economy is recovering at only a moderate pace. Major risk factors include slowing growth in China, a further drop in oil and commodity prices as well as possible political upheavals within the EU. Escalating tensions in the Middle East and North Africa also generate uncertainty. Rising interest rates in the United States present substantial risks, especially for emerging and developing economies. By contrast, the lifting of sanctions against Iran opens up additional sales opportunities in the medium term.

Terrorist activities and disease epidemics could have negative effects on future economic development. By closely observing the market and economy, we are able to take the necessary steps in the short term and can minimize – at least temporarily – the risks that could potentially have an impact on our business. This includes all possible measures to manage our workforce (including short-time working hours, severance packages, etc.) and production volumes. In addition, sales risks are partly

offset by the wide diversification of our product range, our global presence and the numerous customer industries we supply. However, drops in demand, sluggish growth in individual customer industries or cyclical market fluctuations could have a negative impact on our business. A swift end to these crises would create, among others, additional sales revenue and earnings potential for our Company.

Opportunities and risks from value adjustments on goodwill and property, plant and equipment (RC: medium)

In the reporting segment PP, the prospects for our graphite electrode business have become far less certain. An impairment loss on the reported residual carrying amounts was recognized in the financial statements. A further decline in business could lead to additional value adjustments in the remaining residual carrying amounts.

An improvement in the business trend in the short or medium term may lead to a future reversal of impairment loss in both the graphite electrode business as well as for the past value adjustments made in the reporting segment CFM.

Opportunities and risks in the development of growth markets (RC: medium)

Our growth initiative for the business units GMS and CFM is aiming at organic growth of approx. 50% by 2020 (base year 2014). Both units are already experiencing dynamic market and product developments with growth potential that is considerably above average. With innovative carbon and graphite products, SGL Group acts as an enabler for production processes and the products of its customers who serve global megatrends such as mobility, digitalization, energy efficiency and urbanization. Customers receive tailored applications for the entire material value chain.

Acquiring new customers and establishing new materials and products requires considerable technical, operational and financial effort. Programs delayed by the customer and changes to customer specifications for our products play a significant role in this. Future market developments could also

be positively influenced by developments in state aid through subsidies or tax benefits as well as other state regulatory measures, such as the government incentives to purchase electric vehicles under discussion in a number of countries. Should performance in these markets not meet our forecast, our business situation would be adversely affected.

Currently we see the biggest opportunities in CFM for carbon-fiber-based composite materials for lightweight automotive construction and in the aviation industry. We intend to support this trend by further reinforcing our global sales activities. In GMS we see opportunities in the growing demand in the LED and semiconductor industry as well as for anode materials for the manufacture of lithium ion batteries, above all for electric cars but also for the temporary storage of peak loads for decentralized regenerative power generation.

Risks in the financial position (RC: medium)

With the new 2015 convertible bond that matures in 2020 and the early repayment of the convertible bond due in June 2016, we considerably improved the maturity structure of our financial liabilities. Based on our available cash funds and the maturity structure now in place for our financial liabilities, we do not currently see any financing risks.

The financing agreements of SGL Group contain contractually agreed covenants that regulate compliance with specific financial ratios during the terms of the agreements. Compliance with the covenants of the financing agreements is centrally monitored and controlled by Group Treasury along with other financial risks. If some of the outlined business risks materialize in fiscal year 2016, it is possible that we might not be able to fully achieve the relevant financial ratios in the following quarters if business development remains in decline. However, the covenants relate to the €200 million syndicated loan, which is undrawn. A further deterioration in our business could affect our share price and our rating, which could have a negative impact on potential future financing activities.

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

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

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

Tax and legal risks (RC: medium)

Changes in tax or legal provisions in individual countries in which we operate may lead to a higher tax expense and higher tax payments. Any corporate structuring and transfer pricing implemented is subject in part to complex tax regulations that could be interpreted differently. A potential additional tax exposure cannot be ruled out conclusively until after a final review by the tax authorities. Constantly increasing requirements regarding the documentation of internal transfer pricing entails the risk of additional tax expense. In the case of legal disputes, we recognize provisions based on the probability of occurrence as well as external legal opinions. However,

the actual amounts may differ from our estimates and have a considerable negative impact on our results of operations, financial position and net assets. Tax risks also arise in connection with the PP separation process and plant closures.

Opportunities and risks from the strategic realignment in the business unit PP (RC: medium)

The successful and timely implementation of the restructuring measures will have a significant impact on our future financial performance, especially in the business unit Performance Products (PP). Because the implementation is made up of various individual measures, whose target achievements depend to some extent on the timing of circumstances that we ourselves cannot completely control, we cannot rule out that some measures may experience delays and that the necessary financial resources go beyond the planned appropriation. An accelerated market consolidation in the graphite electrode business harbors the opportunity that prices and margins will recover considerably faster for the remaining market players. By separating the business unit PP into a legal entity, we are laying the foundation to actively participate in this.

Risks in IT (RC: medium)

In order to appropriately account for the growing importance of IT security, SGL Group operates a risk-based Information Security Management System (ISMS) based on the globally recognized ISO 27001:2013 standard as part of a group-wide initiative.

Special attention is being given to further increase the safety awareness of all employees who handle sensitive information on a daily basis. To achieve this, we will use ongoing global information security campaigns on topics such as data classification and protection against payment fraud.

As part of our IT control systems, established control processes are updated on a regular basis in order to effectively prevent unauthorized access to systems and data and detect attacks early. To ensure that all business processes are handled securely, the information technology in use is checked on an ongoing basis and further developed to remain state of the art. SGL Group has an integrated and standardized group-wide

IT infrastructure. Global processes and IT security that adapts to threats protects us from the loss or manipulation of data as well as unexpected downtime.

Opportunities and risks in the raw material and energy markets (RC: low)

We employ structured procurement concepts as well as medium and long-term framework agreements to balance out volatility in energy markets and price fluctuations in our principal raw materials. Significant excess demand in the market may result in considerable, unanticipated price increases and supply bottlenecks. Delivery delays and bottlenecks could have a negative impact on our businesses. To offset this risk, we have been able to develop appropriate strategic concepts with our main suppliers based on business relationships built up over many years. Price fluctuations in important raw materials and energy resources could also have both a positive and negative impact on our financial performance if, for example, we pass on raw material price declines through corresponding sales price decreases or not. In addition to volatile commodity and oil prices, political developments in particular in important procurement regions (e.g. in the Middle East and Russia/Ukraine regions) can have an adverse effect on the supply of individual raw materials that are difficult to substitute.

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

As a company using a substantial amount of energy, our sites in Germany were partially exempted from the cost allocation under the German Renewable Energy Sources Act (EEG). Our business operations could be negatively influenced depending on whether or not we are granted such an exemption from the EEG cost allocation in the future or if we are required to make a retrospective payment for the EEG cost allocation. Any possible reduction in the EEG reimbursement resulting from PP becoming a separate company could have a negative impact on our earnings.

Opportunities and risks from obligations for pensions and health benefits (RC: low)

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

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

Risks in production (RC: low)

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

Risks from compliance and regulatory issues (RC: low)

Our compliance management system reduces the risk of legal violations on all levels, in particular with regard to antitrust and corruption-related violations. The SGL compliance program comprises our Code of Business Conduct and Ethics, whistleblower policy, global antitrust compliance policy, gifts and entertainment policy as well as a business partner compliance program and a code for subcontractors and suppliers. We continuously adjust our policies and processes to comply with new legal conditions and changed business processes. Our compliance program also includes systematic and regular employee training. Further information on the compliance management system can be found in the Corporate Governance and Compliance Report on pages 22–27.

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

Opportunities and risks associated with country-specific issues (RC: low)

Due to the international nature of our business, we are confronted with a wide variety of uncertainties, the future development of which could have a negative impact on our results of operations, financial position and net assets. Particularly noteworthy are the risks of political and economic changes in our markets, the difficulties surrounding enforcement of contracts and recovery of outstanding receivables in foreign legal systems, compliance with trade law including export control law and technology transfer law in different countries as well as the difficulties surrounding global enforcement of patent protection of our products. The economic and political developments in China can significantly influence demand in our customer industries. The unstable political situation in the Middle East and North Africa can also have a negative impact. The lifting of sanctions against Iran harbors opportunities for SGL Group in the medium term.

Opportunities and risks from exchange rate fluctuations (RC: low)

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

Opportunities and risks from technology (RC: low)

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

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

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

In order to ensure the long-term success of our innovation strategies, we systematically track megatrends and technology trends and use this analysis to define strategic fields for our future research and development. 3-D printing with carbon materials is an example of one such field.

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

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

Risk transfer via insurance protection (RC: low)

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

Opportunities and risks from acquisitions, disposals and capital expenditures (RC: low)

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

The disposal of HITCO's aerostructures business also continues to present risks, particularly regarding the quality of products manufactured up to the closing date of December 18, 2015.

Transferring the business unit PP into a separate legal entity harbors the opportunity for SGL Group to participate in an industry consolidation in order to better position itself given changed market conditions. Furthermore, cash inflows resulting from the sale of a site and non-operating assets can have a positive impact on the financial position.

Opportunities and risks in human resources (RC: low)

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

Overall risk and opportunity assessment of SGL Group

An overall assessment of the above risks and opportunities largely reveals market and competition risks in connection with price and volume trends for both sales and procurement. This relates primarily to possible burdens resulting from further price declines for graphite electrodes. In addition, we classify the risks from global and regional economic developments as high. These risks could also adversely affect the value of our balance sheet assets and may require related write-offs. In contrast, internal production processes are much less subject to risk. The separation of the business unit PP harbors both risks as well as opportunities to actively shape the industry consolidation. Overall, we do not currently see any substantial financial risks that impact SGL Group as a whole. On the basis of information currently available, it is our opinion that no individual material risks exist – neither presently nor in the foreseeable future – that could jeopardize the business as a going concern. Even if the individual risks are viewed on an aggregate basis, they do not threaten SGL Group as a going concern.

Outlook

Overall economic trend

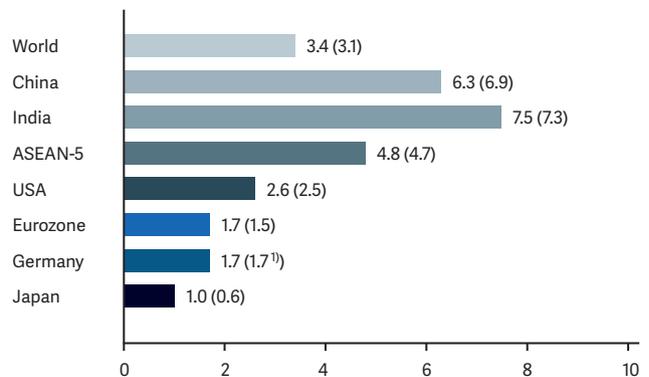
The International Monetary Fund (IMF) expects 2016 to be a difficult year prone to disruptions. It views the leveling off of growth in China and rising interest rates in the US as significant risks, particularly for the emerging markets and developing economies. The drop in the prices of oil and raw materials poses problems for the producing countries, and additional risks are associated with the increasing volatility seen in the financial markets. The refugee crisis and escalating tensions in the Middle East and North Africa are contributing to the uncertainty. In January, the IMF revised its global growth outlook for 2016 downward once again from the most recent figure of 3.6% to 3.4% (for advanced economies: 2.1%; for emerging/developing economies: 4.3%). Accordingly, global growth is nevertheless expected to pick up slightly compared with 2015.

World economy to recover only moderately in 2016

For the USA, the IMF anticipates only slightly higher growth of 2.6% in 2016. The upturn will be borne by improvements in the labor and housing markets. On the other hand, the higher US dollar and lower oil prices will affect the industrial sector. At 1.7%, growth in the euro zone will also continue to pick up slightly in 2016. In addition to a high level of spending, the prospects for industrial and construction activity are good, and exports will benefit from the low exchange rate for the euro. Regionally, the pace of expansion will converge within Europe. For Germany, the IMF expects growth of 1.7%, parallel to that of the euro zone. With its new five-year plan (2016–2020), China will continue on its course to strengthen its domestic economy at the expense of growth momentum. The IMF expects growth in China to level off to 6.3% in 2016. Growth in India (7.5%) and the ASEAN-5 countries (4.8%) is expected to pick up slightly. The Russian economy (minus 1.0%) will remain weak in 2016, as will the economy in Brazil (minus 3.5%).

Gross domestic product in 2016 (2015) at a glance in %

Real change year-on-year



Source: IMF, World Economic Outlook (Update) from January 2016

¹⁾ German Federal Statistical Office

Industry trends

Excluding China, global steel consumption will edge upwards in 2016; no recovery for electric steel in the near term

For 2016, the World Steel Association (WSA) expects a 2.9% increase in the demand for steel outside of China. Due to the weakness of the local industrial and construction sectors, demand in China will in contrast shrink by 2.0%. Consequently, according to the WSA, the global demand for steel will only increase by 0.7% in 2016 (in industrialized countries: 1.8%; in emerging/developing countries: 0.2%). As a result, growth in Brazil is likely to be nearly stagnant and growth in Russia to shrink by 1.0%. In the ASEAN countries – India (7.6%), Japan (3.1%), and South Korea (0.7%) – the WSA expects demand to increase in 2016. For the large western steel markets – the EU (2.2%) and NAFTA (2.1%) – the demand picture also looks positive. At the same time, demand in the USA (1.3%) and Germany (2.3%) is expected to grow at a higher rate than in the previous year. From the point of view of the Federation of the German Steel Industry (Wirtschaftsvereinigung Stahl), however, the production of crude steel in Germany will fall by almost 3% in 2016, which also applies to electric steel. In order for electric steel to recovery internationally, the relative blast furnace cost position (scrap steel vs. iron ore/carbon) would have to improve noticeably and excess capacity in the steel industry as a whole would have to be removed – neither of which is in the offing in the short term.

Aluminum industry faces supply surplus and price pressure despite capacity cuts

Global demand for aluminum continues to grow steadily and to outperform the overall economy. Long-term drivers such as weight and CO₂ reduction remain intact. In light of the current substantial market imbalance (caused by oversupply, price drops, and a slump in profitability), site closures, such as those recently announced by leading manufacturers, are inevitable. According to market observers, China is also shutting down older capacities, although not enough to reduce the local surplus that is being exported. Falling electricity prices are helping manufacturers, and China is also trying to decrease costs further by increasing volumes and market shares. That is why new plants are continuing to go into operation in China despite overcapacity. According to Metal Miner, smelting capacity of 4.2 million tons is likely to be installed in China in 2016 (2015: 3.8 million tons). Wood Mackenzie does not expect a reversal of the trend seen with aluminum, and anticipates price pressure to continue in 2016. Against this backdrop, demand for investment goods and equipment for aluminum production – as well as for our products – is likely to remain moderate initially, particularly outside of China.

Chemicals industry: global production growing steadily; basic chemicals threaten overcapacity

The German Chemicals Industry Association (Verband der Chemische Industrie – VCI) once again expects global chemicals production to increase by 4.0% in 2016. At the same time, growth is currently tailing off in many regions, such as the USA (2.5%), China (8.0%), India (2.0%), and Russia (3.0%). A slight upturn is expected for Japan, South Korea, and Germany. For both the EU and Germany, the VCI anticipates a moderate increase in production of 1.5%. Lower oil prices and the weak euro will have a positive effect; exports should increase. German manufacturers are also expected to succeed in increasing volumes on account of better industrial production and a healthy construction market. According to the VCI, however, a massive expansion in basic chemicals in the Middle East, China, and the USA will increase the danger of overcapacity on the global market. As chemical capacity utilization was only average in Germany, at 83.3% in 2015 (2014: 84.2%), the VCI does not expect the investment restraint seen in this context in Germany in recent years to dissipate.

Lithium ion batteries: dynamic growth due to increasingly wider applications

Double-digit growth is being projected for the end markets of lithium ion batteries in the coming years. According to the estimates of the FMI, the consumer electronics market is growing at a global rate of 15.4% p.a., with the smart phone market alone growing at a rate of 21.7% p.a. (2015–2020). In addition, the automotive industry is focusing increasingly on alternative powertrain systems using hybrid or purely electric engines. Starting from a low level, this market has multiplied within a few years. The diesel exhaust scandal and the ambitious targets set at the UN Climate Change Conference held in Paris in 2015 should provide additional support for this trend. Furthermore, applications allowing the storage of green electricity are gaining in importance. Electronic networking in the energy, household, medical, and industrial sectors is also sustaining the demand for batteries. The market outlook for lithium ion batteries assumes global growth of 11.9% p.a. (TechNavio). According to Frost & Sullivan, that market will by 2020 reach a volume of USD 55 billion, while according to Navigant Research, the market for materials used to produce high-performance batteries will increase by a good 11% p.a. to more than USD 19 billion by 2023.

Polysilicon: strong demand stimulates investment, with overcapacity imminent again

Demand for photovoltaics (PV) dominates over 90% of the polysilicon market. According to the forecasts from IHS market researchers, the PV market will continue to expand globally by about 12% to 65.5 GW in 2016, driven by falling prices, higher efficiency, and state subsidies encouraging PV expansion. The semiconductor market, which is the second-largest end market for polysilicon, is also expected to pick up pace again. World Semiconductor Trade Statistics (WSTS), an industry association, anticipates growth in almost all product groups in 2016 as well as higher demand worldwide (except in Europe). According to WSTS, the semiconductor market will grow by 1.4% in 2016 and by 3.1% in 2017 due to stronger growth impetus in that year. On that basis, global demand for polysilicon is expected to increase by an average of 11% by 2017. As polysilicon manufacturers are planning a large-scale expansion of their production sites in 2016, however, significant overcapacities are looming on the horizon. Following the volatile investment cycle within the polysilicon industry, conditions for suppliers may fluctuate, but long-term prospects remain positive.

Automotive industry: pressure to reduce exhaust emissions will noticeably drive lightweight construction

According to the assessment of specialists at LMC Automotive, global production of lightweight vehicles will increase by 4.2% in 2016, and sales by 3.9%. The German Automotive Industry Association (VDA), however, only expects global sales of cars and lightweight vehicles to increase by 2% (China: 2%; USA: 1%; Western Europe: 1%). The global enforcement of laws intended to reduce CO₂ emissions, which could be further compounded by diesel emission manipulation and the discussion surrounding falsified manufacturer's figures, is fuelling the trend in favor of electric cars and lightweight construction. According to the available studies, lightweight body construction will dominate the automotive industry in the coming years. McKinsey anticipates that by 2030, lightweight construction with a mix of materials will make up 67% of the market. According to automotive industry specialists Berylls Strategy Advisors, by 2025 the global market volume for lightweight body construction will multiply to about €100 billion, almost €2 billion of which will relate to carbon fiber reinforced plastics (CFRP). According to market studies, the market for carbon fiber prepregs (including other applications) will grow by more than 11% annually until 2019/2020.

Wind industry to continue global expansion on a large scale

Wind energy expansion is set to continue. The 2015 world climate summit in Paris will likely give fresh impetus to the ambitious expansion plans already existing in the volume markets of China, the USA, India, and Europe. The wind energy market is also growing in the emerging economies. In addition to expansion on land, the offshore sector will gain in importance in the future. In its forecast to the year 2019, the Global Wind Energy Council (GWEC) predicts annual increases in capacity ranging from just below 4% to almost 7% (2016: 3.7%). At the same time, the annual volume of new installations will increase by 55.5 GW in 2016 to 66.5 GW in 2019. Based on that forecast, capacities for wind energy production installed worldwide will grow to 666 GW by 2019, equating to an increase of more than 10% p.a. As carbon fibers are being used more and more in the manufacture of rotor blades, the outlook for our wind business remains positive.

Overall assessment of the Group's anticipated performance by Company management

The comments in our Outlook are based on our three operating reporting segments: Performance Products (PP), Graphite Materials & Systems (GMS), and Composites – Fibers & Materials (CFM). In contrast to previous years, our business unit CFM also comprises both HITCO's former materials business and our share in the net income or loss of equity-accounted investments. In addition, we also have a fourth reporting segment, T&I and Corporate, in which central functions are consolidated (for information on our organizational and reporting structure, please refer to the Management Report starting on page 35).

The Group outlook and the outlook for our primary segments are based on the aforementioned expectations relating to the general performance of the economy and the industry trend. Should the geopolitical and/or sovereign debt crises escalate further, negative effects on our forecast of the Group's financial performance and financial position cannot be ruled out, in particular in relation to the more cyclical businesses in our reporting segments PP and GMS. For portions of our reporting segment GMS, and particularly for CFM, performance will also depend on our customers' major projects. If performance differs from our projections, this could impact the Group either positively or negatively.

Our projections are also based on certain exchange rates. On the basis of projected net positions, we have hedged relevant currency pairs in a scope of up to 80% with the aim of safeguarding our income from exchange rate fluctuations during the years in question. Irrespective of this, changes in net positions (e.g. due to sales trends that differ from our projections) and further upheavals in our most important currencies would influence our earnings forecast, which is based on the prevailing currency exchange rates at the time this Management Report was prepared. Distortions in the prices of essential raw materials can also influence our earnings forecast.

The following table provides an overview of relevant financial Group targets and the respective outlook for 2016:

Group financial targets

€m	Actual figure for 2015	Outlook 2016 ¹⁾
Sales revenue ²⁾	1.323	Slight decrease
EBIT ²⁾	33	Significant decrease
ROCE _(EBIT) ²⁾	2.4%	Significant decrease
EBITDA ²⁾	121	Significant decrease
ROCE _(EBITDA) ²⁾	9.0%	Significant decrease
Consolidated net result (continuing operations)	-198.9	Significant improvement

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

²⁾ Target figures are in each case based on continuing operations before non-recurring charges

Group performance

We expect Group sales to decline slightly in 2016 due to renewed price pressure in our graphite electrode business, which is also the reason that Group EBITDA and Group EBIT (both before non-recurring charges) are expected to decrease significantly. In contrast, we expect earnings to improve in our business units GMS and CFM.

Our SGL2015 cost savings program was successfully concluded during the year under review. By the end of 2015, cumulative savings totaling €202 million had already been realized. The cumulative savings target of €240 million is expected to be reached by mid-2016 (base year 2012 included losses from AS-activities and SGL Rotec, which have since been sold). SGL2015 will not generate any additional expenses during the current fiscal year. However, a small remaining amount will be cash effective in 2016 since certain restructuring measures impact cash with some delay.

We are now focusing on adapting our business models. In our business unit PP, our business model is being adapted to the commodity markets and corresponding cost and process structures are being created. Following the further deterioration of the steel markets, we decided to close an additional site (in Frankfurt-Griesheim, Germany). Most of the €63 million charges incurred in this connection were recognized in the 2015 financial statements; approximately one-third of that

amount will be cash effective in 2016. As a result of these two measures, we anticipate additional annual savings in the low-to-mid double-digit million euro range.

The processes and business models in our business units GMS and CFM are also being adapted in order to reach our stated target of organic sales growth of 50% by the year 2020 (based on 2014). We do not anticipate any significant cash outflows in this connection.

Business trend in the reporting segments

Reporting segment	KPI	Actual figure for 2015	Outlook 2016 ¹⁾
PP	Sales	€533 million	Significant decrease
	EBIT before non-recurring charges	€19 million	Significant decrease
GMS	Sales	€453 million	Slight increase
	EBIT before non-recurring charges	€34 million	Slight increase
CFM	Sales	€327 million	Roughly the same
	EBIT before non-recurring charges ²⁾	€11 million	Significant increase
T&I and Corporate	EBIT before non-recurring charges ²⁾	€-33 million	Slight decrease

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

²⁾ EBIT before non-recurring charges plus net result accounted for At-Equity

Due to the renewed deterioration of the steel markets during the fourth quarter of 2015, which is reflected in the subdued forecasts for global steel production and consumption, we anticipate demand in our graphite electrode business to remain at a relatively stable, albeit low level in 2016 with further price decreases. In contrast, we expect our business in cathodes, furnace linings, and carbon electrodes to continue to perform well, although it will not be sufficient to compensate for the negative effect of a further drop in graphite electrode prices. Overall, we anticipate a lower double-digit percentage decrease in sales in our reporting segment Performance Products. Despite the cost reductions achieved through SGL2015, the closure of our site in Frankfurt-Griesheim, and expected reductions in the cost of raw materials, we currently expect negative EBIT before non-recurring charges in the mid double-digit million euro range.

In our reporting segment Graphite Materials & Systems (GMS), we anticipate a slight increase in sales. Increased volume demand, particularly from the solar, semiconductor, and LED industries, is likely to be partially offset by price decreases. We continue to anticipate a good order backlog level from the lithium ion battery industry. Due to higher total capacity utilization and cost savings, we expect EBIT before non-recurring charges to increase disproportionately to sales, which should allow us to once again approach our target ROCE (ratio of EBITDA to capital employed) of 15%.

In our reporting segment Composites – Fibers & Materials (CFM), we expect sales to remain stable, with increased demand coming in particular from the automotive industry. Sales of our precursor subsidiary Fisipe are expected to decline, however, since the price of acrylic fiber closely correlates with that of crude oil. EBIT for that business unit is expected to outpace sales due to higher delivery volumes and cost savings.

Expected financial position

Existing liquidity will cover financing requirements for 2016

The Group's financing requirements are determined by the strategic business plans of our operating business units, which are reviewed annually based on the new projections. In the fall of 2015, we issued a new convertible bond in the amount of €167 million (maturing in 2020), and with the proceeds we redeemed a bond that was due to mature in June 2016 ahead of its maturity date by repaying the outstanding amount of €134 million, improving our maturity structure in the process. This means that the first repayment obligation for one of our financial instruments relate to the convertible bond issued in 2012, which is not due until January 2018. The liquidity of €250.8 million existing at year-end 2015 is more than sufficient to cover our operating financing requirements for fiscal year 2016. We also have an undrawn €200 million credit line at our disposal.

Overall, net financial debt will be significantly higher at year-end 2016 than at year-end 2015, the main reason being the lower operating result and the non-recurring charges caused by restructuring measures (in particular the closure of our graphite electrode site in Frankfurt-Griesheim).

Investments to remain at a low level in 2016

Since a number of long-term expansion projects in all of our established businesses have either been essentially completed or are at the end of their investment phase, investment requirements have declined since 2013 compared with prior years. Given the weak earnings situation, we will additionally curtail our expenses further. Accordingly, for the year 2016, we anticipate capital expenditure on property, plant and equipment to continue to be low and at most reach the level of the previous year, once again remaining below the level of depreciation.

Dividend performance

Due to the accumulated loss reported by the parent company SGL Carbon SE in fiscal 2015, the Company had no capacity to distribute dividends. However, we are working with the utmost priority on making our Company sustainably profitable again. Only then will the payment of continuous, earnings-related dividends be possible.

Remuneration Report

Remuneration for the Board of Management in fiscal year 2015

The remuneration system applicable to members of the Board of Management was revised as of January 1, 2014 as part of the Supervisory Board’s review of Board of Management remuneration. As a general rule, the individual agreements for Board members are identical. In some cases, however, deviations have been agreed on with respect to retirement benefits and the maximum total remuneration. These differences take into account the respective Board member’s situation as of the date on which the remuneration system was revised. The following objectives were considered in particular when restructuring the system in order to fulfill the regulatory requirements:

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

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

Structure of Board of Management remuneration

The remuneration paid to the members of the Board of Management includes both non-performance related salary and noncash payments as well as retirement benefit obligations and performance-related (variable) components.

The non-performance related components include a fixed annual salary (basic remuneration) as well as fringe benefits

and an annual contribution to retirement benefits. The basic remuneration is paid in twelve equal installments at the end of each month. Dr. Koehler receives €630,000, Dr. Majerus €465,000, and Dr. Wingefeld €465,000 per year. The fringe benefits primarily comprise the use of a company car, including use of the chauffeur pool, and health insurance supplements. Membership in the Group accident insurance plan and D&O insurance with a deductible as specified by the German Stock Corporation Act (AktG) and the German Corporate Governance Code (DCGK) is also included.

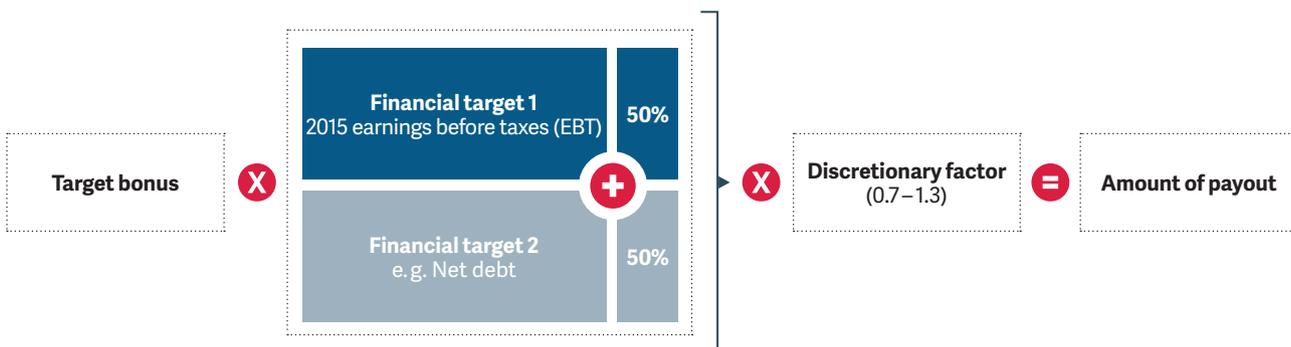
The performance-related components comprise the annual variable remuneration (SGL Carbon Bonus Plan) and a multi-year variable remuneration component (SGL Carbon Long Term Incentive Plan – LTI).

SGL Carbon Bonus Plan

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

In determining the annual variable remuneration, as a general rule the Supervisory Board sets two financial performance targets per year. The target values may change from year to year, and each is weighted at 50%. Depending on the target, the achievement level can range from 0% to 200%. The Supervisory Board sets the minimum and maximum targets.

In order to determine the annual variable remuneration, the figure resulting from the financial performance targets is multiplied by a discretionary performance factor of between 0.7 and 1.3 (see graph).



The Supervisory Board determines the discretionary performance factor using the individual level of achievement of the various personal targets set at the start of the year for each Board member.

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

SGL Carbon long-term incentive plan

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

Upon granting, an allocation amount is set for each Board member in euros (Dr. Köhler: €700,000 p.a.; Dr. Majerus: €545,000 p.a.; Dr. Wingefeld €545,000 p.a.). Those amounts are used to calculate the preliminary number of virtual shares (performance share units, or PSUs) every year. The number of preliminary PSUs is calculated at the start of the corresponding performance period by dividing the allocation amounts by the fair value per share for the PSU. The fair value per share is calculated by an independent third party.

After a period of either three or four years, the degree of ROCE target attainment is identified. No payment is made unless the minimum ROCE target is reached. The final number of PSUs is limited and can equal between 0% and 150% of the preliminary number of PSUs. The potential payout amount is indicated by the final number of PSUs multiplied by the rounded share price during the last 60 trading days of the performance period. The total amount to be paid out is capped at 200% of the allocation amount on the date granted. Payouts are made in cash.



Shareholding requirements

Members of the Board of Management are required to permanently hold a fixed quantity of shares in SGL Carbon SE for the duration of their term on the Board. For the CEO, the number of shares to be held corresponds with his fixed annual salary. For the other members of the Board of Management, the number of shares to be held corresponds with 85% of their fixed annual salaries. The number of shares is calculated on the basis of the rounded share price at the beginning of the performance period. The number of shares to be held must be built up successively over four years, unless the Board of Management member already fulfills the shareholding requirement.

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

Maximum total remuneration

The remuneration system also places a cap on the amount of the annual gross remuneration that could theoretically be paid to the members of the Board of Management (including contributions to the company pension plan) in consideration of all of the remuneration components. The maximum amount of the annual remuneration is €3,600,000 for Dr. Koehler and €3,100,000 for both Dr. Majerus and Dr. Wingefeld.

Benefits after leaving the Board

If a member's appointment to the Board of Management is terminated prematurely – whether by mutual consent, revocation, resignation or by termination as a result of company law proceedings in accordance with the Transformation Act (UmwG) – the Board member receives a maximum compensation of two years' remuneration as set forth in the German Corporate

Governance Code. If the remaining term of the Board member's employment contract is less than two years, the compensation is reduced on a pro-rata basis. The amount of the annual remuneration to be taken as a basis is determined by the total amount of the fixed salary and the variable remuneration components based on a target attainment of 100% and excluding non-cash compensation and other fringe benefits for the last full fiscal year prior to the end of the Board member's service agreement. No agreements have been entered into to pay benefits if a Board member's contract is terminated prematurely due to a change of control.

Board members are as a rule subject to a one-year ban on competition after their contracts end. As compensation, the company pays the members of the Board of Management a waiting allowance of 50% of their annual remuneration for the duration of the non-compete clause. The amount of the annual remuneration to be taken as a basis is determined by the total amount of the fixed salary and the variable remuneration components based on a target attainment of 100% and excluding non-cash compensation and other fringe benefits for the last full fiscal year prior to the end of the Board member's service agreement. Any other income received by the Board member is offset against the waiting allowance.

Remuneration for the Board of Management in 2015 in accordance with the German Corporate Governance Code

Since fiscal year 2014, the German Corporate Governance Code as amended on June 24, 2014 has required the presentation of a detailed breakdown of the remuneration paid to each member of the Board of Management. In order to fulfill the requirements of the German Corporate Governance Code, the presentation of the remuneration paid to the members of SGL Carbon SE's Board of Management includes:

- all of the benefits extended, including fringe benefits and the maximum and minimum remuneration that can be reached
- the amount of fixed remuneration and variable remuneration received for each fiscal year
- expenses for retirement benefits

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

Total remuneration for the Board of Management in 2015 (benefits granted)

Total target remuneration for the members of the Board of Management in fiscal year 2015 (based on benefits granted) was €5,642,042 (2014: €7,006,212, including Jürgen Muth). Of the total remuneration, €1,560,000 (2014: €1,560,000) was attributable to fixed remuneration, €102,131 to non-cash benefits (2014: €90,080), €1,120,000 to the one-year variable remuneration (2014: €1,224,000), €1,790,000 to the multi-year variable remuneration (2014: €2,218,825), and €1,069,911 to retirement benefits (2014: €1,912,579). The members of the Board of Management were granted PSUs from the LTI as their multi-year variable remuneration. There were no allocations from the discontinued SAR/MSP and LTCI plans in fiscal year 2015.

The LTI tranche granted in fiscal year 2015 was divided between Dr. Köhler and Dr. Wingefeld: 50% of the PSUs granted were measured over a three-year period (2015–2017), while 50% of the PSUs were based on a four-year performance period (2015–2018). In 2014, the breakdown was 75%/25%. The PSUs granted to Dr. Majerus are based on a four-year performance period only.

The following remuneration was extended to the active members of the Board of Management in the 2015 reporting year (individualized presentation):

Benefits granted (€)	Dr. Jürgen Köhler Chief Executive Officer since Jan. 1, 2014				Dr. Gerd Wingefeld Chief Technology Officer			
	2014	2015	Min.	Max.	2014	2015	Min.	Max.
Fixed remuneration	630,000	630,000	630,000	630,000	465,000	465,000	465,000	465,000
Fringe benefits	30,138	38,702	38,702	38,702	37,039	43,114	43,114	43,114
Total	660,138	668,702	668,702	668,702	502,039	508,114	508,114	508,114
Annual variable remuneration	420,000	420,000	0	840,000	350,000	350,000	0	700,000
Multi-year variable remuneration ¹⁾	700,000	700,000	0	1,400,000	545,000	545,000	0	1,090,000
LTI 2014 – 2016	525,000	0	0	0	408,750	0	0	0
LTI 2014 – 2017	175,000	0	0	0	136,250	0	0	0
LTI 2015 – 2017	0	350,000	0	700,000	0	272,500	0	545,000
LTI 2015 – 2018	0	350,000	0	700,000	0	272,500	0	545,000
Total	1,780,138	1,788,702	668,702	2,908,702	1,397,039	1,403,114	508,114	2,298,114
Retirement benefits	678,348	12,787	12,787	12,787	723,732	895,134	895,134	895,134
Total remuneration (German Corporate Governance Code)	2,458,486	1,801,489	681,489	3,600,000	2,120,771	2,298,248	1,403,248	3,100,000

¹⁾ The figures related to the multi-year variable remuneration reported for the fiscal years 2014 and 2015 correspond to the allotment values in case of a target achievement of 100%

Benefits granted (€)	Dr. Michael Majerus Chief Financial Officer since July 1, 2014			
	2014	2015	Min.	Max.
Fixed remuneration	232,500	465,000	465,000	465,000
Fringe benefits	6,703	20,315	20,315	20,315
Total	239,203	485,315	485,315	485,315
Annual variable remuneration	175,000	350,000	0	700,000
Multi-year variable remuneration ¹⁾	476,875	545,000	0	1,090,000
LTI 2014 – 2016	0	0	0	0
LTI 2014 – 2017	476,875	0	0	0
LTI 2015 – 2017	0	0	0	0
LTI 2015 – 2018	0	545,000	0	1,090,000
Total	891,078	1,380,315	485,315	2,275,315
Retirement benefits	91,563	161,990	161,990	161,990
Total remuneration (German Corporate Governance Code)	982,641	1,542,305	647,305	3,100,000

¹⁾ The figures related to the multi-year variable remuneration reported for the fiscal years 2014 and 2015 correspond to the allotment values in case of a target achievement of 100%

Total remuneration for the Board of Management in 2015 (allocations)

The allocations for the Board of Management in fiscal year 2015 totaled €3,930,926 (2014: €4,867,401 including Jürgen Muth). Of the total allocation, €1,560,000 (2014: €1,560,000) was attributable to fixed remuneration, €102,131 to non-cash compensation (2014: €90,808), €1,085,000 to one-year variable remuneration (2014: €946,724), €113,884 to multi-year variable remuneration

(2014: €357,290), and €1,069,911 (2014: €1,912,579) to retirement benefit expenses.

The following table of currently active Board of Management members shows the effective allocations in the respective calendar year, broken down into fixed remuneration, fringe benefits, one-year variable remuneration, multi-year remuneration – broken down into individual plans – and retirement benefit expenses.

Principle of allocation (€)	Dr. Jürgen Köhler Chief Executive Officer since Jan. 1, 2014		Dr. Gerd Wingefeld Chief Technology Officer		Dr. Michael Majerus Chief Financial Officer since July 1, 2014	
	2015	2014	2015	2014	2015	2014
Fixed remuneration	630,000	630,000	465,000	465,000	465,000	232,500
Fringe benefits	38,702	30,138	43,114	37,039	20,315	6,703
Total	668,702	660,138	508,114	502,039	485,315	239,203
Annual variable remuneration ¹⁾	406,875	381,864	339,063	318,220	339,063	246,640
Multi-year variable remuneration	9,800	5,548	104,084	175,871	0	0
MSP match 2015/2014	9,800	5,548	104,084	175,871	0	0
Total	1,085,377	1,047,550	951,261	996,130	824,378	485,843
Retirement benefits	12,787	678,348	895,134	723,732	161,990	91,563
Total remuneration (German Corporate Governance Code)	1,098,164	1,725,898	1,846,395	1,719,862	986,368	577,406

¹⁾ The amount paid for the annual variable remuneration in fiscal 2015 will be determined not until the Supervisory Board meeting on March 22, 2016. The value reported here represents a preliminary payment taking into consideration a discretionary performance factor of 1.0: the value for 2014 corresponds to the payment in 2015 made for fiscal year 2014.

Additional disclosures on share-based payment instruments in fiscal year 2015

The remuneration system for the Board of Management was restructured in 2014 as described above. As a result, no new LTCIs, MSPs or SARs were issued for the members of the Board of Management. Those plans were replaced by the LTI. The following table shows the status of the plans being phased out:

SAR	Balance as of December 31, 2014		Forfeited 2015	Balance as of December 31, 2015	
	Number	Weighted base price		Number	Weighted base price
Dr. Köhler	46,000	31.46€	0	46,000	31.46€
Dr. Wingefeld	112,500	29.59€	0	112,500	29.59€

MSP	Balance as of December 31, 2014		Due 2015	Balance as of December 31, 2015	
	Number	Average price upon purchase		Number	Average price upon purchase
Dr. Köhler	649	30.83€	Match 649	0	0
Dr. Wingefeld	6,893	30.83€	6,893	0	0
Average share price at grant date			30.83		
Share price at match date			15.10		

The SARs existing as of December 31, 2015 were not exercisable.

The table below shows the performance share units granted from the LTI in 2014 and 2015. It is not expected that the targets

will be achieved at the end of the three or four-year period due to the negative results posted by SGL Group in 2014 and 2015 and the ensuing impact on ROCE performance.

	Tranche	Allocation value €	Price* €	PSU Number	Performance 0% – 150%	Fair value €
Dr. Köhler	LTI 2014 – 2016	525,000	16.63	31,564	–%	–
	LTI 2014 – 2017	175,000	16.63	10,521	–%	–
	LTI 2015 – 2017	350,000	14.01	24,982	–%	–
	LTI 2015 – 2018	350,000	14.01	24,982	–%	–
Dr. Wingefeld	LTI 2014 – 2016	408,750	16.63	24,575	–%	–
	LTI 2014 – 2017	136,250	16.63	8,192	–%	–
	LTI 2015 – 2017	272,500	14.01	19,451	–%	–
	LTI 2015 – 2018	272,500	14.01	19,450	–%	–
Dr. Majerus	LTI 2014 – 2017	476,875	16.63	28,671	–%	–
	LTI 2015 – 2018	545,000	14.01	38,901	–%	–
Total		3,511,875	15.18	231,289	–%	–

* Fair value on the grant date

Company retirement benefits

New appointments to the Board of Management receive company retirement benefits in the form of a defined contribution plan. The plan includes retirement benefits upon reaching the statutory retirement age and in the event of invalidity or death. Board members who have reached the age of 62 are entitled to early payout.

SGL Carbon SE pays a contribution into a benefits account for each member of the Board of Management for the duration of their employment and for each past service year. The benefit account is interest bearing until benefits start being paid out, at which time any extra interest generated due to the investments in the benefit account having earned interest at a higher rate than the applicable guaranteed interest rate for the life insurance sector is credited to the benefit account (surplus). In the event of invalidity or death prior to the benefits falling due, the benefits account is credited with contributions up to the age of 60; however, the replenishment is limited to a maximum of

ten contribution payments. The payout is made as a one-time payment or, upon application, in ten annual installments.

Regarding Dr. Köhler, €2,289,940 was paid into a re-insurance policy in 2014 in order to settle vested, non-forfeitable benefit obligations as well as the majority of benefit obligations vesting prior to June 2016.

The new pension system took effect for Dr. Majerus in July 2014.

The previous system still applies to Dr. Wingefeld. Under the old system, the amount of the post-employment benefit commitment and the respective pension benefit depends on the number of terms of appointment as well as the number of years of service on the Board of Management and is stated as a percentage of the last fixed monthly salary. The maximum entitlement for Dr. Wingefeld is 70% of his last fixed monthly salary. The entitlement is currently at 60%. The pension benefit entitlement will increase by another 10% at the start of his next year of Board membership, upon which the maximum entitlement of 70% will have been reached.

Active members of the Board of Management as of Dec. 31, 2015	Present value of defined benefit obligation		Service cost	
	2015	2014	2015	2014
€ thousand				
Dr. Köhler	2,393	2,361	13	638
Dr. Majerus	240	92	162	92
Dr. Wingefeld	7,281	6,420	895	723
Retired Board members				
Jürgen Muth	7,088	7,158	0	838
Total	17,002	16,031	1,070	2,291

The total remuneration paid to former members of the Board of Management, executive management, and their surviving dependents, including one-time payments, amounted to €4.3 million in 2015 (2014: €0.6 million). Provisions of €49.2 million (2014: €56.4 million) had been recognized in 2015 to cover pension obligations to former members of executive management and their surviving dependents.

Supervisory Board remuneration

In addition to the reimbursement of out-of-pocket expenses, each member of the Supervisory Board receives fixed remuneration of €50 thousand per year, payable after the end of a fiscal year. The Chairman of the Supervisory Board receives two-and-a-half times that amount, and the Deputy Chairman one-and-a-half times that amount. Each member of the Personnel Committee, the Governance Committee, the Ethics Committee,

the Strategy Committee, and the Technology Committee receives €2 thousand for each meeting attended, and each member of the Audit Committee receives €3 thousand for each meeting attended. The chairmen of the Personnel, Governance, Ethics, Strategy, and Technology committees receive €3 thousand per meeting, and the Chairman of the Audit Committee receives €6 thousand per meeting. In addition, the company pays an attendance fee of €400 for each meeting attended by the members of the Supervisory Board.

€ thousand	Member since	Age as of the date of release of the 2015 annual report	Period of service (appointed up to)	Remuneration		Total
				Basic remuneration	Additional remuneration	
	2009 ¹⁾	53	HV 2020	125.0	16.0	141.0
	1996	65	HV 2018	75.0	12.0	87.0
	2008	54	HV 2018	75.0	10.0	85.0
	2013	49	HV 2018	50.0	22.0	72.0
	2008 ²⁾⁴⁾	63	HV 2018	50.0	14.0	64.0
	2013	52	HV 2018	50.0	2.0	52.0
	2015 ³⁾	51	HV 2020	33.7	21.2	54.9
	2010	57	HV 2020	50.0	4.0	54.0
	2013	45	HV 2018	50.0	14.0	64.0
	1998 ³⁾	70	HV 2015	16.4	6.4	22.8
	2013	55	HV 2018	50.0	4.0	54.0
	2013	44	HV 2018	50.0	14.0	64.0
	2013	61	HV 2018	50.0	10.0	60.0
Total				725.1	149.6	874.7

¹⁾ Chairwoman/Chairman of the Personnel Committee

²⁾ Chairman of the Strategy/Technology Committee

³⁾ Chairman of the Audit Committee

⁴⁾ Chairman of the Governance & Ethics Committee

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

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

Composition of subscribed capital

As of December 31, 2015, the issued capital of the Company was €235,024,645.12, divided into 91,806,502 no-par-value bearer shares, each with a notional value of €2.56 (see **Note 22** of the notes to the consolidated financial statements).

Restrictions on voting rights and the transfer of shares

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

Direct or indirect interests in the Company's capital

The Company has been informed of the following holdings of direct or indirect shares in its capital exceeding 10% of voting rights: (i) SKion GmbH, Bad Homburg, with a holding of approximately 27.35% at year-end 2015 by way of voting rights notifications in accordance with Sections 21 et seq. of the German Securities Trading Act (WpHG), and (ii) Bayerische Motoren Werke Aktiengesellschaft (BMW AG), Munich, last reported a holding of approximately 18.44% in October 2014 by way of voting rights notifications submitted at that time. The holding in SKion GmbH can be attributed to Susanne Klatten, Germany, who thus indirectly held approximately 27.35% of the voting rights in SGL Carbon SE at year-end 2015.

Holders of shares with special rights

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

Type of voting rights control in the case of employee shareholders

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

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

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

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

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

Subject to the consent of the Supervisory Board, the Board of Management is authorized to issue new shares from authorized or conditional capital (see Section 3 (6) to Section 3 (8) and Section 3 (10) to Section 3 (14) of the Articles of Incorporation as well as **Note 22** of the notes to the financial statements).

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

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

Each of the convertible bonds issued by the Company (due in 2018 and 2020) entitles the bondholders to repayment of their outstanding notes at the principal amount in the event of a change in control, provided the bondholders declare such intention on or before the reference date to be determined by the Company; such reference date may not be fewer than 40 or more than 60 calendar days after the change in control. Alternatively, the notes may be converted into shares on or before the reference date, which could result in a better conversion ratio for bondholders based on the staggered conversion price with respect to the residual terms to maturity of the convertible bond in question. For the purposes of the two convertible bonds, a change in control exists if one or more individuals acquires control over the Company, with control being (a) direct or indirect ownership of more than 30% of the voting shares or (b) in the case of an acquisition offer, when the shares controlled by the bidder or individuals cooperating with the bidder plus the shares with regard to which the acquisition offer has been accepted exceed 50% of the voting rights in SGL Carbon SE and the acquisition offer becomes unconditional.

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

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

No compensation agreements exist with the Board of Management or employees in the event of a takeover bid.

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

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

Wiesbaden, March 8, 2016

SGL Carbon SE

The Board of Management of SGL Group

Dr. Jürgen Köhler Dr. Michael Majeru Dr. Gerd Wingefeld

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Consolidated Income Statement

for the period from January 1 to December 31

€m	Note	2015	2014
Sales revenue	4, 29	1,322.9	1,335.6
Cost of sales		-1,074.3	-1,114.6
Gross profit		248.6	221.0
Selling expenses		-149.5	-145.0
Research and development costs	4	-37.5	-38.0
General and administrative expenses	4	-57.4	-60.9
Other operating income	5	55.5	37.9
Other operating expenses	5	-27.1	-19.0
Restructuring expenses	6	-82.0	-33.9
Impairment losses	7	-78.9	-10.6
Operating loss		-128.3	-48.5
Result from investments accounted for At-Equity	8	0.5	-6.4
Interest income	9	0.9	1.0
Interest expense	9	-49.6	-40.9
Other financing result	9	-5.6	-9.6
Result from continuing operations before income taxes		-182.1	-104.4
Income tax expense	10	-15.1	-21.4
Result from continuing operations		-197.2	-125.8
Result from discontinued operations, net of income taxes	11	-96.1	-119.2
Net result for the year		-293.3	-245.0
Attributable to:			
Non-controlling interests		1.7	2.0
Consolidated net result (attributable to shareholders of the parent company)		-295.0	-247.0
Earnings per share			
Basic and diluted	12	-3.22	-3.26
Earnings per share – continuing operations (€)			
Basic and diluted	12	-2.17	-1.69

Consolidated Statement of Comprehensive Income

for the period from January 1 to December 31

€m	Note	2015	2014
Net result for the year		-293.3	-245.0
Items that may be reclassified subsequently to profit or loss			
Changes in the fair value of securities available for sale ¹⁾		0.5	0.1
Cash flow hedges ²⁾		0.2	-3.0
Currency translation		-23.8	5.9
Items that will not be reclassified to profit or loss			
Actuarial gains/losses on pensions and similar obligations ³⁾	23	3.6	-55.5
Other comprehensive income		-19.5	-52.5
Comprehensive income		-312.8	-297.5
Attributable to:			
Non-controlling interests		-314.9	-300.1
Consolidated net result (attributable to shareholders of the parent company)		2.1	2.6

¹⁾ Includes tax effects of €0.0 million (2014: minus €0.1 million)

²⁾ Includes tax effects of €0.4 million (2014: €1.3 million)

³⁾ Includes tax effects of minus €1.8 million (2014: €25.6 million)

Consolidated Balance Sheet

as of December 31

ASSETS €m	Note	Dec. 31, 2015	Dec. 31, 2014
Non-current assets			
Goodwill	13	22.9	21.1
Other intangible assets	13	20.8	24.2
Property, plant and equipment	14	789.6	893.9
Investments accounted for At-Equity	8	35.0	41.7
Other non-current assets	15	8.3	8.4
Deferred tax assets	21	63.0	69.4
		939.6	1,058.7
Current assets			
Inventories	16	463.7	463.3
Trade receivables	17	149.5	175.5
Other receivables and other assets	18	37.8	47.1
Liquidity	19	250.8	347.5
<i>Time deposits</i>		14.0	40.5
<i>Cash and cash equivalents</i>		236.8	307.0
		901.8	1,033.4
Assets held for sale	20	14.7	78.2
Total assets		1,856.1	2,170.3

EQUITY AND LIABILITIES €m	Note	Dec. 31, 2015	Dec. 31, 2014
Equity			
Issued capital	22	235.0	234.0
Capital reserves	22	937.7	914.4
Accumulated losses		-883.4	-580.8
Equity attributable to the shareholders of the parent company		289.3	567.6
Non-controlling interests		16.5	17.1
Total equity		305.8	584.7
Non-current liabilities			
Provisions for pensions and similar employee benefits	23	380.2	384.7
Other provisions	24	30.1	53.7
Interest-bearing loans	25	742.2	592.2
Other liabilities	25	52.3	52.5
		1,204.8	1,083.1
Current liabilities			
Other provisions	24	125.5	98.6
Current portion of interest-bearing loans	25	2.6	112.6
Trade payables	25	162.9	176.4
Other liabilities	25	54.5	57.4
		345.5	445.0
Liabilities in connection with assets held for sale	20	0.0	57.5
Total equity and liabilities		1,856.1	2,170.3

Consolidated Cash Flow Statement

for the period from January 1 to December 31

€m	Note	2015	2014
Cash flow from operating activities			
Result from continuing operations before income taxes		-182.1	-104.4
Adjustments to reconcile the result from continuing operations to cash flow from operating activities			
Interest expense (net)	9	48.7	39.9
Result from the disposal of property, plant and equipment		-5.4	-0.4
Depreciation/amortization expense		88.5	81.4
Impairment losses	7	78.9	10.6
Restructuring expenses	6	82.0	33.9
Result from investments accounted for At-Equity	8	-0.5	6.4
Amortization of refinancing costs		3.2	2.8
Interest received		1.0	1.0
Interest paid		-31.9	-26.1
Income taxes paid	10	-47.1	-7.0
Changes in provisions, net		-27.3	-61.5
Changes in working capital			
Inventories		10.1	16.7
Trade receivables		29.5	12.9
Trade payables		-17.9	18.7
Changes in other operating assets/liabilities			
Cash flow from operating activities – continuing operations		-11.5	17.4
Cash flow from operating activities – discontinued operations		-28.3	-19.3
Cash flow from operating activities – continuing and discontinued operations		-39.8	-1.9

€m	Note	2015	2014
Cash flow from investing activities			
Payments to purchase intangible assets and property, plant and equipment		- 74.9	- 132.6
Proceeds from the sale of intangible assets and property, plant and equipment		3.7	9.3
Dividend payments from investments accounted for At-Equity	8	12.0	0.0
Payments for the acquisition of subsidiaries, net of cash acquired		0.0	- 0.8
Payments for capital contributions concerning investments accounted for At-Equity and investments in other financial assets		- 4.2	- 14.6
Cash flow from investing activities – continuing operations		- 63.4	- 138.7
Changes in time deposits		26.5	- 40.5
Cash flow from investing and cash management activities – continuing operations		- 36.9	- 179.2
Cash flow from investing and cash management activities – discontinued operations		- 23.0	- 8.1
Cash flow from investing and cash management activities – continuing and discontinued operations		- 59.9	- 187.3
Cash flow from financing activities			
Proceeds from issuance of financial liabilities		305.0	50.9
Repayment of financial liabilities		- 270.7	- 51.6
Proceeds from the capital increase		0.0	267.5
Payments in connection with financing activities		- 4.2	- 6.0
Other financing activities		- 1.4	- 1.1
Cash flow from financing activities – continuing and discontinued operations		28.7	259.7
Effect of foreign exchange rate changes		0.8	1.4
Net change in cash and cash equivalents		- 70.2	71.9
Cash and cash equivalents at beginning of year		307.0	235.1
Cash and cash equivalents at end of year		236.8	307.0
Time deposits		14.0	40.5
Total liquidity	19	250.8	347.5

Consolidated Statement of Changes in Equity

for the period from January 1 to December 31

€m	Equity attributable		
	Issued capital	Capital reserves	Accumulated profit/loss
Balance as of Jan. 1, 2014	181.7	695.0	-239.8
Net result for the year			-247.0
Other comprehensive income			-55.5
Comprehensive income			-302.5
Dividends			
Capital increase from share-based payment plans	0.6	9.6	
Capital increase ¹⁾	51.7	209.8	
Other changes in equity ²⁾			-11.7
Balance as of Dec. 31, 2014	234.0	914.4	-554.0
Balance as of Jan. 1, 2015	234.0	914.4	-554.0
Net result for the year			-295.0
Other comprehensive income			3.6
Comprehensive income			-291.4
Dividends			
Capital increase from share-based payment plans	1.0	5.2	
Equity component of convertible bonds ³⁾		18.1	
Other changes in equity ²⁾			12.3
Balance as of Dec. 31, 2015	235.0	937.7	-833.1

¹⁾ After deduction of transaction costs of €6.0 million

²⁾ In particular in connection with non-controlling interests in partnerships

³⁾ After deduction of transaction costs of €0.4 million and effects of €1.3 million in connection with the redemption of the 2009/2016 convertible bond

to the shareholders of the parent company

Retained earnings/Accumulated losses

Accumulated other comprehensive income			Results from the mark-to-market valuation of securities	Total retained earnings/ accumulated losses	Equity attributable to the shareholders of the parent company	Non-controlling interests	Total equity
Currency translation	Cash flow hedges (net)						
-31.7	2.5	0.0		-269.0	607.7	16.2	623.9
				-247.0	-247.0	2.0	-245.0
5.3	-3.0	0.1		-53.1	-53.1	0.6	-52.5
5.3	-3.0	0.1		-300.1	-300.1	2.6	-297.5
				0.0	0.0	-1.1	-1.1
				0.0	10.2		10.2
				0.0	261.5		261.5
				-11.7	-11.7	-0.6	-12.3
-26.4	-0.5	0.1		-580.8	567.6	17.1	584.7
-26.4	-0.5	0.1		-580.8	567.6	17.1	584.7
				-295.0	-295.0	1.7	-293.3
-24.2	0.2	0.5		-19.9	-19.9	0.4	-19.5
-24.2	0.2	0.5		-314.9	-314.9	2.1	-312.8
				0.0	0.0	-1.4	-1.4
				0.0	6.2		6.2
				0.0	18.1		18.1
				12.3	12.3	-1.3	11.0
-50.6	-0.3	0.6		-883.4	289.3	16.5	305.8

Notes to the Consolidated Financial Statements

1. General information

SGL Carbon SE, with registered offices at Söhnleinstrasse 8, Wiesbaden (Germany), together with its subsidiaries (the Company or SGL Group), is a global manufacturer of carbon and graphite products. SGL Group has prepared its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), and the additional provisions pursuant to Section 315a (1) of the German Commercial Code (Handelsgesetzbuch, HGB). The consolidated financial statements for the period ended December 31, 2015 were authorized for issue by the Board of Management on March 8, 2016.

The consolidated financial statements are generally prepared on the basis of historical cost, unless otherwise stated in **Note 2** "Summary of significant accounting policies." The consolidated financial statements were prepared in euros (€) and are presented in millions of euros (€ million), rounded to the nearest €0.1 million unless otherwise indicated. The accounting policies applied correspond to those applied for fiscal 2014.

2. Summary of significant accounting policies

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

Consolidation principles

The consolidated financial statements include SGL Carbon SE and its subsidiaries over which SGL Group exercises control. SGL Group controls an investee if it has the power over the investee. In addition, SGL Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those through its power over the investee. As of December 31, 2015, the scope of consolidation included 19 German (2014: 13) and 46 (2014: 45) foreign subsidiaries in addition to SGL Carbon SE. Five (2014: five) jointly controlled companies and two associates (2014: two) were

accounted for using the equity method. Two (2014: two) jointly controlled companies were consolidated on a proportionate basis. The list of companies included in the consolidated financial statements as well as the full list of shares held by SGL Group in accordance with Section 313 (2) HGB can be found in **Note 32**.

Six domestic and four foreign shelf companies were newly included in the consolidated financial statements. Three foreign companies without operating activities were disposed of. The effects of these changes in the scope of consolidation on the consolidated financial statements of SGL Group were not material.

Joint ventures and associates

Interests in joint ventures and associates are included in the consolidated financial statements At-Equity. Associates are companies where a significant influence can be exercised over financial and operating policies and that are not subsidiaries, joint ventures, or joint operations. The share of SGL Group in the profit or loss of the joint venture or associate is recognized in the consolidated income statement, and its share of movements in equity that have not been recognized in the associate's profit or loss is recognized directly in equity. The accumulated changes after the acquisition date result in an increase or a decrease of the carrying amount of the joint venture or associate. If the losses incurred by a joint venture or associate that are attributable to SGL Group correspond to or exceed the value of the interest in such company, no further shares in losses are recognized, unless SGL Group has entered into obligations or made payments for the companies. If there is evidence of a permanent reduction of the value of an investment, an impairment loss is recognized in profit or loss.

Joint Operations

A joint operation is a joint arrangement whereby the parties have rights to the assets, and obligations for the liabilities, relating to the arrangement. SGL Group, as joint operator, recognizes assets and liabilities that are controlled by SGL Group in relation to its interest in a joint operation and also its share of any assets held jointly or of any liabilities incurred jointly. In addition, SGL Group recognizes sales revenue from the sale of its share in the output, including any related expenses, and also its share of the revenue arising from the joint operation and the jointly controlled expenses (proportional consolidation). The following two companies were classified as joint operations: SGL Automotive Carbon Fibers, Moses Lake, Washington (USA) and SGL Automotive Carbon Fibers GmbH & Co. KG, Munich, (Germany), which, together with BMW Group, are operated to produce carbon fibers and carbon fiber fabrics. SGL Group holds a 51% stake in each company and controls the companies jointly with BMW. The companies sell their products directly to the partners and have no access to external financing sources. Therefore, the companies were consolidated on a proportional basis as joint operations within the meaning of IFRS 11.

Foreign currency translation

Translation of items denominated in foreign currency

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

Translation of financial statements prepared in foreign currency

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

Currencies 1 € =	ISO-Code	Middle rate at balance sheet date		Annual average rates	
		Dec. 31, 2015	Dec. 31, 2014	2015	2014
US dollar	USD	1.0887	1.2141	1.1095	1.3285
Pound sterling	GBP	0.734	0.7789	0.7258	0.8061
Canadian dollar	CAD	1.5116	1.4063	1.4186	1.4661
Polish zloty	PLN	4.2615	4.2623	4.1841	4.1843
Chinese yuan	CNY	7.0952	7.4556	6.9733	8.1857
Malaysian ringgit	MYR	4.6959	4.2473	4.3373	4.3446
Japanese yen	JPY	131.07	145.23	134.31	140.31

Income and expenses

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

Earnings per share

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

Goodwill

Goodwill is not amortized, but must be tested for impairment annually, or whenever events or changes in circumstances indicate that it might be impaired. The impairment test involves allocating the goodwill to the group of cash generating units (CGU), which represent the lowest level within the organization at which goodwill is monitored for the purposes of internal management and control. At SGL Group, the CGUs are represented one level below the segment. An impairment loss is recognized if the the carrying amount of the cash-generating unit to which the goodwill has been allocated is less than the recoverable amount. At SGL Group, impairment tests are performed in accordance with the procedure described in the section entitled “Impairment tests of property, plant and equipment and other intangible assets.”

Other intangible assets

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

Property, plant and equipment

Items of property, plant and equipment used in the business operations for more than one year are measured at cost less straight-line depreciation and any impairment losses. The same applies to investment properties, which comprise properties held by the Company to generate rental income and/or for capital appreciation and which are not used in production or for administrative purposes. The reported fair values for investment properties are determined using expert opinions (corresponds to Level 3 of the fair value hierarchy of IFRS 13).

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

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

Property, plant and equipment – useful lives

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

Leases

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

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

SGL Group assesses at each balance sheet date whether there are indications that its intangible assets and its property, plant and equipment are impaired. If such an indication is identified, the recoverable amount is estimated and compared with the carrying amount in order to quantify the extent of any impairment loss. The recoverable amount is the higher of fair value less costs to sell (net selling price) or value in use, with the value in use being determined first. If this amount is higher than the carrying amount, the net selling price will not be calculated. SGL Group determines these amounts using measurement methods based on discounted future cash flows, corresponding to level 3 of the fair value hierarchy of IFRS 13. If an asset does not generate cash flows that are largely independent of those generated by other assets, the impairment test is not conducted on the level of the individual asset, but instead on the level of the CGU to which the asset belongs.

The discounted cash flows are themselves based on five-year projections for the individual CGUs that have been prepared using a bottom-up approach and that have been analyzed and approved by the Board of Management of SGL Group. Those projections are based on internal expectations and assumptions that have been checked against external data and adjusted where necessary. For each year and each CGU, the projection includes budgeted unit sales, sales revenue, and cost planning together with the associated forecasts of operating profit and cash flows. Sales revenue and profit trends are projected at the product or product group level based on the expected market, economic, and competitive trends for the subsequent five years and then aggregated at CGU level. For the purpose of determining the terminal value, the steady state is either determined on the basis of the last forecast year or derived by means of further analyses. The resulting future cash flows are then extrapolated using individual growth rates. The estimated future cash flows are discounted to their present value using a discount rate reflecting current market expectations for interest rates and the specific risks related to the asset or the CGU. The most significant assumptions on which the determination of the recoverable amount is based include estimated cash flows (especially sales and margin trends), growth rates, and weighted average cost of capital. These assumptions and the underlying methodology may have a significant impact on each amount and, ultimately, on the amount of any impairment loss applied to the asset. As soon as there is any evidence that the reasons for impairment have ceased to exist, SGL Group determines whether a full or partial reversal of an impairment loss is required.

Discontinued operations and non-current assets held for disposal

Discontinued operations are reported as soon as a component of an entity comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting

purposes, from the rest of the entity, is classified as held for sale or has been disposed of and the business activity (1) represents a separate major line of business and (2) is part of a single co-ordinated plan to dispose of a separate major line of business. Assets and liabilities of discontinued operations are reported separately in the balance sheet in the line items "Assets held for sale" and "Liabilities in connection with assets held for sale." Earnings from discontinued operations are reported in the consolidated income statement separately from expenses and income from continuing operations in the line items "Result from discontinued operations, net of income taxes"; prior year figures are reported on a comparable basis. In the consolidated cash flow statement, cash flows from discontinued operations are presented separately from cash flows from continuing operations; prior year figures are reported on a comparable basis. An individual non-current asset is classified as held for disposal if its carrying amount will be recovered principally through a sales transaction rather than through continuing use. The asset is shown in the balance sheet separately in the line item "Assets held for sale."

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

Financial instruments

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

Original (primary) financial instruments

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

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

- Loans and trade receivables are measured at amortized cost less impairment losses. Impairment losses on trade receivables are recognized in allowance accounts, while allowances on other assets are deducted directly from the assets' carrying amount. Receivables are derecognized if they are uncollectible. Notes receivable and interest-free or low-interest-bearing receivables due after more than one year are discounted.
- Available-for-sale financial assets are those non-derivative financial assets which are not allocated to one of the other categories. They are recognized at fair value. Unrealized gains or losses are recorded in equity outside profit or loss until the asset is derecognized. Impairment losses are recognized in profit or loss as incurred in case of a significant or sustained decrease of the fair value below cost.
- Financial liabilities measured at amortized cost.

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

There were no reclassifications between these categories.

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

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

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

Hybrid financial instruments

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

Derivative financial instruments

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

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

1. **Cash flow hedges:** The effective portion of the changes in the fair value of derivatives used as cash flow hedges is recognized directly in accumulated other comprehensive income. Amounts recognized in this item are transferred to the income statement when the hedged item is taken to income. The ineffective portion of the fair value changes of the hedge must be recognized in income.
2. **Hedges of a net investment in a foreign operation:** In the case of a hedge of a net investment in a foreign operation, the effective portion of the gains or losses from the changes in value of the hedging instrument is recognized directly in equity. The ineffective portion is recognized in the income statement. If the investment is disposed of, the measurement gains or losses of the hedging instrument recognized in equity are transferred to the income statement.
3. **Stand-alone derivatives (no hedging relationship):** Changes in the fair value of derivatives that do not meet the hedge accounting criteria are recognized in the income statement in accordance with the procedure used for financial instruments in the held-for-trading category and, therefore, must be accounted for at fair value through profit or loss.

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

Inventories

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

Liquidity

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

Deferred taxes

In accordance with IAS 12, deferred tax assets and liabilities are recognized for temporary differences between the tax base and the carrying amount in the IFRS consolidated balance sheet as well as for tax loss carryforwards, including tax write-downs carried forward, for interest carryforwards and tax credits carried forward. Deferred tax assets are taken into account only to the extent that it is probable that the relevant tax benefits can be utilized. The calculation of deferred taxes is based on those tax rates applicable as of the balance sheet date or expected to apply as of the date on which the tax benefits are utilized. SGL Group uses tax rates that have been enacted through national tax laws of the respective local tax jurisdiction or for which the legislative process is substantively completed. Changes in deferred taxes recognized in the balance sheet mainly lead to deferred tax expense or deferred tax income. However, in the event items resulting in a change in deferred taxes are recognized directly in equity, the change in deferred taxes is also recorded directly in equity.

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

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

Provisions for pensions and similar employee benefits

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

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

Other provisions

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

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

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

Share-based payments

SGL Group is currently operating three (phased-out) equity-settled share-based payment models (Matching Share Plan, Stock Appreciation Rights Plan, and Bonus Program for Employees). These were replaced by the Long-Term Incentive Plan, a cash-settled share-based payment scheme, starting in 2015. The obligation arising from equity-settled share-based payment transactions is measured at fair value on the grant date and the fair value of the obligation is recognized as a personnel expense over the vesting period. In the case of the Bonus Share Plan, the fair value of the services received is equivalent to the bonus claim of the plan participants measured in cash plus a 20% share premium. Payments under the Stock Option Plan and the Stock Appreciation Rights (SAR) Plan are measured indirectly, taking into account the fair value of the equity instruments granted. The fair value is determined using recognized valuation methods (e.g. the Monte Carlo model). Further information on the individual share-based payment plans can be found in **Note 30**.

Financial liabilities

SGL Group initially recognizes financial liabilities at their fair value including transaction costs. In subsequent periods, financial liabilities (with the exception of derivative financial instruments) are measured at amortized cost using the effective interest method. Please refer to "Hybrid financial instruments" in this Note for more information on the accounting treatment of convertible bonds.

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

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

Significant accounting judgments, estimates and assumptions

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

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

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

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

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

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

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

3. Accounting pronouncements required to be adopted in the future

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

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

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers. The new standard stipulates that the recognition of sales revenue must depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Sales revenue is recognized when the customer obtains control of the related goods or services. IFRS 15 also includes disclosure requirements in relation to existing performance surpluses or performance obligations. These are assets and liabilities from customer contracts that arise depending on the relationship between the Company's performance and the customer's payment. In addition, IFRS 15 requires the disclosure of a number of quantitative and qualitative information to enable users of consolidated financial statements to understand the nature, amount, timing, and uncertainty of sales revenue and cash flows arising from contracts with customers. IFRS 15 replaces IAS 11 Construction Contracts and IAS 18 Revenue as well as the related interpretations. The standard is required to be applied for fiscal years beginning on or after January 1, 2018. Earlier application is permitted. SGL Group is currently evaluating which impact the application of IFRS 15 will have on the consolidated financial statements.

In January 2016, the IASB issued IFRS 16 "Leases," which is the new standard for accounting for lease agreements. The new standard introduces an accounting model for lessees that no longer makes a distinction between finance leases and operating leases. In the future, a distinction will no longer be made between leasing an asset or purchasing an asset using funds from loans. In accordance with IFRS 16, the lessee recognizes a right-of-use asset as well as a lease liability upon lease inception. IFRS 16 will result in an increase in property, plant and equipment recognized in the consolidated balance sheet and also an increase in financial liabilities. In the income statement, the lessee must recognize leases in the future as capital expenditure rather than operating expense. All else remaining equal, this results in lower operating expenses and higher amortization, depreciation and interest expenses and therefore an improvement in EBITDA. IFRS 16 replaces IAS 17 as well as the related interpretations and is required to be applied for the first time for fiscal years beginning on or after January 1, 2019. Earlier application is permitted provided IFRS 15 "Revenue from Contracts with Customers" is applied at the same time. SGL Group is currently evaluating which impact the application of IFRS 16 will have on the consolidated financial statements.

4. Sales revenue, functional costs

The breakdown of sales revenues by segment, intersegmental revenues, and the regional distribution of sales revenue are presented in **Note 29** "Segment reporting."

The future competitiveness of SGL Group is safeguarded through sustained development of new products, applications, and processes. This is also reflected in the SGL Group's research and development costs, which remained high at €37.5 million (2014: €38.0 million). Broken down by business segment, research and development costs were as follows: €7.8 million (2014: €7.7 million) in the reporting segment Performance Products (PP), €8.9 million (2014: €8.9 million) in the reporting segment Graphite Materials & Systems (GMS), and €10.2 million (2014: €9.2 million) in the reporting segment Carbon Fibers & Materials (CFM). Research and development costs on a corporate level amounted to €10.6 million (2014: €12.2 million).

General and administrative expenses declined by 6% compared with the prior year. The decline resulted from savings related to SGL2015, above all at the administrative offices in Wiesbaden (Germany) and Charlotte, North Carolina (USA) as well as from lower personnel expenses due to a lower number of employees and adjustments to pension schemes as well as declining consultancy and travel costs.

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

Personnel expenses

€m	2015	2014
Wages and salaries (including bonus)	-325.3	-304.4
Social security contributions, post-employment and other employee benefit costs (thereof for pensions: 2015 minus €42.2 million; 2014 minus €40.7 million)	-83.6	-78.4
Total	-408.9	-382.8

The item "wages and salaries" includes personnel measures initiated in the context of the closure of a graphite electrode plant, location optimization, and further expenses for the SGL2015 cost savings program in a total amount of €30.7 million (2014: €9.1 million).

Depreciation and amortization

Due to the completion of the carbon fiber line at SGL ACF, amortization of intangible assets and depreciation of property, plant and equipment was above the prior-year level at €88.5 million (2014: €86.7 million). Amortization of intangible assets amounted to €4.1 million (2014: €5.5 million) and related primarily to capitalized development costs, process know-how, and SAP software specifically customized to SGL Group requirements. Depreciation of property, plant and equipment totaled €84.4 million in 2015 (2014: €81.2 million).

Personnel expenses, depreciation and amortization expense are included in all functional costs, such as the cost of sales, selling expenses, research and development costs, and general and administrative expenses.

Number of employees

As of the end of fiscal year 2015, the number of SGL Group employees had decreased substantially compared with the prior year. The decline is largely attributable to the sale of the Aerostructures business with its around 400 employees. The reduction in the number of employees was also a result of personnel measures within the context of SGL2015 in particular. This was offset by a slight increase in the number of employees in the reporting segment CFM due to intensified business activities involving automotive projects.

The tables below provide an overview of the number of employees by reporting segment and region:

Number	Dec. 31, 2015	Dec. 31, 2014	Change
Performance Products	1,845	1,990	-7.3%
Graphite Materials & Systems	2,504	2,641	-5.2%
Carbon Fibers & Materials	1,148	1,139	0.8%
T&I and Corporate	161	174	-7.5%
Total continued operations	5,658	5,944	-4.8%
Discontinued operations (HITCO)	0	398	-100%
Total SGL Group	5,658	6,342	-10.8%

	Dec. 31, 2015	Dec. 31, 2014
Number		
Germany	2,165	2,259
Europe excluding Germany	1,893	1,997
North America	914	1,347
Asia	686	739
Total	5,658	6,342

The average number of employees in the individual functional areas was as follows:

Number	2015	2014
Production and auxiliary plants	4,554	4,684
Sales and marketing	369	384
Research and development	112	133
Administration, other functions	705	784
Total	5,740	5,985

The annual averages shown have been adjusted in both tables by the number of HITCO employees.

5. Other operating income and expenses

Other operating income

€m	2015	2014
Currency hedges/exchange-rate gains	12.5	11.3
Costs allocated to investments accounted for At-Equity	8.7	9.2
Gains on the sale of intangible assets and property, plant and equipment	5.9	1.2
Grants received	3.7	4.4
Insurance compensation	2.9	0.8
Miscellaneous other operating income	21.8	11.0
Total	55.5	37.9

Cost allocation refers to services provided at various locations. Miscellaneous other operating income includes income of €18.7 million (2014: €1.8 million) at SGL ACF and mainly represents compensation for fulfilling contractual delivery and performance obligations.

Other operating expenses

€m	2015	2014
Currency hedges/exchange-rate losses	-15.8	-6.5
Losses on the sale of non-current assets	-0.5	-0.7
Miscellaneous other operating expenses	-10.8	-11.8
Total	-27.1	-19.0

Currency transaction gains and losses arising from the measurement of receivables and liabilities denominated in a currency other than the functional currency of the reporting entity at the closing rate are presented in their gross amounts under other income or other expense, as are allocated gains and losses from derivative currency hedges.

Miscellaneous other operating expense in the prior year included non-recurring expense items relating to a legal dispute.

In addition, miscellaneous other operating income and miscellaneous other operating expenses included a number of insignificant individual transactions carried out by the 66 (2014: 59) fully consolidated companies.

6. Restructuring expenses

€m	2015	2014
Expenses for initiated restructuring measures	-82.0	-33.9
Total	-82.0	-33.9

Restructuring expenses rose significantly from €33.9 million in fiscal year 2014 to €82.0 million in fiscal year 2015. Apart from the measures anticipated in the prior year, in particular in connection with SGL2015, the closure of the graphite electrode plant in Frankfurt-Griesheim, Germany, became necessary against the backdrop of the continuing deterioration of the situation on the steel market.

The restructuring expenses incurred in fiscal 2015 consist of impairment losses on fixed assets in the amount of €27.3 million, mainly due to the site closure, as well as the associated write-downs of inventories in the amount of €4.0 million and other restructuring expenses in the amount of €50.7 million. The latter include personnel measures attributable to the initiated site closure, an adjustment to the business model of PP, and cost savings initiatives, in particular at the Bonn site. The restructuring expenses for the prior year consisted of impairment losses on fixed assets in connection with location optimization in the reporting segment CFM in the amount of €10.1 million as well as restructuring expenses, including changes to the Board of Management, in the amount of €23.8 million.

7. Impairment losses

€m	2015	2014
Impairment losses on		
Goodwill	0.0	-10.6
Other intangible assets and property, plant and equipment	-78.9	0.0
Total	-78.9	-10.6

The calculations related to impairment of goodwill, property, plant and equipment, and other intangible assets were conducted as described in the section entitled "Impairment of property, plant and equipment and other intangible assets" in **Note 2** using the following procedure.

As a result of the continued strong decrease in sales revenue and EBIT compared with the prior year in the graphite electrodes business in the reporting segment PP and the adjusted medium-term planning, SGL Group conducted event-driven impairment tests of other intangible assets and property plant and equipment for this CGU at year-end 2015. The main reason for the continued decrease in demand for graphite electrodes is the rising Chinese over-production of blast furnace steel, which has been increasingly exported overseas at very low prices due to declining domestic demand.

This led to a reduction in electric arc furnace steel production; its share in overall worldwide steel production fell to just 22%, after up to 30% in prior periods. Moreover, the dramatic decrease in iron ore prices led to a temporary deterioration in the cost structures for electric arc furnace steel production compared with steel production in blast furnaces. The projected cash flows were adjusted accordingly, and an after-tax discount rate of 7.2% was applied. The updated 5-year planning period (2016–2020) for this CGU was based on a gradual increase in return on sales of 15.9% in the last year of the planning period. For the purpose of determining the terminal value, a return on sales of 12.1%, derived from objective analyses, was used for the steady state; the resulting future cash flows were extrapolated using a growth rate of 1%. As a result of the updated analysis, impairment losses were recognized for plant and equipment and other intangible assets in the amount of €78.9 million (of which €1.0 million related to intangible assets).

A change of one percentage point in any of the above-mentioned assumptions as of December 31, 2015 used for the determination of value in use would increase (decrease) the value in use as follows: increase (decrease) in growth rate by €65.8 million (minus €47.5 million); increase (decrease) in discount rate by minus €62.0 million (€86.6 million); increase (decrease) in return on sales in the terminal value by €34.1 million (minus €34.1 million).

In the prior year, SGL Group had already recognized impairment losses on goodwill in the amount of €10.6 million, owing to the reduction in sales revenue and EBIT in the graphite electrodes business within the context of the regular impairment tests conducted for the segment PP.

Further information is also included in **Note 13** “Intangible assets.”

8. Investments accounted for At-Equity

Result from investments accounted for At-Equity

€m	2015	2014
Pro-rata share in net result for the year	4.6	-4.1
<i>thereof: joint ventures</i>	4.1	-3.9
<i>thereof: associates</i>	0.5	-0.2
Other adjustments affecting profit or loss ¹⁾	-4.1	-2.3
<i>thereof: joint ventures</i>	-4.1	-2.3
<i>thereof: associates</i>	0.0	0.0
Result from investments accounted for At-Equity	0.5	-6.4

¹⁾ Includes payments made to joint venture in liquidation and obligations incurred towards this company as well as an impairment loss recognized to a decline in value of an investment (2014: offsetting of pro-rata losses exceeding the carrying amount of the interests against non-current loans)

€m	Dec. 31, 2015	Dec. 31, 2014
Interests in joint ventures	31.3	38.8
Interests in associates	3.4	2.9
Carrying amount as of Dec. 31	35.0	41.7

Joint Ventures

As of the end of the year under review and the previous year, SGL Group held interests in two significant joint ventures: Brembo SGL Carbon Ceramic Brakes S.p. A., Stezzano, Italy, and Benteler SGL GmbH & Co. KG, Paderborn, Germany. The joint venture with Brembo develops and produces carbon ceramic brake discs, and Benteler primarily develops and produces carbon fiber reinforced plastic (CFRP) components for the automotive industry. The table below provides summarized financial information for both joint ventures, as reported in their respective financial statements. It also shows the reconciliation of the summarized financial information to the carrying amount of SGL Group's share in both joint ventures.

Companies accounted for At-Equity

€m	2015	2014
Ownership interest	50%	50%
Income statement		
Sales revenue	181.9	159.5
Operating profit	16.0	3.1
Net financing result	0.9	-2.4
Net result for the year (100%)	8.9	-0.4
Share of SGL Group in the net result for the year (50%)	4.4	-0.2
Share of SGL Group in the changes of other comprehensive income (50%)	0.0	-0.4
Total comprehensive income of the companies	4.4	-0.6
	Dec. 31, 2015	Dec. 31, 2014
Balance sheet		
Non-current assets	73.7	74.6
Current assets	71.7	92.8
<i>Thereof cash and cash equivalents</i>	24.3	27.8
Non-current liabilities	43.3	51.3
<i>thereof financial liabilities</i>	35.4	8.4
Current liabilities	42.2	47.2
<i>thereof financial liabilities</i>	10.5	40.9
Net assets (100%)	59.9	68.9
Share of SGL Group in net assets (50%)	30.0	34.5
Goodwill/customer base	3.9	4.0
Impairment loss recognized in profit or loss to account for the lower value of an investment	-2.6	
Carrying amount of material joint ventures	31.3	38.5

In the year under review, SGL Group received dividends of €12.0 million from a joint venture. SGL Group also holds interests in a number of joint ventures and associates that are not material when taken separately. The following table is a breakdown of the carrying amounts and the share in profit/loss of the companies that are not material on an individual basis:

€m	2015	2014
Joint ventures		
Carrying amount of interests in joint ventures	0.0	0.3
Share in net result for the year ¹⁾	-1.8	-3.7
Associates		
Carrying amount of interests in associates	3.7	2.9
Share in net result for the year	0.5	-0.2

¹⁾ Includes payments made to joint venture in liquidation and obligations incurred towards this company (2014: offsetting of pro-rata losses exceeding the carrying amount of the interests against non-current loans)

9. Net financing result

€m	2015	2014
Interest on other securities, other interest and similar income	0.9	1.0
Interest on financial liabilities and other interest expense ¹⁾	-29.5	-29.4
Interest component of additions to provisions for pensions	-9.3	-10.9
Imputed interest on convertible bonds ¹⁾	-9.6	0.7
Imputed interest on finance leases ¹⁾	-1.2	-1.3
Interest expense	-49.6	-40.9
Interest expense, net	-48.7	-39.9
Amortization of refinancing costs ¹⁾	-3.2	-2.8
Foreign currency valuation of SGL Group loans	1.8	-1.6
Impairment losses on investments	0.0	-4.8
Other financial expenses	-4.2	-0.4
Other financing result	-5.6	-9.6
Net financing result	-54.3	-49.5

¹⁾ Total interest expense from financial instruments

Interest on financial liabilities and other interest expense primarily include interest expenses for the corporate bond and the cash coupon for the convertible bonds.

Due to one-time effects, the net financing result fell to minus €54.3 million in 2015, after minus €49.5 million in the prior year. The prior year's net financing result included a positive one-time effect from the discounting of the 2009/2016 convertible bond as a result of the investor put not exercised in 2014. This resulted in an improvement of €9.6 million in the balance of the non-cash interest cost component and, with a compensating effect, impairment losses on investments. In contrast, the net financing result for fiscal 2015 included a negative one-time effect in the amount of €4.0 million from the repurchase of the 2009/2016 convertible bond, which led to an equivalent decrease in the other financing result. Adjusted for one-time effects, the net financing result improved by 7%.

During the year under review, borrowing costs in the amount of €2.1 million (2014: €2.6 million) were capitalized in connection with long-term investment projects, which resulted in a reduction of interest expenses on financial liabilities.

10. Income tax expense

The corporate income tax rate of 15% (2014: 15%) is used as the basis for determining the income tax rate in Germany. Moreover, a solidarity surcharge of 5.5% (2014: 5.5%) is added to the corporate income tax rate. German corporations are also subject to trade tax. The trade tax rate depends on the municipality in which a business operation is located. The average trade tax rate for SGL Group companies was 13.7% in 2015 (2014: 13.6%). This results in a total tax rate in Germany of 29.5% for current taxes and for deferred taxes (2014: 29.4%). The income tax rate for foreign companies was between 16.5% and 37.9% (2014: between 11% and 38.9%).

The breakdown of tax expense from continuing operations is as follows:

€m	2015	2014
Current income tax expense		
Germany	-2.6	-1.4
Other countries	-8.7	-11.7
Deferred tax expense		
Germany	12.8	-4.5
Other countries	-16.6	-3.8
Total	-15.1	-21.4

In 2015, the tax expense decreased to €15.1 million (2014: €21.4 million) based on a loss before tax of €182.1 million (2014: loss before tax of €104.4 million). The SGL Group tax rate for 2015 amounted to 8.3%, compared with a SGL Group tax rate of 20.5% in 2014. Income tax expenses were incurred from current taxation at domestic and foreign companies in the amount of €11.3 million (2014: €13.1 million). Taxes included in the tax expenses for prior years amounted to minus €2.4 million (2014: plus €0.4 million). Tax payments increased to a total amount of €47.1 million (2014: €7.0 million) due to payments from the termination of tax audits in the amount of €34.7 million.

The SGL Group's reported tax expense differs from the SGL Group's anticipated tax expense (calculated on the basis of an expected tax rate of 29.5%) as follows:

€m	2015	2014
Result from continuing operations before income taxes	-182.1	-104.4
Result from discontinued operations before income taxes	-98.8	-113.3
Consolidated net result for the year before income taxes	-280.9	-217.7
Expected tax income at 29.5% (2014: 29.4%)	82.9	64.1
Increase/decrease in income tax charge from:		
Income adjustments	-7.9	-5.0
Change in expected tax rate	2.5	14.5
Change in loss carryforwards and valuation allowances on deferred taxes	-91.2	-98.2
Goodwill impairment (not deductible)	0.0	-2.4
Tax effect of investments accounted for At-Equity	1.0	-1.4
Tax rate changes	0.0	0.3
Tax from prior periods	2.6	0.4
Other	-2.4	0.4
Effective tax expense	-12.5	-27.3
<i>thereof: tax expense from continuing operations</i>	<i>-15.1</i>	<i>-21.4</i>
<i>thereof: tax income attributable to discontinued operations (2014: tax expense)</i>	<i>2.6</i>	<i>-5.9</i>

The income adjustments relate primarily to non-deductible operating expenses, adjustments for the purpose of calculating German trade tax, and non-deductible interest. The reduction to reflect the differing tax rate primarily takes account of the effects of withholding taxes and local taxes as well as taxation differences between Germany and other countries as a result of varying income tax rates. The changes in tax loss carryforwards and valuation allowances for deferred taxes take into account write-downs of deferred tax assets on loss carryforwards based on their future usability, with such write-downs being recognized in profit or loss. Valuation allowances amounting to €56.6 million refer mainly to deferred taxes on loss carryforwards due to lower earnings expectations in Germany and the USA, as well as unrecognized deferred taxes on impairment losses in relation to the assets of discontinued operations in the amount of €20.2 million. During the year under review, the effective tax expense was reduced by €2.8 million by taking into account previously unrecognised losses, and deferred tax expenses were reduced by €3.2 million due to tax losses carried forward.

11. Result from discontinued operations

Income and expenses incurred in the business activity Aerostructures (HITCO) in 2015 and 2014 are reported separately under discontinued operations. Please refer to **Note 2** for a definition of discontinued operations.

In December 2015, SGL Group completed the sale of our subsidiary HITCO's business activities of manufacturing composite structural parts for commercial and military aerostructures, to Avcorp Industries Inc. (Canada). In the prior year, those activities had been allocated to the reporting segment T&I and Corporate.

Overall, the agreement resulted in a negative sales price of USD 47 million (including repayment of customer advance payments as well as costs for various services for the acquirer's benefit). In fiscal 2015, this led to impairment losses and losses on disposals totaling €65.5 million.

Result from discontinued operations

€m	2015 ¹⁾	2014 ²⁾
Total revenue from discontinued operations	67.9	73.4
Total expenses from discontinued operations	-101.1	-104.2
Result from operating activities of discontinued operations before income taxes	-33.2	-30.8
Attributable tax income/expenses	2.6	-5.9
Result from operating activities of discontinued operations, net of tax	-30.6	-36.7
Impairment losses and loss on disposal of discontinued operations	-65.5	-82.5
Result from discontinued operations³⁾	-96.1	-119.2
Earnings per share – discontinued operations – basic and diluted in €	-1.05	-1.57

¹⁾ The result from operating activities of discontinued operations for the year 2015 represents the result for the period from January 1, 2015 to December 18, 2015

²⁾ The result from operating activities of discontinued operations for the year 2014 represents the result for the period from January 1, 2014 to December 31, 2014

³⁾ Attributable of the shareholders of the parent company

The cash outflow in connection with the disposal of discontinued operations totaled €23.0 million in fiscal 2015. At the time of closing, an amount of €20.5 million was paid on the negative sale price of around €40 million (USD 47 million).

Furthermore, additional payments totaling €2.5 million were made in connection with the disposal of Aerostructures' business activities, for expenses such as transaction costs.

Cash and cash equivalents were not transferred as part of the disposal of discontinued operations.

The **cash flows from discontinued operations** are shown separately in the consolidated cash flow statement.

12. Earnings per share

Earnings per share are calculated by dividing the net result for the year attributable to the shareholders of SGL Group by the average number of outstanding shares during the year under review.

The calculation of diluted earnings per share assumes that outstanding debt securities (convertible bonds) will be converted to shares or other contracts for the issue of common shares such as stock appreciation rights are exercised.

The table below details the calculation of earnings per share for fiscal years 2015 and 2014:

Reconciliation between basic to diluted earnings per share

€m	Overall potentially dilutive financial instruments 2015	Dilutive financial instruments used for the calculation – continuing operations 2015	Share of net result attributable to the share- holders of the parent company 2015	Share of net result attributable to the share- holders of the parent company 2014
Numerator for basic earnings per share (share of net result attributable to the shareholders of the parent company)	-295.0	-198.9	-295.0	-247.0
Numerator for diluted earnings	-284.6	-198.9	-295.0	-247.0
Number of shares				
Denominator for basic earnings per share (weighted average number of shares)	91,660,613	91,660,613	91,660,613	75,704,910
Potentially dilutive securities (weighted average, in each case)				
Convertible bond 2015/2020 (see Note 25)	8,956,777	0	0	0
Convertible bond 2012/2018 (see Note 25)	5,474,535	0	0	0
Stock Appreciation Rights (see Note 30)	1,466	0	1,466	0
Denominator for potentially diluted earnings per share	106,093,391	0	1,466	0
thereof to be included for dilution (adjusted weighted average)		91,660,613	91,662,079	75,704,910
Basic earnings per share (€)		-2.17	-3.22	-3.26
Diluted earnings per share (€)		-2.17	-3.22	-3.26

As of December 31, 2015, the 2012/2018, and 2015/2020 convertible bonds and the Stock Appreciation Rights were still outstanding. As a result of the loss-making situation, potentially dilutive financial instruments were not taken into account in the calculation of diluted earnings per share since these instruments would not have a dilutive effect. For the same reason, the consolidated net result is not adjusted by the interest cost for convertible bonds. In the future, these instruments may become fully dilutive.

13. Intangible assets

€m	Industrial rights, software and similar rights	Customer relationships	Capitalized development costs	Goodwill	Total
Historical cost					
Balance as of Jan. 1, 2015	64.9	2.6	16.1	46.7	130.3
Foreign currency translation	1.0	0.0	0.0	1.8	2.8
Additions	0.9	0.1	0.3	0.0	1.3
Disposals	-0.7	0.0	0.0	0.0	-0.7
Balance as of Dec. 31, 2015	66.1	2.7	16.4	48.5	133.7
Accumulated amortization/impairment losses:					
Balance as of Jan. 1, 2015	52.0	1.3	6.1	25.6	85.0
Foreign currency translation	0.6	0.0	0.0	0.0	0.6
Additions	2.2	0.6	1.3	0.0	4.1
Impairment losses	0.0	0.0	1.0	0.0	1.0
Disposals	-0.7	0.0	0.0	0.0	-0.7
Balance as of Dec. 31, 2015	54.1	1.9	8.4	25.6	90.0
Net carrying amount as of Dec. 31, 2015	12.0	0.8	8.0	22.9	43.7
Historical cost					
Balance as of Jan. 1, 2014	62.8	5.2	46.4	59.0	173.4
Foreign currency translation	1.7	0.0	0.3	1.9	3.9
Reclassifications ¹⁾	0.0	-2.6	-31.9	-14.2	-48.7
Additions	1.1	0.0	1.3	0.0	2.4
Disposals	-0.7	0.0	0.0	0.0	-0.7
Balance as of Dec. 31, 2014	64.9	2.6	16.1	46.7	130.3
Accumulated amortization/impairment losses:					
Balance as of Jan. 1, 2014	49.2	3.3	20.9	15.0	88.4
Foreign currency translation	0.8	0.1	0.2	0.0	1.1
Reclassifications ¹⁾	0.0	-2.6	-17.6	0.0	-20.2
Additions	2.4	0.5	2.6	0.0	5.5
Impairment losses	0.0	0.0	0.0	10.6	10.6
Disposals	-0.4	0.0	0.0	0.0	-0.4
Balance as of Dec. 31, 2014	52.0	1.3	6.1	25.6	85.0
Net carrying amount as of Dec. 31, 2014	12.9	1.3	10.0	21.1	45.3

¹⁾ Related to the reclassification of HITCO as of June 30, 2014, to the balance sheet item "Assets held for sale" see **Note 20**

Industrial rights, software and similar rights mainly comprise purchased and internally developed IT software.

No borrowing costs were capitalized in either the reporting period or in the prior year.

The following table shows the most significant assumptions used to determine the value in use in the impairment test as of September 30 of CGUs to which goodwill has been allocated:

€m	Recognized goodwill	Discount rate after tax	Long-term growth rate
Sept. 30, 2015			
Graphite Specialties	20.5	7.2%	1.0%
Process Technology	1.9	7.2%	1.0%
Sept. 30, 2014			
Graphite Specialties	18.7	8.1%	1.0%
Process Technology	1.9	8.1%	1.0%

No requirement to recognize an impairment loss was identified for the two CGUs analyzed, i.e. the CGUs' recoverable amount determined on the basis of the value in use was estimated to be higher than their carrying amount.

The value in use is mainly determined on the basis of the terminal value, which is especially sensitive to changes in the above-mentioned assumptions regarding level of sales and return on sales, long-term growth rates, and discount rates. The discount factors reflect the current market assessment of the specific risks of each individual CGU and are based on the weighted average cost of capital of the CGU. Graphite Specialties has the highest recognized goodwill. While the recoverable amount (value-in-use) of this CGU currently exceeds its carrying amount considerably, this excess would be reduced to zero in case of a combination of a change in the discount rate (plus 1 percentage point) and a simultaneous reduction of the cash flows in the terminal value by 19.3 percentage points.

In the prior year, the result of the impairment test was that the recoverable amount for Graphite & Carbon Electrodes was estimated to be lower than its carrying amount. The impairment identified resulted in a full impairment loss on goodwill in the amount of €10.6 million. Please refer to **Note 7** "Impairment losses" for further details.

14. Property, plant and equipment

€m	Land, land rights and buildings	Plant and machinery	Office furniture and equipment	Advance payments and assets under construction	Investment properties	Total
Historical cost						
Balance as of Jan. 1, 2015	527.6	1,620.6	75.6	102.0	19.8	2,345.6
Foreign currency translation	4.1	25.6	0.6	4.5	0.0	34.8
Reclassifications	13.9	42.5	0.9	-53.3	-0.1	3.9
Additions	5.4	33.8	2.4	31.9	0.1	73.6
Disposals	-1.4	-19.8	-2.4	-0.1	0.0	-23.7
Balance as of Dec. 31, 2015	549.6	1,702.7	77.1	85.0	19.8	2,434.2
Accumulated depreciation/ impairment losses						
Balance as of Jan. 1, 2015	266.7	1,112.2	65.5	1.8	5.5	1,451.7
Foreign currency translation	3.6	21.6	0.5	-0.1	0.0	25.6
Additions	12.2	68.1	3.2	0.2	0.7	84.4
Impairment losses	30.3	73.6	0.2	1.1	0.0	105.2
Disposals	-0.8	-19.2	-2.3	0.0	0.0	-22.3
Balance as of Dec. 31, 2015	312.0	1,256.3	67.1	3.0	6.2	1,644.6
Net carrying amount as of Dec. 31, 2015	237.6	446.4	10.0	82.0	13.6	789.6
Historical cost						
Balance as of Jan. 1, 2014	532.8	1,570.1	79.9	84.8	19.6	2,287.2
Foreign currency translation	18.4	53.8	0.9	6.2	0.0	79.3
Reclassifications ¹⁾	-31.5	-44.9	-3.9	-55.2	0.0	-135.5
Additions	8.4	56.9	2.4	66.2	0.2	134.1
Disposals	-0.5	-15.3	-3.7	0.0	0.0	-19.5
Balance as of Dec. 31, 2014	527.6	1,620.6	75.6	102.0	19.8	2,345.6
Accumulated depreciation/ impairment losses						
Balance as of Jan. 1, 2014	254.7	1,063.2	67.5	1.6	4.8	1,391.8
Foreign currency translation	6.5	31.7	0.9	0.0	0.0	39.1
Reclassifications ¹⁾	-12.2	-37.3	-3.2	0.0	0.0	-52.7
Additions	13.0	63.6	3.7	0.2	0.7	81.2
Impairment losses	5.0	5.1	0.0	0.0	0.0	10.1
Disposals	-0.3	-14.1	-3.4	0.0	0.0	-17.8
Balance as of Dec. 31, 2014	266.7	1,112.2	65.5	1.8	5.5	1,451.7
Net carrying amount as of Dec. 31, 2014	260.9	508.4	10.1	100.2	14.3	893.9

¹⁾ Related to the reclassification of HITCO as of June 30, 2014, to the balance sheet item "Assets held for sale;" see Note 20

Capital expenditure on property, plant and equipment fell by 45% to a total amount of €73.6 million, above all due to declining capital expenditure for our joint operations with the BMW Group (SGL ACF). On the one hand, this reflects the concluded capacity expansion at SGL ACF and, on the other, the stringent investment policy applied to our established businesses. Capital expenditure for our established businesses mainly concerned investments in more efficient and eco-friendly graphitization at our site in Ozark, Arkansas (USA) amounting to €18.6 million.

Impairment losses are reported in the consolidated income statement as restructuring expenses to the extent that they relate to initiated restructuring measures. Impairment losses that do not meet the definition of restructuring expenses within the meaning of IAS 37 are reported separately under "impairment losses" in the consolidated income statement in accordance with their significance. The impairment losses recognized in the amount of €105.2 million comprise impairment losses resulting from the event-driven impairment tests conducted in graphite electrodes (€77.9 million; see **Note 7**), the closure of a German graphite electrodes plant in Frankfurt-Griesheim (€26.1 million), and further measures to optimize locations (€1.2 million) for a total amount of €27.3 million (see **Note 6**). The amount of €10.1 million recognized as impairment losses in the previous year was presented as restructuring expenses.

The borrowing costs capitalized in the reporting period amounted to €2.1 million (December 31, 2014: €2.6 million) and were determined on the basis of an interest rate of 4.5%.

Investment properties

After the deconsolidation of Rotec as of December 2013, SGL Group retained those parts of land and buildings that were pooled within the real estate company SGL/A&R Services Lemwerder GmbH. These properties continue to be leased out to Carbon Rotec (formerly: Rotec) and reported as investment property in accordance with IAS 40. The fair values of developed land and the land value of the expected development area totaled €19.2 million (2014: €14.3 million) as of December 31, 2015 and are determined using the income capitalization approach

(*Ertragswertverfahren*) pursuant to the German Real Estate Valuation Regulation (*Immobilienwertermittlungsverordnung*) and using an adjusted reference land value, respectively. The market-specific reference land value was adjusted to take into account the estimated term until full development (up to ten years, based on a discount rate of 9.5%); a risk discount of 30% was deducted from the resulting value.

Rental income from such land amounted to €1.3 million in fiscal year 2015 (2014: €1.3 million). Expenses amounted to €1.3 million (2014: €0.7 million).

15. Other non-current assets

This item mainly comprises securities that are held at foreign subsidiaries to cover pension entitlements as well as a loan to Fisigen, an investment accounted for At-Equity. In the prior year, the item also included exchange-listed securities.

16. Inventories

€m	Dec. 31, 2015	Dec. 31, 2014
Raw materials and supplies	142.1	141.1
Work in progress	208.1	208.7
Finished goods and merchandise	113.5	113.5
Total	463.7	463.3

In fiscal year 2015, cost of sales included a utilization of inventories in the amount of €989.6 million (2014: €1,034.3 million), which was recognized as an expense. The total carrying amount of inventories measured at net realizable value was €27.5 million as of December 31, 2015 (2014: €14.2 million). Write-downs of inventories led to an increase in the overall cost of sales recognized by €10.3 million (2014: €4.3 million). Reversal of write-downs resulting from disposals in the amount of €6.7 million (2014: €0.5 million) reduced the cost of sales.

17. Trade receivables

€m	Dec. 31, 2015	Dec. 31, 2014
From customers	145.2	170.4
From investments accounted for At-Equity	4.3	5.1
Trade receivables	149.5	175.5

The following table shows the extent of the credit risk related to total receivables:

€m	Dec. 31, 2015	Dec. 31, 2014
Trade receivables neither impaired nor overdue	113.3	143.0
Overdue trade receivables not impaired on an individual basis		
less than 30 days	24.7	22.6
30 to 60 days	4.2	4.1
61 to 90 days	0.9	1.5
more than 90 days	3.6	3.9
Total	33.4	32.1
Receivables impaired on an individual basis (gross)	12.9	8.4
less valuation allowances	-10.1	-8.0
Trade receivables	149.5	175.5

The majority of our trade receivables are paid by the contractually agreed upon due dates. As of the balance sheet date, receivables not subject to impairment amounted to €146.7 million (2014: €175.1 million). The total valuation allowances on receivables amounted to €10.1 million as of the reporting date (December 31, 2014: €8.0 million). The valuation allowances were calculated on the basis of uniform SGL Group accounting policies and reflect the expected default risk based on the trend in customer sectors as well as the specific situation of the customer concerned. The calculation of valuation allowances

on doubtful receivables involves our sales organization making estimates and assessments of the individual receivables on the basis of the creditworthiness of the respective customer, historical experience, and current economic trends as well as existing collateral in the form of credit insurance. The portfolio of receivables is subject to continuous quality monitoring as part of our credit management system. Further explanations can be found under "Credit Risk" in **Note 28**.

The following table shows the change in valuation allowances:

€m	2015	2014
Balance as of Jan. 1	8.0	7.8
Additions recognized as expense	2.7	2.5
Reversals	-0.4	-2.3
Utilizations	-0.5	-0.2
Exchange differences	0.3	0.2
Balance as of Dec. 31	10.1	8.0

18. Other receivables and other assets

€m	Dec. 31, 2015	Dec. 31, 2014
Other tax claims	11.8	16.5
Income tax assets	2.8	7.5
Advance payments for leases and insurance premiums	5.5	5.4
Other receivables from suppliers	8.1	4.9
Receivables from employees	2.3	2.2
Positive fair values of financial instruments (currency rate derivatives)	0.2	2.0
Other receivables due from investments accounted for At-Equity	0.0	0.1
Other assets	7.1	8.5
Other receivables and other assets	37.8	47.1

19. Liquidity

After the successful placement of a convertible bond in 2015, the Company had liquidity totaling €250.8 million as of the balance sheet date (December 31, 2014: €347.5 million). As of the balance sheet date, liquidity consisted of cash and cash equivalents in the amount of €236.8 million and time deposits in the amount of €14.0 million with original maturities of more than three months. In the previous year, liquidity in the amount of €347.5 million comprised time deposits in the amount of €40.5 million and cash and cash equivalents totaling €307.0 million with original maturities of more than three months. Excluding the proportionally consolidated joint operations SGL ACE, liquidity amounted to €240.9 million (December 31, 2014: €336.5 million).

The breakdown of liquidity as of December 31, 2015 was as follows: 86% in euros (December 31, 2014: 91%), 8% in U.S. dollars (December 31, 2014: 4%), 2% in Japanese yen (December 31, 2014: 2%), and 4% in other currencies (December 31, 2014: 3%). As in the prior year, there was no significant amount of cash on hand as of the balance sheet date.

20. Assets held for sale/Liabilities in connection with assets held for sale

€m	Dec. 31, 2015	Dec. 31, 2014
Land and buildings	14.7	38.9
Inventories	0.0	28.3
Trade and other receivables	0.0	11.0
Assets held for sale	14.7	78.2
Other liabilities	0.0	51.3
Provisions	0.0	6.2
Liabilities in connection with assets held for sale	0.0	57.5

Assets and liabilities attributable to HITCO were presented as held for sale in the prior year. After the sale of HITCO's business of manufacturing composite structural parts for aero-structures in December 2015, the SGL Group retained the land and buildings at the production site. The planned disposal of those assets was based on the assumption that a potential interested party would take into consideration the fair market value of the land and buildings, net of the associated obligations, such as Avcorp's utilization of the facilities without having to pay rent in the medium term. The fair market values of the land and buildings were calculated based on commissioned expert opinions (corresponding to Level 3 of the fair value hierarchy of IFRS 13).

21. Deferred taxes

Deferred tax assets primarily relate to deferred taxes arising from temporary differences between IFRS and the tax base as a result of differences in the measurement of provisions and fixed assets. Deferred tax liabilities are primarily the result of differences in depreciation and amortization methods between IFRS and tax regulations.

As of December 31, 2015, German domestic tax loss carryforwards amounted to €403.0 million for corporate tax (2014: €355.2 million), €239.6 million for trade tax (2014: €206.6 million), and €19.6 million for interest carryforwards (2014: €6.9 million). Usable foreign tax loss carryforwards also existed primarily in the USA, amounting to USD482.2 million for federal tax (2014: USD289.0 million); in the UK, amounting to GBP67.2 million (2014: GBP68.6 million); and in Malaysia, amounting to MYR677.3 million (2014: MYR719.2 million). Furthermore, as of December 31, 2015, there were interest carryforwards in the USA of USD33.1 million (2014: USD33.1 million). According to current legislation, tax loss carryforwards in Germany, the UK and Malaysia can be carried forward for an unlimited period of time.

In the USA, loss carryforwards expire as of the year 2022. €4.6 million in loss carryforwards was capitalized in 2015 (2014: €12.1 million). €8.4 million of the prior-year figure related to loss carryforwards of €23.9 million for federal tax in the USA.

The recognition of deferred tax assets is reviewed at each reporting date. If it is probable that taxable profits will be available in the future that can be offset against future deductible measurement differences and unused tax losses, interest and tax credits, deferred tax assets are not recognized.

SGL Group estimates the future probability of taxable profits for each entity or tax group that has unused tax loss carryforwards based on experience concerning the respective profit and loss situation in recent years, and internal expectations regarding business and profit trends. Internal expectations about business and profit trends are derived from the five-year plans of each individual CGU, which are prepared using a bottom-up approach, and analyzed and approved by the Board of Management of the SGL Group. For further details concerning five-year plans, please refer to **Note 2** above, under the heading "Impairment tests of property, plant and equipment and other intangible assets". Specific uncertainties are taken into account in tax planning for the recognition of deferred tax assets on loss carryforwards, interest carryforwards and tax credits if the planning horizon is limited to three years. The reversal of future deductible and taxable measurement differences is also taken into account in tax planning. Estimates concerning the future probability of taxable profits can change as a result of future developments. Deferred taxes of €4.6 million (2014: €21.6 million) have been estimated based on tax planning, of which €4.6 million (2014: €12.1 million) relate to loss carryforwards, and €0.0 million (2014: €9.5 million) relate to interest carryforwards.

No deferred tax assets were recognized for the following items as of December 31, 2015 or December 31, 2014 due to uncertainty regarding their usability:

€m	Dec. 31, 2015	Dec. 31, 2014
Deductible temporary differences		
from impairment tests	120.0	80.8
from other recognition and measurement differences	7.7	37.0
From tax loss carryforwards and tax credits	1,394.3	1,021.2
Total	1,522.0	1,139.0

The vast majority of deferred taxes have a term to maturity of more than one year.

Deferred tax assets and liabilities on a gross basis are derived as follows from loss carryforwards or differences between the tax base and the IFRS financial statements:

€m	Deferred tax assets Dec. 31, 2015	Deferred tax liabilities Dec. 31, 2014	Deferred tax assets Dec. 31, 2014	Deferred tax liabilities Dec. 31, 2014
Non-current assets	47.7	77.5	33.4	77.3
Inventories	6.8	3.2	4.4	5.1
Receivables/other assets	2.5	6.3	2.4	6.2
Provisions for pensions and similar employee benefits	84.5	6.5	84.5	6.5
Other provisions	13.0	1.5	13.2	0.7
Liabilities/other liabilities	4.2	4.1	3.6	3.2
Tax loss carryforwards, interest carryforwards and tax credits	333.7	0.0	258.4	0.0
Other	0.0	0.7	3.7	3.7
Gross amount	492.4	99.8	403.6	102.7
Valuation allowance	-330.8	0.0	-234.3	0.0
Netting	-98.6	-98.6	-99.9	-99.9
Carrying amount	63.0	1.2	69.4	2.8

Deferred tax assets and liabilities on a gross basis are offset if they relate to income taxes of the same taxable entity and the same type of tax.

Net deferred taxes decreased by €4.8 million in 2015 to €61.8 million (2014: increase of €14.6 million to €66.6 million). Total changes affecting profit/loss amounted to minus €3.8 million (2014: minus €8.3 million), of which €13.0 million (2014: minus €6.0 million) related to changes arising from the origination and reversal of temporary differences between IFRS and the tax base, and minus €16.8 million (2014: minus €2.3 million)

related to changes arising from write-downs of deferred tax assets from tax loss carryforwards, interest carryforwards and tax credits.

Total changes affecting equity amounted to minus €1.9 million (2014: minus €26.6 million). In the previous year, the amount related to an increase in deferred tax assets was due to actuarial losses in pension provisions recognized in equity.

Additional deferred tax liabilities of €4.1 million (2014: €4.6 million) would result from retained earnings at foreign entities, which will not be distributed in the foreseeable future.

22. Equity

Issued capital

As of December 31, 2015, the Company's issued capital amounted to €235,024,645.12 (2014: €234,041,666.56) and was divided into 91,806,502 (December 31, 2014: 91,422,526) no-par-value ordinary bearer shares, each with a notional value of €2.56. The shares are traded on various markets in Germany (including Frankfurt).

The Board of Management is authorized, subject to the consent of the Supervisory Board, to increase the Company's issued share capital from the above-mentioned authorized capital by way of an issue of new no-par-value bearer shares on one or more occasions.

Authorized capital as of December 31, 2015

Articles of Incorporation	Date of resolution/ limitation	€/Number of shares	Capital increase via	Pre-emptive rights are disapplied
Section 3 (6)	May 10, 2012/ limited until May 9, 2017	€117,808.64 = 46,019 shares	Cash contribution and/or contribution in kind	– if new shares are issued to (SGL Group) employees from the Matching Share Plan in an amount of up to €445,844.48 = 174,158 shares – in case of an issue against contributions in kind for the acquisition of companies, parts of companies or investments in companies – if new shares are issued up to a max. of 10% of the Company's issued capital, provided the issue price of the new shares is not significantly lower than the stock exchange price
Section 3 (6)	May 3, 2011/ limited until May 2, 2016	€2,700,800.00 = 1,055,000 shares	Cash contribution and/or contribution in kind	– if new shares are issued to (SGL Group) employees
Section 3 (10)	April 30, 2015/ limited until April 29, 2020	€51,200,000.00 = 20,000,000 shares	Cash contribution and/or contribution in kind	– for fractional amounts – to fulfill subscription rights in relation convertible bonds – in case of an issue against contributions in kind for the acquisition of companies, parts of companies or investments in companies – if new shares are issued up to a max. of 10% of the Company's issued capital, provided the issue price of the new shares is not significantly lower than the stock exchange price

Generally, shareholders have to be granted subscription rights when utilizing Authorized Capital pursuant to Section 3 (6) and Section 3 (10) of the Articles of Incorporation. However, pursuant to Section 3 (6), pre-emptive rights are to be or may be disapplied for fractional amounts, subject to the consent of the Supervisory Board, in the context of shares issued to (SGL Group) employees, shares issued in return for contributions in kind to support the acquisition of companies, parts of companies, or investments in companies, and the issuance of shares of up to 10% of the issued share capital. In the case of Authorized Capital pursuant to Section 3 (10), pre-emptive rights are to be disapplied for fractional amounts, subject to the consent of the Supervisory Board, in the context of shares

issued to (SGL Group) employees, shares issued in return for contributions in kind to support the acquisition of companies, parts of companies, or investments in companies, and the issuance of shares of up to 10% of the issued share capital.

Shareholders' subscription rights are disapplied in relation to further Authorized Capital of the Company pursuant to Section 3 (8) of the Articles of Incorporation.

Changes in the total amount of Authorized Capital compared with the balance as of December 31, 2014 refer to the reduction in Authorized Capital due to capital increases as well as the creation of new Authorized Capital by resolution of the Annual General Meeting on April 30, 2015, pursuant to Section 3 (10).

Conditional capital

The Annual General Meeting has approved conditional capital increases to service the share-based management incentive plans (see **Note 30**) as well as to service convertible bonds (see **Note 25**).

Conditional capital as of December 31, 2015

Articles of Incorporation	Date of resolution/ limitation	€/Number of shares	Capital increase via:	Disapplication of pre-emptive rights/ execution of the capital increase
Section 3 (11)	April 30, 2015	€25,600,000.00 = 10,000,000 shares	To be used for the 2015 convertible bond	Share capital increase will be executed if creditors of the convertible bond exercise their conversion rights.
Section 3 (7)	April 30, 2004	€763,202.56 = 298,126 shares	SAR-Plan ¹⁾ 2005 – 2009	Share capital increase will be executed if participants make use of their subscription rights.
Section 3 (12)	April 29, 2009	€4,875,517.44 = 1,904,499 shares	SAR-Plan ¹⁾ 2010 – 2014	Share capital increase will be executed if participants make use of their subscription rights.
Section 3 (13)	April 29, 2009	€15,663,132.16 = 6,118,411 shares	To be used for the former 2009 convertible bond	2009 convertible bond no longer outstanding, therefore conversion into shares no longer possible.
Section 3 (14)	April 30, 2010	€20,480,000.00 = 8,000,000 shares	To be used for the 2012 convertible bond	Share capital increase will be executed if creditors of the convertible bond exercise their conversion rights.

¹⁾ SAR Plan = Stock Appreciation Rights Plan (see **Note 30**)

Changes in the number of shares compared with December 31, 2014 relate to the reduction of conditional capital due to the exercise of conversion rights. In addition, the Annual General Meeting on April 30, 2015 resolved to rescind the conditional capital pursuant to Section 3 (9) of the Articles of Incorporation as that conditional capital was intended to fulfill subscription rights from one of the Company's stock option plans and such subscription rights no longer exist. Furthermore, the Annual General Meeting created new conditional capital pursuant to Section 3 (11) and reduced the existing conditional capital pursuant to Section 3 (14) from the maximum amount of €35,840,000.00 to €20,480,000.00.

Increase in the Company's share capital

Number of shares	2015	2014
Balance as of Jan. 1	91,422,526	70,016,193
SAR Plan 2005 – 2009	134	1,736
SAR Plan 2010 – 2014	0	1,124
New shares issued to employees for bonus entitlements	325,000	170,000
New shares issued to share plan participants	58,842	53,473
Capital increase	0	20,180,000
Balance as of Dec. 31	91,806,502	91,422,526

A total of 383,976 new shares were issued from the Company's authorized capital for the purpose of servicing bonus entitlements as well as entitlements of employees in relation to the 2013 Matching Share Plan (see **Note 30**). The new shares were issued at a price of €2.56 each, increasing issued capital to a total of €982,978.56. A total of 325,000 new shares were issued to employees of the Company at price equivalent to the opening price in XETRA trading on March 16, 2015 in order to satisfy bonus entitlements in accordance with the terms of the agreed bonus arrangements. The 58,842 new shares for participants in the 2013 Matching Share Plan were issued to employees of SGL Group companies after the expiration of the holding period.

On January 25, 2016, the Board of Management approved a €1,369,538.56 increase in issued capital through the issue of 534,976 new shares by making partial use of authorized capital. The new shares are designated for employees of the Company (515,000 shares) and are intended to support the 2014 Matching Share Plan (19,976 shares); they carry dividend rights for 2015.

As of December 31, 2015, 77,905 (2014: 24,513) treasury shares were held at a carrying amount of €199,436.80 (December 31, 2014: €62,753.28).

Disclosures on capital management

In addition to ensuring liquidity, one of the primary objectives of capital management is to optimize financing structures on a continuous basis. In order to achieve this objective, various methods are used to reduce the cost of capital and improve the capital structure as well as to ensure effective risk management. Capital management includes both equity and debt components. Key financial figures include net debt, gearing (net debt/equity), and the equity ratio. Net debt is defined as borrowings at their principal amount less cash, cash equivalents, and time deposits.

The measures initiated in the reporting year include successful optimization of the maturity profile through the placement of a convertible bond in an aggregate principal amount of €167 million due in 2020 and the repurchase of the convertible bond due in 2016. Measures initiated in the prior year included the capital increase resolved by the Board of Management in the amount of €261.5 million. There were no changes as regards the approach to capital management in the year under review.

The key figures developed as follows:

€m	Dec. 31, 2015	Dec. 31, 2014
Net debt	534.2	389.9
Equity attributable to the shareholders of the parent company	289.3	567.6
Gearing	1.85	0.69
Equity ratio	15.6%	26.2%

SGL Group pursues active debt management as one of its capital management tools. The SGL Group is under an obligation to comply with certain covenants with respect to our lenders and bondholders. Adherence to these covenants is monitored continuously. In addition, financial risks are continuously monitored and controlled using certain indicators and regular internal reports as part of internal risk management. These risks include, among other things, the internal financing framework for subsidiaries determined on the basis of their budget requirements and their utilization, the hedged currency exposure, the change in actual cash flows, the change in the fair value of the derivatives portfolio, and maintenance and utilization of guarantee credit lines.

Since 2004, SGL Group has commissioned rating agencies Moody's and Standard & Poor's (S&P) to prepare an issuer rating, which supports both private and institutional investors in evaluating the SGL Group's credit quality. At present, SGL Group has ratings of "B2" from Moody's and "B" from Standard & Poor's. The corporate bond issued in 2013 has received an investment grade rating from S&P ("BB-"). Moody's has given the new corporate bond a "B1" rating.

Change in control agreement

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

Each of the convertible bonds issued by the Company (due in 2018 and 2020) entitles the bondholders to repayment of their outstanding notes at the principal amount in the event of a change in control, provided the bondholders declare such intention prior to or on the reference date to be determined by the Company; such reference date may not be fewer than 40 or more than 60 calendar days after the change in control. Alternatively, the notes may be converted into shares up to the reference date, which could result in a better conversion ratio for bondholders based on the staggered conversion price with respect to the residual terms to maturity of the convertible bond in question. For the purposes of the two convertible bonds, a change in control exists if one or more individuals acquires control over the Company, with control being (a) direct or indirect ownership of more than 30% of the voting shares or (b) in the case of an acquisition offer, when the shares controlled by the bidder or individuals cooperating with the bidder plus the shares with regard to which the acquisition offer has been accepted exceed 50% of the voting rights in SGL Carbon SE and the acquisition offer becomes unconditional.

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

Other

In 2015, SGL Carbon SE, the parent company of SGL Group, reported a net loss for the year of €396.2 million in accordance with the German Commercial Code (HGB). Taking into account the loss brought forward in the amount of €351.4 million, the accumulated loss totaled €747.6 million. In accordance with the German Stock Corporation Act, dividends may only be paid out of the accumulated net profit reported by SGL Carbon SE in its annual financial statements prepared pursuant to the provisions of the German Commercial Code (HGB).

23. Provisions for pensions and similar employee benefits

The employees of SGL Group worldwide benefit from various pension plans that provide retirement benefits for employees and their surviving dependents. These benefits are granted in accordance with the specific situations in the various countries. Some of the arrangements are linked to the level of employee remuneration, whereas others are based on fixed amounts that are based on employee ranking in terms of both salary classification and position within the Company hierarchy. Some arrangements also provide for future increases based on an inflation index.

Germany

The various pension arrangements for the employees of SGL Group in Germany were standardized on April 1, 2000 and pooled in the legally independent pension fund for employees of Hoechst Group VVaG. In case of defined contribution plans for basic pension plans in relation to employees below the income threshold for contribution assessment, the Company pays contributions to pension insurance providers on the basis of statutory or contractual requirements. The Company generally has no further obligations other than to pay the contributions. The Hoechst VVaG pension fund (Penka I) is a defined benefit multi-employer plan in Germany. There is insufficient information available about this pension plan to allow the Company to classify it as a defined benefit plan because the plan assets cannot be allocated among the participating companies. The pension fund benefits are funded based on the demand coverage method (*Bedarfsdeckungsverfahren*).

Accordingly, the employer contributions may fluctuate depending on the amount of capital gains of the fund. The contributions made by SGL Group to the pension fund (Penka I) in 2015 amount to 400% of the employee contributions. Owing to the continuing low interest rate level, the contribution rate for 2016 was increased to 500%. Effective April 1, 2009, the pension plan was closed to new beneficiaries and changed from a defined benefit plan to a defined contribution plan. The employer contributions remained constant at 230% of the employee contributions. All obligations were fulfilled by making contribution payments to Höchster Pensionskasse VVaG (Penka II). Effective January 1, 2013, the participants of Penka II in Germany were transferred to the new pension plan – “*Altersversorgung-plus (AV-plus)*.” The employee contributes 2.0% from pensionable gross remuneration as deferred compensation to AV-plus (Penka II), while the employer contributes twice that amount in the form of a direct pension commitment which is covered by assets held in a trust vehicle (Contractual Trust Arrangement, CTA). Employees may contribute an additional amount of 1.0% to Penka II, in which case the matching employer’s contribution to the direct pension commitment amounts to 100% of the employee’s contribution. The employee acquires a direct entitlement to benefits from the pension fund upon making his contributions to the pension fund. The employer’s payments under the direct pension commitment are subject to a guaranteed minimum return of 2.25%. Any benefit payments (one-off disbursement or payment in form of an annuity) are determined based on the higher of guaranteed minimum return or the current individual value of assets. In addition, employees are able to participate in deferred compensation plans and similar models.

The direct pension commitment for the defined benefit plan for the senior management level (with income above the threshold for a contribution assessment as determined by the German government pension insurance plan (Deutsche Rentenversicherung) was closed to participants as of December 31, 2014 – with only a few exceptions that relate to partial retirement agreements as well as persons shortly before retirement – and was replaced by a defined contribution plan (ZVplus). The entitlements earned by the participants have been frozen and are no longer subject to indexation until benefits commence. Even if employees may no longer earn entitlements from legacy commitments, the Company is still exposed to actuarial risks such as longevity and pension indexation. In relation to the new defined contribution plan, the Company grants contributions at a defined rate based on pensionable income. The contributions are subject to a minimum interest rate, which is the maximum rate for life insurance policies plus one percentage point (currently 2.25% p.a. in total). In addition, the amounts are contributed as assets to a trust vehicle (Contractual Trust Arrangement, CTA). If an insured event occurs, any benefit payments (one-off disbursement or payment in form of an annuity) are determined based on the higher of guaranteed minimum return or the current individual value of assets.

USA

The North American subsidiaries have country-specific pension plans which are largely covered by pension funds. The funding ratio for the U.S. pension plan amounts to 70.0% (December 31, 2014: 73.5%). This plan is subject to the legal and regulatory framework of the U.S. Employee Retirement Income Security Act (ERISA). In accordance with this framework, defined benefit plans have to ensure a minimum funding level in order to avoid a reduction of benefit payments. The current funding ratio pursuant to ERISA does not result in any obligations to pay further contributions. In addition, post-employment healthcare plans and an additional pension plan for senior managers, both of which are unfunded, exist in the USA.

In the U.S. pension fund, the plan assets are invested solely for the purpose of providing future pension benefits to the beneficiaries and minimizing the costs of administering the assets. SGL Group regularly reviews the assumptions on the expected return on plan assets of the North American, fund-financed pension plan. As part of the review, independent actuaries calculate a range for expected long-term returns on total plan assets. Net interest is determined based on plan assets measured using the discount interest rate at the end of the previous year. In 2015, the effective return of plan assets was minus 2.3% (2014: plus 8.2%) in the U.S., which is below the discount rate of 4.0% (2014: 4.0%), and 9.4% (2014: 15.2%) in Canada, which is above the discount rate of 4.75% (2014: 4.75%).

The investment policy of SGL Group is geared more heavily toward fixed-income bonds and bank balances as compared to assets from growth-oriented equities and interests in companies. As of December 31, 2015, 31.6% of the plan assets in the USA were invested in equities and interests in companies (December 31, 2014: 33.4%), 56.8% in fixed-interest securities (December 31, 2014: 55.6%), 10.4% in hedge funds (December 31, 2014: 9.5%), and 1.2% in cash (December 31, 2014: 1.5%).

The future benefit obligations in relation to healthcare plans are calculated using actuarial methods based on prudent estimates of the relevant parameters. The calculation parameters may be influenced to a significant degree by the assumptions with respect to the increase in costs within the healthcare sector. In the year under review, the assumed rates of increase for medical costs (first/last/year) amounted to (7.3%/5.0%/2025) for beneficiaries of less than 65 years of age and (6.8%/5.0%/2023) for beneficiaries of more than 65 years of age. The assumed rates for 2014 were (7.55%/5.0%/2025) and (7.05%/5.0%/2023), respectively. An increase or decrease in the assumed growth rate for healthcare costs of 1 percentage point would have led to an increase (decline) in the present value of the defined benefit obligation of €0.3 million (minus €0.3 million) and an increase (decline) in the service and interest cost of €0.0 million (€0.0 million) as of the end of fiscal year 2015.

Canada

The closure of the Canadian facility and the related personnel measures have led to a payment and the dissolution of the plan assets to the benefit of unionized plan members in the amount of approx. €5.9 million in 2015. Retired employees participating in the plan for salaried plan members may no longer earn further entitlements and receive the pension upon the occurrence of an insured event.

Most of the obligations with respect to current pension benefits, termination benefits and projected pension benefits in the other companies are covered by the provisions reported on the balance sheet.

Actuarial assumptions

In addition to biometrical bases for calculation and the current long-term market interest rate, this method takes into account particular assumptions with respect to future salary and pension increases.

The following parameters are applied in Germany and the USA, the countries with the most significant post-employment benefit obligations:

Basis of calculation and parameters for pension provisions

	German plans		US plans	
	2015	2014	2015	2014
Discount rate as of Dec. 31	2.25%	2.00%	4.25%	4.00%
Projected salary increase as of Dec. 31	2.25%	2.25%	3.00%	3.00%
Projected pension increase as of Dec. 31	1.75%	1.75%	–	–
Return on plan assets in fiscal year	2.00%	3.50%	4.00%	4.75%
Duration	14.5	17.1	13.1	14.2

The change in pension obligations relating to direct commitments and post-employment healthcare obligations, the change in plan assets and the financing status of the pension plans are described in the following table.

The funded status for 2015 was as follows:

€m	Germany 2015	USA 2015	Other 2015	Total 2015
Present value of the defined benefit obligation at beginning of year	326.2	163.0	34.5	523.7
Service cost	8.0	4.2	0.8	13.0
Interest cost	6.5	6.9	0.8	14.2
Actuarial gains (+)/losses (-)	-6.2	-8.3	0.4	-14.1
Benefits paid	-13.3	-8.1	-8.5	-29.9
Plan amendments	0.7	0.0	0.0	0.7
Other changes	-3.4	0.3	-0.3	-3.4
Currency differences	0.0	18.8	-0.5	18.3
Present value of the defined benefit obligation at end of year¹⁾	318.5	176.8	27.2	522.5
Fair value of plan assets at beginning of year	36.7	94.4	13.2	144.3
Actual return on plan assets	-1.5	-2.8	0.7	-3.6
Employer contributions	7.3	3.6	0.7	11.6
Employee contributions	0.4	0.3	0.0	0.7
Benefits paid	-3.5	-8.2	-6.6	-18.3
Currency differences	0.0	11.2	-0.6	10.6
Fair value of plan assets at end of year²⁾	39.4	98.5	7.4	145.3
Funded status as of Dec. 31	279.1	78.3	19.8	377.2
Amount recognized	279.1	78.3	19.8	377.2
Termination benefits	0.0	0.8	2.2	3.0
Provisions for pensions and similar employee benefits	279.1	79.1	22.0	380.2

¹⁾ Of which €20.0 million relate to post-retirement health care benefits

²⁾ This item also includes assets of €4.7 million to cover pension entitlements recognized as other non-current assets

The funded status for 2014 was as follows:

€m	Germany 2014	USA 2014	Other 2014	Total 2014
Present value of the defined benefit obligation at beginning of year	263.7	119.7	32.1	415.5
Service cost	7.2	2.6	0.7	10.5
Interest cost	9.1	5.7	1.3	16.1
Actuarial gains (+)/losses (-)	57.3	24.7	3.6	85.6
Benefits paid	-9.7	-6.7	-4.8	-21.2
Plan amendments	-3.4	0.0	0.0	-3.4
Other changes	2.0	0.5	1.0	3.5
Currency differences	0.0	16.5	0.6	17.1
Present value of the defined benefit obligation at end of year¹⁾	326.2	163.0	34.5	523.7
Fair value of plan assets at beginning of year	29.4	81.0	12.6	123.0
Actual return on plan assets	0.8	6.7	1.8	9.3
Employer contributions	6.7	2.0	1.4	10.1
Employee contributions	0.3	0.2	0.0	0.5
Benefits paid	-0.5	-6.7	-3.1	-10.3
Currency differences	0.0	11.2	0.5	11.7
Fair value of plan assets at end of year²⁾	36.7	94.4	13.2	144.3
Funded status as of Dec. 31	289.5	68.6	21.3	379.4
Reclassification due to asset ceiling	0.1	0.0	0.0	0.1
Amount recognized	289.6	68.6	21.3	379.5
Termination benefits	0.0	0.7	4.5	5.2
Provisions for pensions and similar employee benefits	289.6	69.3	25.8	384.7

¹⁾ Of which €19.4 million relate to post-retirement healthcare benefits

²⁾ This item also includes assets of €4.7 million to cover pension entitlements recognized as other non-current assets

The consolidated statement of comprehensive income includes the following amounts:

€m	Germany 2015	USA 2015	Other 2015	Total 2015	Total 2014
Actuarial gains (+)/losses (-) on pensions	6.2	8.3	-0.4	14.1	-86.0
Actuarial gains (+)/losses (-) on other long-term benefits	0.0	0.0	0.0	0.0	-0.2
Actual return on plan assets	-1.5	-2.8	0.7	-3.6	9.3
Less expected return on plan assets	0.7	4.1	0.3	5.1	5.2
Gains (+)/losses (-) of the reporting year (gross) recognized in equity	4.0	1.4	0.0	5.4	-82.1
Tax effect	-1.2	-0.6	0.0	-1.8	26.6
Gains (+)/losses (-) of the reporting year (net) recognized in equity	2.8	0.8	0.0	3.6	-55.5

The cumulative net amount of actuarial losses recognized in other comprehensive income was €172.9 million (2014: €176.5 million). The losses decreased above all due to an increase in the interest rate in Germany and the USA.

In fiscal year 2015, the present value of the defined benefit obligation decreased, among other things due to an increase of €18.2 million (2014: minus €75.0 million) in the discount rate for the pension plans, an increase of €3.3 million (2014: minus €9.3 million) based on new mortality tables in the USA, and a decrease of €7.0 million (December 31, 2014: decrease of €1.3 million) in experience adjustments resulting from differences between actuarial assumptions and actual outcome. A change in the discount factor, the salary trend, and the return on plan assets of plus 0.5%/minus 0.5%, respectively, would lead to a change in the present value of the defined benefit obligation of minus 6.3%/7.0% (discount factor), 3.9%/minus 3.8% (projected pension increase) and 0.1%/minus 0.1% (plan assets). An increase in longevity by 1 year would lead to a change in the present value of the defined benefit obligation of plus 2.4%.

Pension provisions with a maturity of less than one year amounted to approximately €21.4 million (2014: €25.1 million).

SGL Group has pension and healthcare obligations in the amount of €155.5 million (2014: €144.4 million) arising from fund-financed pension plans. Pension obligations arising from non-fund-financed pension plans amounted to €367.0 million (2014: €379.3 million). The actual return on plan assets in 2015 amounted to a total of minus €3.6 million (2014: €9.3 million).

To cover the pension obligations to members of the Board of Management, the Company has entered into reinsurance policies with three large insurance companies. As of December 31, 2015, the asset value included in the pension provisions totaled €29.7 million (2014: €28.7 million). The expected return corresponds to the discount rate for the pension obligations. In fiscal year 2015, one-time payments totaling €3.7 million were made to reinsurers (2014: €5.9 million). The benefits under the insurance policies have been pledged to the relevant members of the Board of Management. The pension expense for active members of the Board of Management is detailed in **Note 27**.

The breakdown of pension expenses for 2015 and 2014 is as follows:

€m	Germany 2015	USA 2015	Other 2015	Total 2015	Total 2014
Service cost	8.0	4.2	0.8	13.0	10.5
Plan adjustments	0.7	0.0	0.0	0.7	1.6
Curtailment/settlement gains	-1.2	0.0	0.0	-1.2	-3.2
Service cost	7.5	4.2	0.8	12.5	8.9
Interest cost	6.5	6.9	0.8	14.2	16.1
Expected return on plan assets	-0.7	-4.1	-0.3	-5.1	-5.2
Net interest expense	5.8	2.8	0.5	9.1	10.9
Expenses for defined benefit plans	13.3	7.0	1.3	21.6	19.8
Expenses for defined contribution plans	6.5	0.0	0.0	6.5	6.6
Interest cost from termination payments	0.0	0.2	0.4	0.6	1.1
Pension expenses	19.8	7.2	1.7	28.7	27.5

The amounts recognized in profit or loss for the defined contribution plans in Germany totaled to €6.3 million (December 31, 2014: €6.6 million) in fiscal year 2015. Contributions to state plans of SGL Group amounted to €26.6 million in 2015 (December 31, 2014: €25.2 million). Employer contributions to plan assets and reinsurance policies in 2016 are estimated at €6.6 million (actual amount for 2015: €11.6 million). As of December 31, 2015, the anticipated future pension benefit payments by SGL Group to its former employees or their surviving dependents were as follows:

Pension payments to employees

Year	€m
2015	29.9
Payable in 2016	21.4
Payable in 2017	22.1
Payable in 2018	23.1
Payable in 2019	24.2
Payable in 2020	25.0
Payable in 2021 – 2025	135.2

24. Other provisions

€m	Taxes	Personnel expenses	Warranties, price reduction and guarantees	Restructuring	Other	Total
Balance as of Jan. 1, 2015	46.2	46.3	12.3	24.4	23.1	152.3
Utilizations	-37.5	-24.0	-5.9	-12.6	-15.2	-95.2
Releases	-1.6	-3.0	-0.6	-0.6	-3.2	-9.0
Additions	3.9	28.5	12.5	46.9	16.9	108.7
Other changes/exchange differences	-5.3	3.4	0.4	0.0	0.3	-1.2
Balance as of Dec. 31, 2015	5.7	51.2	18.7	58.1	21.9	155.6
<i>thereof with a maturity of up to one year</i>	4.8	43.6	11.3	44.2	21.6	125.5
<i>thereof with a maturity of more than one year</i>	0.9	7.6	7.4	13.9	0.3	30.1

In the prior year, tax provisions mainly referred to provisions for uncertain tax positions from tax audits. Now that payments of €34.7 million have been made in relation to the termination of tax audits, SGL Group does not anticipate any further charges from this matter. Provisions for personnel expenses mainly comprise provisions for annual bonuses of €19.3 million (December 31, 2014: €17.1 million), provisions for anniversary benefits of €7.4 million (December 31, 2014: €7.4 million), provisions for partial retirement of €1.2 million (December 31, 2014: €1.6 million), and provisions for outstanding vacation days of €8.5 million (December 31, 2014: €8.8 million).

All warranties, price reductions and guarantees contain provisions for price reduction risks including bonuses, volume discounts, and other reductions in price. Provisions for restructuring totaling €36.6 million primarily relate to personnel measures connected with the closure of our site in Frankfurt-Griesheim, and to cost savings initiatives at our plant in Bonn. Provisions for cleanup operations and settlement risks, and provisions for additional personnel measures are also included.

The item "Other" includes provisions for outstanding invoices in the amount of €7.4 million (December 31, 2014: €9.3 million). In addition, other provisions consist of various individual items of minor value from our 66 (2014: 59) fully consolidated companies.

25. Liabilities

€m	Dec. 31, 2015	Remaining term to maturity > 1 year	Dec. 31, 2014	Remaining term to maturity > 1 year
Interest-bearing loans				
Corporate bond	250.0	250.0	250.0	250.0
<i>nominal value of convertible bonds</i>	407.0		374.7	
<i>less IFRS equity component</i>	-28.6		-21.5	
Convertible bonds	378.4	378.4	353.2	353.2
Bank loans, overdrafts and other financial liabilities	128.0	125.4	112.6	0.0
Refinancing costs	-11.6	-11.6	-11.0	-11.0
	744.8	742.2	704.8	592.2
Trade payables	162.9	0.0	176.4	0.0
Other financial liabilities				
Derivative financial instruments	1.9	0.0	14.0	0.0
Finance lease liabilities	20.6	19.7	20.5	19.4
Miscellaneous other financial liabilities	45.1	31.4	30.0	30.0
	67.6	51.1	64.5	49.4
Income tax payables	1.4	0.0	1.5	0.0
Deferred tax liabilities	1.2	1.2	2.8	2.8
Miscellaneous other liabilities	36.6	0.0	41.1	0.3
Other liabilities	106.8	52.3	109.9	52.5
Total	1,014.5	794.5	991.1	644.7

Interest-bearing loans

Corporate bond

The 7-year fixed-rate corporate bond issued by SGL Carbon SE 2013 has a principal amount of €250.0 million and was issued in denominations of €100,000. The corporate bond has a coupon of 4.875% p.a., payable semi-annually.

The issue price was 100% of the principal amount. In the case of a change in ownership of the Company, the investors are entitled to early redeem their corporate bonds and to demand repayment at a price of 101% of the principal amount plus accrued interest.

The terms of the corporate bond also include normal market provisions with regard to financial covenants and financial restrictions. The corporate bond is admitted to trading in the Open Market of the Frankfurt Stock Exchange.

As of December 31, 2015, the market value of the exchange-listed corporate bond was €247.7 million (2014: €259.9 million), which was derived from market rates as of December 31, and which corresponds to level 1 of the fair value hierarchy of IFRS 13.

Convertible bonds

On September 9, 2015, the Company issued a new unsecured, unsubordinated convertible bond due in September 2020 in an aggregate principal amount of €167 million ("2015/2020 Convertible Bond"). The convertible bond was issued and will be redeemed upon maturity also at 100% of the principal amount. The convertible bonds were issued in denominations of €100,000 per bond. The current conversion price amounts to €18.6451. The interest coupon is 3.5% p.a., payable semi-annually and retroactively on March 31 and September 30. Based on the current conversion price, full conversion would result in the issue of approximately 8.96 million shares. The outstanding volume of the convertible bond as of December 31, 2015 was €167.0 million. As of December 31, 2015, the market value of the convertible bond was €152.1 million.

The proceeds from the 2015/2020 Convertible Bond were largely used to repurchase the unsecured, unsubordinated convertible bond issued in 2009 with an original term to maturity until June 2016 and an original principal amount of €190.0 million ("2009/2016 Convertible Bond").

In this context, the Company invited the holders of the 2009/2016 Convertible Bond to tender their bonds for purchase until September 15, 2015 against cash plus interest accrued up to the Company's repayment date. The repurchase price amounted to 102% of the principal amount per bond, corresponding to an amount of €51,000 per bond. After the tendered bonds had been accepted and following the technical settlement of the repurchase offer, less than 15% of the originally issued aggregate principal amount of the 2009/2016 Convertible Bond was outstanding. Accordingly, the conditions for an early redemption of the 2009/2016 Convertible Bond were fulfilled pursuant to its terms and conditions. The Company exercised the early redemption right and therefore redeemed the remaining bonds in a principal amount of €26.3 million plus interest accrued on October 14, 2015. Therefore, the overall outstanding principal amount of the 2009/2016 Convertible Bond was fully redeemed to the holders, and the bonds were derecognized.

In 2012, SGL Carbon SE issued unsecured unsubordinated convertible bond due in January 2018 in a principal amount of €240.0 million. The convertible bond was issued and will be redeemed upon maturity at 100% of its principal amount. The convertible bonds were issued in denominations of €100,000 per bond. The current conversion price amounts to €41.0, unchanged from the prior year. The coupon rate is 2.75% p.a. and is paid semi-annually. The outstanding volume of the convertible bond as of December 31, 2015 was €240.0 million, unchanged from the prior year. As of December 31, 2015, the market value of the convertible bond was €221.8 million (2014: €223.2 million).

Accordingly, as of December 31, 2015, the Company had two outstanding convertible bonds. The terms of both convertible bonds provide for protection against dilution for investors. This ensures that the bonds' conversion prices are automatically adjusted in the event of a rights issue or if dividends are paid by the Company. The adjusted conversion price reflects the dilutive effect per share.

The conversion prices of the convertible bonds changed as follows:

€	Conversion price as of Dec. 31, 2015	Original conversion price per share	Change
Convertible Bond 2012/2018	41.0	43.5	-2.50
Convertible Bond 2015/2020	18.6	18.6	0.00

Summary of convertible bonds

€m	Volume of issue	Outstanding volume	Carrying amount as of Dec. 31, 2015	Market price ¹⁾ as of Dec. 31, 2015	Coupon % p. a.	Issue price
Convertible Bond 2012/2018	240.0	240.0	229.2	221.8	2.750%	100.0%
Convertible Bond 2015/2020	167.0	167.0	145.1	152.1	3.500%	100.0%
Total	407.0	407.0	374.3	373.9		

¹⁾ Corresponds to Level 1 of the fair value hierarchy of IFRS 13

Please see **Note 2** ("Hybrid Financial Instruments") for a description of the accounting treatment for convertible bonds and their separation into an equity component and a debt component.

The weighted average cash interest rate on financial liabilities based on their nominal amounts in 2015 was 4.1% p.a. (2014: 3.8% p.a.). Including the non-cash imputed interest component on the convertible bonds, the weighted average effective interest rate for 2015 was 5.4% p.a. (2014: 3.7% p.a.). As of the balance sheet date, bank loans, overdrafts and other financial liabilities amounted to €128.0 million (2014: €112.6 million). Of that amount, €71.8 million (2014: €111.6 million) was subject to fixed interest and €56.2 million (2014: €1.0 million) was subject to variable interest rates.

Excluding the proportionally consolidated joint operation SGL Automotive Carbon Fibers, the total of all bank loans, overdrafts, and other financial liabilities was €2.6 million (2014: €2.2 million). Of that amount, €1.5 million (2014: €1.2 million) was subject to fixed interest and €1.1 million (2014: €1.1 million) was subject to variable interest rates.

Syndicated credit facility

In addition to the corporate bond and the two convertible bonds, SGL Group also has a secured syndicated credit facility totaling €200.0 million to be used for general corporate purposes. The credit facility has equal ranking with the corporate bond. The syndicated credit facility was agreed with SGL Group's core banks and matures at the end of December 2017. The credit facility is available to various SGL subsidiaries and can be drawn on in euros or in U.S. dollars. The credit facility had not been utilized as of the balance sheet date (December 31, 2015). In case of a change in ownership, the amounts drawn will become due for repayment. The agreed credit margin varies depending on the leverage of SGL Group during the term to maturity. The terms and conditions of the syndicated credit line include financing provisions in line with the market.

Trade payables

Trade payables totaled €162.9 million as of December 31, 2015 (2014: €176.4 million), €160.7 million of which was due to third parties (December 31, 2014: €175.4 million). As in 2014, the trade payables were due for payment within one year.

Other liabilities

As of December 31, 2015, other financial liabilities included liabilities from finance leases in the amount of €20.6 million (2014: €20.5 million), mainly attributable to an agreement on a heritable building right. This line item also includes negative fair values relating to hedging instruments in the amount of €1.9 million as of December 31, 2015 (2014: €14.0 million).

Miscellaneous other financial liabilities include the non-controlling interests in subsidiary partnerships classified as liabilities in a total amount of €16.0 million (2014: €27.5 million), as well as an outstanding financial liability of €26.4 million towards the acquirer of our business with aerostructure components.

Current income tax payables amounted to €1.4 million (2014: €1.5 million) as of December 31, 2015. Please refer to **Note 21** for detailed information on deferred tax liabilities.

Miscellaneous other liabilities totaled 36.6 million (2014: €41.1 million) as of December 31, 2015 and included liabilities for payroll and church taxes of €9.8 million (2014: €14.0 million), accrued interest of €10.2 million (2014: €11.4 million), social security liabilities of €0.3 million (2014: €0.3 million), other tax liabilities of €0.3 million (2014: €0.6 million), and deferred income of €8.8 million (2014: €9.4 million).

The following table shows all contractually agreed upon payments as of December 31, 2015 for repayments of principal and

payment of interest on recognized financial liabilities, including derivative financial instruments.

€m	2016	2017	2018	2019	2020	More than five years
Non-derivative financial liabilities						
Corporate bond	12.2	12.2	12.2	12.2	12.2	251.0
Convertible bonds	12.7	12.6	246.4	5.9	171.0	
Bank loans, overdrafts and other financial liabilities	6.5	3.8	128.9			
Finance lease liabilities	0.9	1.0	1.0	1.0	1.0	76.0
Trade payables	162.9					
Miscellaneous other financial liabilities	13.7	15.4				16.0
Derivative financial liabilities						
	1.9					
Total	210.8	45.0	388.5	19.1	184.2	343.0

There were no significant changes compared to the disclosures made in prior year.

The estimated interest payments for floating-rate financial liabilities were determined on the basis of the interest-rate curve on the balance sheet date. Miscellaneous other financial liabilities were determined using undiscounted contractual cash flows for the subsequent fiscal years. Derivative financial liabilities are classified as payable on demand, regardless of their actual contractual maturity. This enables a presentation of cash outflows in the event of an immediate cancellation of the underlying derivative contracts. The SGL Group is of the opinion that this form of presenting liabilities from derivatives with a negative fair value as of the balance sheet date is appropriate.

26. Contingent liabilities and other financial obligations

As of December 31, 2015, outstanding guarantee obligations amounted to €0.3 million (December 31, 2014: €0.3 million). Contingent liabilities relating to investments accounted for At-Equity amounted to €4.5 million (December 31, 2014: €10.6 million). In addition, other financial commitments in connection with purchase orders for approved capital expenditure on property, plant and equipment amounted to €12.0 million as of December 31, 2015 (December 31, 2014: €27.5 million). Some of these capital expenditure projects extend beyond one year.

As a result of agreements reached with foreign tax authorities on tax audits, no contingent tax liabilities were recognized as of December 31, 2015 (December 31, 2014: approx. €21.0 million).

SGL Group secures the necessary raw materials for its production, especially for needle coke, by means of procurement agreements with key suppliers. These agreements normally have a term of one year, include minimum quantities to be purchased by SGL Group and are fulfilled by physical delivery. The prices for the supplies are based on a base price that is adjusted for variable components (e.g. defined parameters of the needle coke producer's raw material price).

A number of agreements to provide collateral were also signed with lenders in conjunction with the refinancing carried out in 2013. These agreements are restricted to share pledge agreements and/ or corporate guarantees for a selected number of companies in the SGL Group. No charges on real estate or other assets have been pledged as collateral.

In addition, obligations under operating leases for land and buildings, IT equipment, vehicles, and other items of property, plant and equipment amounted to €56.5 million as of December 31, 2015 (December 31, 2014: €69.3 million).

As of December 31, 2015, the future payments were as follows (the changes compared to the previous year were insignificant):

€m	2016	2017	2018	2019	2020	2021 and thereafter	Total
Operating leases	11.6	8.8	6.6	5.6	6.4	17.5	56.5
Finance leases	0.9	1.0	1.0	1.0	1.0	76.0	80.9
– discount included	–0.1	–0.1	–0.2	–0.2	–0.2	–59.5	–60.3
= Present value of finance leases	0.8	0.9	0.8	0.8	0.8	16.5	20.6

No payments from subleases were received in either 2015 or 2014. Finance leases exclusively comprised lease agreements for items of property, plant and equipment concluded as standard lease agreements without any specific purchase option as well as one heritable building right. The land lease rate for the heritable building right is adjusted every 20 years, based on the then-applicable market value of the property. The last adjustment was made in 2006. Estimates of future increases are shown in the above table. The net carrying amount of assets from finance leases, including the heritable building right, amounted to €0.5 million as of December 31, 2015 (2014: €16.6 million). The decrease is due to the restructuring in connection with the site closure in Frankfurt-Griesheim carried out in the year under review (see **Note 6**). Expenses for rental and operating lease agreements totaled €41.3 million in 2015 (2014: €36.1 million).

Various legal disputes, legal proceedings and lawsuits are either pending or may be initiated in the future. This includes legal action arising in connection with alleged defects in SGL Group products, product warranties and environmental protection issues. Tax risks may also arise as a result of the SGL Group structure. Litigation is subject to considerable uncertainty; the outcome of individual cases cannot be predicted with any certainty. There is a reasonable probability that individual cases could be decided against SGL Group. Identifiable risks have been adequately covered by recognizing appropriate provisions.

As a company using a substantial amount of energy, our sites in Meitingen, Bonn and Frankfurt-Griesheim were partially exempted from the cost allocation under the German Renewable Energy Sources Act (EEG). Depending on whether we will no longer be granted such an exemption from the EEG cost allocation in the future or if we will be required to make a retrospective payment for the EEG cost allocation, this might have a negative impact on our business operations.

27. Related-party transactions

Joint ventures and associates

SKion GmbH, Bad Homburg, holds a share of approximately 27.46% in SGL Carbon SE according to notifications pursuant to the German Securities Trading Act (WpHG). No material transactions were conducted with SKion GmbH in 2015.

In fiscal years 2015 and 2014, SGL Group maintained business relations within its normal course of business with a number

of joint ventures and associates related to sales revenue and allocations of general and administrative expenses. In this context, SGL buys and sells products and services at market conditions. Collateral is reported under other financial obligations (see **Note 26**). Please refer to **Note 8** for information on joint ventures and associates.

The following table presents the volume of transactions with related companies included in SGL Group:

2015

€m	Sales of goods	Sales of services	Purchases of goods	Purchases of services	Receivables as of Dec. 31	Loans as of Dec. 31	Liabilities as of Dec. 31
Joint ventures (JVs)	16.4	11.3	0.3	0.0	3.3	0.0	0.6
Associates	1.1	0.0	10.0	0.0	0.9	0.0	2.3
	17.5	11.3	10.3	0.0	4.2	0.0	2.9

2014

€m	Sales of goods	Sales of services	Purchases of goods	Purchases of services	Receivables as of Dec. 31	Loans as of Dec. 31	Liabilities as of Dec. 31
Joint ventures (JVs)	18.6	12.2	1.6	0.5	5.5	0.0	0.2
Associates	0.5	0.1	7.1	0.5	1.3	0.0	2.3
	19.1	12.3	8.7	1.0	6.8	0.0	2.5

Related persons

Related persons include members of the Board of Management and the Supervisory Board.

For fiscal 2015, the total remuneration (excluding benefit expenses) for the members of SGL Group's Board of Management active in the respective fiscal year based on the principle of allocation (Zuflussbetrachtung) amounted to €2,861 thousand (2014: €2,953 thousand). In the previous year, this included remuneration under the share-based Matching Share Plan (MSP). In the prior year, Matching Shares in a gross amount of €357 thousand were paid out from the 2012 Plan. In 2015, payouts from the 2013 MSP Plan totaled €114 thousand (gross). For fiscal 2015, there were no new grants for MSPs and SARs since the issue of such grants was replaced with the cash-settled SGL Carbon SE Performance Share Plan in the wake of the changes in the remuneration for the Board of Management.

Details in relation to the remuneration system for members of the Board of Management and the disclosure of individual levels of the remuneration for members of the Board of Management can be found in the 2015 Group Management Report in the section entitled "Remuneration Report."

In addition, pension expenses (service cost) in the amount of €1,070 thousand in fiscal 2015 (2014: €1,913 thousand) were taken into account for the members of the Board of Management as a remuneration component within the context of defined benefit plans. The DBO of the pension commitments for active members as of December 31, 2015 amounted to €9,914 thousand (2014: €8,873 thousand).

Remuneration for the members of the Board of Management in fiscal 2015 amounted to a total net expense of €5,642 thousand (2014: €7,006 thousand).

The net amounts outstanding to members of the Board of Management in the amount of €1,085 thousand (December 31, 2014: €1,285 thousand) consisted of provisions for annual bonuses of €1,085 thousand (December 31, 2014: €928 thousand) and the MSP and SAR of €0 thousand (December 31, 2014: €357 thousand).

Former members of the Board of Management and their surviving dependents received total compensation within the meaning of section 314 (1) no. 6b HGB in the amount of €3,801 thousand (2014: €5,964 thousand). This amount included €5,374 thousand in connection with the departure of members of the Board of Management. As of December 31, the DBO of all pension commitments made to former members of the Board of Management and their surviving dependents was €49,902 thousand (December 31, 2014: €56,386 thousand).

The remuneration paid to members of the Supervisory Board consisted of a basic remuneration as well as additional remuneration for Board activities and amounted to a total of €874 thousand (2014: €840 thousand), including attendance fees.

In addition, employee representatives in the Supervisory Board who are employees of SGL Group receive remuneration within the framework of their employment contracts of €309 thousand (2014: €320 thousand).

Details in relation to the remuneration system for Supervisory Board members and the disclosure of individual levels of the remuneration for Supervisory Board members can be found in the 2015 Group Management Report in the section "Remuneration Report."

No members of the Board of Management or the Supervisory Board received any loans or advances from SGL Group.

28. Additional disclosures on financial instruments

€m	Measurement category under IAS 39	Carrying amount as of Dec. 31, 2015	Amortized cost
Financial assets			
Cash and cash equivalents	1)	236.8	236.8
Time deposits	1)	14.0	14.0
Trade receivables	1)	149.5	149.5
Available-for-sale financial assets	2)	5.5	
Other financial assets	1)	1.8	1.8
Derivative financial assets			
Derivatives without a hedge relationship ¹⁾	3)	0.1	
Derivatives with a hedge relationship	n.a.	0.1	
Financial liabilities			
Corporate bond	4)	250.0	250.0
Convertible bonds	4)	378.4	378.4
Bank loans, overdrafts and other financial liabilities	4)	128.0	128.0
Refinancing costs	4)	-11.6	-11.6
Finance lease liabilities	n.a.	20.6	
Trade payables	4)	162.9	162.9
Miscellaneous other financial liabilities	4)	45.1	45.1
Derivative financial liabilities			
Derivatives without a hedge relationship ²⁾	5)	0.7	
Derivatives with a hedge relationship	n.a.	1.2	
Thereof aggregated by measurement category in accordance with IAS 39			
1) Loans and receivables		402.1	402.1
2) Available-for-sale financial assets		5.5	
3) Financial assets held for trading		0.1	
4) Financial liabilities measured at amortized cost		952.8	952.8
5) Financial liabilities held for trading		0.7	

¹⁾ Thereof €0.1 million (2014: €0.7 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 €0.7 million (2014: €12.0 million), classified as cash flow hedges prior to the settlement of the hedged item or for hedging of intercompany loans in foreign currency

n.a. = not applicable

	Fair value through equity	Fair value through profit or loss	Carrying amount under IAS 17	Carrying amount as of Dec. 31, 2014	Amortized cost	Fair value through equity	Fair value through profit or loss	Carrying amount under IAS 17
				307.0	307.0			
				40.5	40.5			
				175.5	175.5			
	5.5			4.7		4.7		
				1.7	1.7			
		0.1		0.7			0.7	
	0.1			1.3		1.3		
				250.0	250.0			
				353.2	353.2			
				112.6	112.6			
				-11.0	-11.0			
			20.6	20.5				20.5
				176.4	176.4			
				30.0	30.0			
		0.7		12.0			12.0	
	1.2			2.0		2.0		
				524.7	524.7			
	5.5			4.7		4.7		
		0.1		0.7			0.7	
				911.2	911.2			
		0.7		12.0			12.0	

The carrying amounts for cash and cash equivalents, time deposits, trade receivables, and trade payables have short residual maturities and are approximately equivalent to fair value.

SGL Group values financial assets on the basis of various parameters, such as the customer's credit rating and the risk structure of the financed project. This valuation is taken as the basis for valuation allowances on the mentioned receivables. The carrying amounts of these receivables, less valuation allowances recognized, approximate their fair values. Other financial assets also include loans extended to joint ventures. If the loans have the characteristics of equity substitution, the loan amount is reduced through SGL Group's share in the losses of the joint venture that exceeds the carrying amount of the equity interest held in this company. SGL Group uses the market price in an active market as the fair value of financial assets available for sale. If no such market price exists, the fair value is determined using observable market data.

Please refer to **Note 25** for disclosures on the market value of the corporate bond and the convertible bonds.

SGL Group calculates the fair value of liabilities to banks, other non-current financial liabilities, and liabilities from finance leases by discounting the estimated future cash flows using interest rates applicable to similar financial liabilities with comparable maturities. The fair values largely correspond to the carrying amounts.

The method used to calculate the fair values of the individual derivative financial instruments depends on the relevant type of instrument:

Currency forwards are measured on the basis of reference exchange rates, taking into account forward premiums and discounts. Currency options are measured using generally accepted option pricing models. The fair values of currency forwards and currency options are determined using the SAP system on the basis of market data provided by an external service provider.

The following table shows the breakdown of the assets and liabilities measured at fair value into the three levels of the fair value hierarchy as of December 31, 2015 and 2014:

€m	Dec. 31, 2015			Total
	Level 1	Level 2	Level 3	
Available-for-sale financial assets	5.5	–	–	5.5
Derivative financial assets	–	0.2	–	0.2
Derivative financial liabilities	–	1.9	–	1.9

€m	Dec. 31, 2014			Total
	Level 1	Level 2	Level 3	
Available-for-sale financial assets	4.7	–	–	4.7
Derivative financial assets	–	2.0	–	2.0
Derivative financial liabilities	–	14.0	–	14.0

Net gains or losses recognized for financial instruments by measurement category in accordance with IAS 39 were as follows:

Net gains/losses by measurement category

€m	2015	2014
Loans and receivables	1.9	0.3
Available-for-sale financial assets	0.5	-4.8
Financial assets and financial liabilities held for trading	-25.7	-37.1
Financial liabilities measured at amortized cost	-3.7	-3.9

Net gains/losses for the “loans and receivables” measurement category largely include impairments of trade receivables, reversals of valuation allowances and cash receipts with respect to trade receivables already written off, together with gains/losses on currency conversion.

Net gains/losses for the “financial assets and liabilities held for trading” measurement category arise from the mark-to-market valuation of derivative interest-rate and currency instruments not subject to hedge accounting with respect to financing activities or, with respect to operating activities, for which hedge accounting has been terminated upon recognition of the hedged item in profit or loss. In economic terms, the derivative financial assets and liabilities are always based on a hedged item.

Net gains/losses for the “financial liabilities measured at amortized cost” category mainly comprise the non-controlling shareholders’ share in the net profit/loss of subsidiary partnerships.

Interest income and expense are not included in net gains and losses, as they are already recognized as described in **Note 9**. For further information on write-downs, please refer to the overview of changes in valuation allowances for doubtful trade receivables in **Note 17**.

Financial instrument risks, financial risk management, and hedging

SGL Group monitors financial risk (liquidity risk, default risk, and market price risk) using tested control and management instruments. Group reporting enables periodic assessment, analysis, measurement, and control of financial risk by the central Group Treasury function. These activities include all relevant Group companies.

Liquidity risk

Liquidity risk is the risk that an entity might have difficulty in meeting its payment obligations in connection with its financial liabilities. Since the financial and economic crisis, liquidity risk has become a major focus of risk management. In order to ensure SGL Group’s solvency as well as its financial flexibility, the SGL Group carries out regular liquidity planning for the immediate future to cover day-to-day operations, in addition to financial planning, which normally covers five years. For the purpose of ensuring financial stability, SGL Group has endeavored to put in place a balanced financing structure based on a combination of various financing components (including capital market instruments and bank loans).

As a result of the early refinancing of the 2016 Convertible Bond in September 2015 through the issue of a new convertible bond with net issue proceeds of €163.4 million, the Company has sufficient liquidity reserves. The Company also has an unused syndicated credit line in the amount of €200 million. The liquidity available as of the balance sheet date in the amount of €250.8 million is sufficient for the Company to cover its expected financing requirements for fiscal year 2016.

As of the balance sheet date, freely available cash funds amounted to €250.8 million (December 31, 2014: €347.5 million), and undrawn credit line commitments amounted to €206.6 million (December 31, 2014: €246.1 million). The free credit lines include the syndicated credit line in the amount of €200.0 million granted to SGL Group by its core banks. SGL Group therefore has an adequate liquidity reserve at its disposal. Please refer to **Note 28** for information on the maturity of financial liabilities.

Credit risk (counterparty default risk)

To reduce credit risk, contracts for derivative financial instruments, and financial transactions are concluded with SGL Group's core banks, which have good credit quality.

By granting customers payment deadlines, SGL Group is exposed to normal market credit risks. As far as trade receivables and other financial assets are concerned, the maximum default risk is equivalent to the carrying amount as of the balance sheet date. In the past year, there were no significant occurrences of default in relation to customer receivables.

SGL Group has a credit management organization to manage customer credit risks. On the basis of global credit management guidelines, the credit management organization initiates and supports all key credit management processes, and it initiates and supports credit management action where required. After analyzing individual risks and country risks, the SGL Group insists – either in whole or in part – on cash in advance, documentary collection, letters of credit, or the provision of collateral in connection with certain activities.

SGL Group also has trade credit insurance in place that covers most of the trade receivables due from customers. In the event of default, the financial loss is reduced by existing collateral and/or compensation payments made under the credit insurance. The compensation payments under the credit insurance normally amount to 90% of the default and therefore include a deductible of 10%. In the context of determining valuation allowances on receivables, any existing cover commitments granted by the trade credit insurance are taken into account accordingly.

The average days sales outstanding (DSO) was 41 days at the end of fiscal 2015 (2014: 45 days). In fiscal year 2015, an average of 72% of our receivables were subject to trade credit insurance, unchanged from the prior year.

Please refer to **Note 17** for information on valuation allowances for trade receivables as well as on the breakdown of trade receivables by age.

Market price risk

As an enterprise operating at an international level, SGL Group is exposed to market risks arising in particular from changes in currency rates, interest rates, and other market prices. These risks may result in fluctuations of earnings, equity and cash flows. The objective of risk management is to eliminate or limit these risks through appropriate measures, above all through the use of derivative financial instruments. The use of derivative financial instruments is subject to rigorous controls based on internal policies. Derivative financial instruments are exclusively used to minimize or pass off financial risk, not for speculative purposes.

Currency risk

SGL Group operates on an international basis and is therefore exposed to currency risk arising from fluctuating exchange rates between various currencies. Currency risk is the risk that fair values or future payments of financial instruments will change as a result of exchange-rate movements. The risk arises when transactions are denominated in a currency other than the SGL Group's functional currency. Where SGL Group has cash flows in a non-functional currency, it endeavors to achieve a balance between receipts and payments as a so-called natural hedge against currency risk.

Currency hedges are entered into for the remaining net currency position (less natural hedging). SGL Group hedges such net currency positions, as required, within a time horizon of up to a maximum of two years. The most significant currency risks of SGL Group from operating transactions result from potential exchange rate changes between the euro and the Polish zloty. In order to hedge operating business, large parts of the corresponding net currency positions are hedged through currency forwards. In 2016, the Company is hedged against a strong Polish zloty at an average rate of EUR/PLN 4.28.

As a result of the hedge, SGL Group was not exposed to any material currency-related cash flow risks in its operating business as of the balance sheet date. The following table shows the notional amounts and recognized fair values for currency derivatives as of December 31, 2015. The notional amount in this case is defined as the functional- currency-denominated

equivalent value of foreign currency amounts purchased from or sold to external partners. The decline of the notional amount of the euro-denominated currency derivatives to €131.7 million from €478.6 million in 2014 is largely due to the fact that hedging transactions for internal loans to foreign companies no longer exist.

EUR	Notional amounts			Fair values		
	Purchase Dec. 31, 2015	Sale Dec. 31, 2015	Total Dec. 31, 2015	Total Dec. 31, 2014	Total Dec. 31, 2015	Total Dec. 31, 2014
€m						
Forward contracts	75.3	56.4	131.7	478.6	-1.4	-12.0
USD	0.0	23.2	23.2	351.5	-0.6	-13.5
GBP	0.0	0.0	0.0	10.6	0.0	-0.2
PLN	75.3	0.0	75.3	83.8	-0.3	-0.2
JPY	0.0	33.2	33.2	32.7	-0.5	1.9
Purchased option contracts (long positions)	0.0	0.0	0.0	8.9	0.0	0.1
USD	0.0	0.0	0.0	8.9	0.0	0.1

USD	Notional amounts in US\$m			Fair values in €m		
	Purchase Dec. 31, 2015	Sale Dec. 31, 2015	Total Dec. 31, 2015	Total Dec. 31, 2014	Total Dec. 31, 2015	Total Dec. 31, 2014
Forward contracts	9.7	3.8	13.5	7.6	-0.3	0.0
GBP	9.7	0.0	9.7	4.1	-0.3	0.0
JPY	0.0	3.8	3.8	3.5	0.0	0.0

The fair values shown in the table represent financial assets or liabilities of SGL Group. In contrast, the notional amounts describe the hedged volume expressed in euros or U.S. dollars. The residual maturity of all derivative financial instruments for hedging currency risks does currently not exceed more than one year (2014: not exceed one year).

Derivative financial instruments in hedge accounting

SGL Group uses currency forwards to hedge currency risk from future receivables and liabilities denominated in foreign currencies. The derivatives used are accounted for as cash flow hedges (hedge accounting). The items hedged with cash flow hedges comprise highly probable future sales revenue or purchases denominated in foreign currency. These are expected to materialize between January and December 2016 and will be recognized in the income statement when realized. The maturity of hedges designated as cash flow hedges (recorded in the hedging reserve in equity) is matched with the maturity of the relevant hedged items. As of December 31, 2015, these hedges had positive fair values in the amount of €0.1 million (December 31, 2014: €1.3 million) and negative fair values of €1.2 million (December 31, 2014: €2.0 million).

Changes in the fair value of hedges assigned to intercompany loans as well as of operating hedges allocated to hedged items already realized as of the balance sheet date and therefore generally not – or no longer – designated as cash flow hedges were recognized through profit or loss on the balance sheet date. Positive fair values amounted to €0.1 million (December 31, 2014: €0.7 million); negative fair values amounted to €0.7 million (December 31, 2014: €12.0 million). The amounts accumulated directly in equity as hedging reserves to hedge these operating transactions were reclassified to the income statement once the hedged item was entered into. In fiscal year 2015, gains or losses resulting from changes in fair value of our currency forwards amounting to €3.7 million (2014: €7.7 million) previously recognized in equity were recycled to profit or loss. The residual maturity of these derivatives may be up to three months.

The effectiveness of designated hedges is determined prospectively using the critical terms match method in accordance with IAS 39. Quantitative effectiveness tests are carried out retrospectively using the dollar offset method. In this case, the cumulative change in value of anticipated cash flows from hedged items is compared against the change in the fair value

of the currency forwards using the relevant forward rates. Quantitative effectiveness measurements are carried out as of each balance sheet date. It is generally assumed that a hedging relationship is effective if the changes in fair value of the hedge virtually offset (80% to 125%) the changes in the cash flows for the hedged items. As of the balance sheet date, these ratios were close to 100%.

In accordance with IFRS 7, sensitivity analyses are required to illustrate the currency risk relating to financial instruments. The analyses show the effects of hypothetical changes in relevant risk parameters on profit or loss and equity.

The analyses include all primary financial instruments used by SGL Group in addition to the derivative hedging instruments used in the SGL Group's operating activities. Specifically, these include cash and cash equivalents of €38.7 million (December 31, 2014: €16.1 million), trade receivables of €120.1 million (December 31, 2014: €157.9 million), and trade payables of €114.3 million (December 31, 2014: €110.6 million). Furthermore, foreign currency effects from internal lending activities recognized in profit or loss or directly in equity are also included. It is assumed that the balance as of the reporting date is representative of the reporting period as a whole. Any financial instruments not denominated in the functional currency of the respective SGL subsidiary are therefore generally considered to be exposed to currency risk. Changes in the exchange rate result in changes in fair value and impact either profit or loss or the hedging reserve as well as the total equity of SGL Group.

The following table provides a comparison between the amounts reported as of December 31, 2015, and December 31, 2014. The analysis is based on a hypothetical 10% increase in the value of the euro and the U.S. dollar against the other currencies as of the balance sheet date.

EUR	Hypothetical exchange rate		Change in fair value/equity		thereof: change in net profit/loss		thereof: change in hedging reserve	
	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
€m								
USD	1.1976	1.3355	-13.3	2.8	-14.9	0.2	1.6	2.5
PLN	4.6877	40.6885	10.1	-2.3	8.9	3.5	1.2	-5.8
GBP	0.8074	0.8568	-1.9	0.3	-1.9	0.3	0.0	0.0
Other	-	-	0.3	0.6	-1.1	-1.4	1.4	2.0

USD	Hypothetical exchange rate		Change in fair value/equity		thereof: change in net profit/loss		thereof: change in hedging reserve	
	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
US\$m								
GBP	0.7416	0.7057	1.1	0.2	0.5	0.3	0.6	-0.1
CAD	1.5272	1.2741	0.1	0.1	0.1	0.1	0.0	0.0
MYR	4.7446	3.8481	0.2	0.4	0.2	0.4	0.0	0.0
Other	-	-	3.7	2.4	3.5	2.3	0.2	0.1

The approximate effect of a hypothetical 10% devaluation of the euro and the U.S. dollar against other currencies on the equity, profit or loss, or hedging reserve of SGL Group would be a reversal of the positive and negative signs shown above, with the amounts themselves remaining approximately the same.

Interest-rate risk

Interest-rate risk is the risk that the fair values of or future cash flows from existing or future financial liabilities may fluctuate due to changes in market interest rates.

Interest rate risks from floating-rate financing instruments mainly arises from the variable-interest portion of the borrowings of the joint operations with BMW (SGL Automotive Carbon Fibers "ACF") in the amount of €55.1 million. As of the balance

sheet date, SGL Group had financial liabilities in a principal amount of €785.0 million (December 31, 2014: €737.4 million). Of that amount, liabilities of €56.2 million (December 31, 2014: €1.0 million) had a floating interest rate. The remaining liabilities of €728.8 million (December 31, 2014: €736.4 million) have a fixed interest rate and are therefore not subject to interest rate risk. An increase in interest rates of 100 basis points would lead to a theoretical decrease in profit or loss from floating-rate liabilities of €0.6 million (2014: €0.0 million).

The floating-rate liabilities were offset by cash and cash equivalents in the amount of €250.8 million (December 31, 2014: €347.5 million). An increase in interest rates of 100 basis points would lead to a theoretical increase in profit or loss from cash and cash equivalents of €2.5 million (2014: €3.5 million).

29. Segment reporting

The following segment information is based on the “management approach,” pursuant to which segment information must be presented on the basis of the internal management reporting. The Board of Management of SGL Group – as chief operating decision maker – regularly reviews this segment information in order to allocate resources to the individual segments and to assess their performance. The performance of the segments is assessed by the management based on the operating result, cash generation, and capital employed. However, Group financing (including financial income and expense) as well as income taxes are managed uniformly on a SGL Group-wide basis and are not allocated to the individual segments.

Segments

In order to create additional synergies and further streamline its organizational structure and workflows, SGL Group merged the former five business units to form three business units as of January 1, 2015.

In this context, the business units Graphite & Carbon Electrodes (GCE) and Cathodes & Furnace Linings (CFL) were merged to form the business unit Performance Products (PP). For financial reporting purposes, and unchanged to prior periods, this business unit is included in the reporting segment of the same name, Performance Products. The former business units Graphite Specialties (GS) and Process Technology (PT) were merged to form the business unit Graphite Materials & Systems (GMS), which is reported as such. Carbon Fibers & Composite Materials (CF/CM) remains unchanged and continues to be presented in the reporting segment Carbon Fibers & Materials (CFM), together with the proportionately consolidated joint operations with the BMW Group (SGL ACF). As a result, all of our operating activities are bundled in the three reporting segments PP, GMS, and CFM as of January 1, 2015.

In addition to the three operating reporting segments, the research activities and our SGL Excellence activities as well as the central and service functions are included in the reporting segment T&I and Corporate.

Prior-year figures are reported on a comparable basis.

The reporting segment PP aggregates the manufacturing of high-quality graphite electrodes and cathodes, which are used in steel and aluminum production. PP remains unchanged from prior periods and comprises the business activities Graphite Electrodes (GE) and Cathodes, Furnace Linings & Carbon Electrodes (CFL/CE).

The reporting segment GMS focuses on products made of synthetic graphite and expanded graphites for industrial applications, machine components, products for the semiconductor industry, composites, and process technology.

The reporting segment CFM manufactures carbon fibers, carbon-fiber-based fabrics and composite materials. CFM covers the entire, integrated value chain from raw materials to carbon fibers and composite materials.

The following tables provide information on income, profit or loss, and assets and liabilities in the business units of SGL Group. External sales revenue was attributable almost exclusively to product sales. Trading or other sales revenue was insignificant. Intersegment sales revenue was generally derived from transactions at market-based transfer prices less selling and administrative expenses. Cost-based transfer prices may be used in exceptional cases. “Other” comprises companies that largely perform services for the other segments, such as SGL Carbon SE.

Capital expenditure and amortization/depreciation relates to property, plant and equipment and intangible assets (excluding goodwill). The consolidation adjustments item relates to the elimination of transactions between the segments.

Disclosures relating to the segments of SGL Group are shown below.

€m	PP	GMS	CFM	Other	Consolidation adjustments	SGL Group
2015						
External sales revenue	533.4	453.5	327.3	8.7	0.0	1,322.9
Intersegment sales revenue	5.4	0.9	4.4	32.1	-42.8	0.0
Total sales revenue	538.8	454.4	331.7	40.8	-42.8	1,322.9
Operating profit/loss (EBIT) before non-recurring charges	19.4	34.1	9.3	-30.2	0.0	32.6
Non-recurring charges ¹⁾	-151.9	-5.2	-0.5	-3.3	0.0	-160.9
Operating profit/loss (EBIT) after non-recurring charges	-132.5	28.9	8.8	-33.5	0.0	-128.3
Capital expenditure ²⁾	30.5	15.2	26.6	2.6	0.0	74.9
Amortization/depreciation on intangible assets and property, plant and equipment	38.2	22.5	20.7	7.1	0.0	88.5
Working capital ³⁾	222.6	186.5	78.2	-37.0	0.0	450.3
Capital employed ⁴⁾	507.6	394.8	335.3	45.9	0.0	1,283.6
Cash generation ⁵⁾	67.0	27.0	-25.4	-12.9	0.0	55.7
Result from investments accounted for At-Equity	-	-1.5	2.0	-	0.0	0.5
Investments accounted for At-Equity	-	-	35.0	-	0.0	35.0
Employees of investments accounted for At-Equity (number) ⁶⁾	-	-	637	-	0.0	637
Total revenues of investments accounted for At-Equity ⁶⁾	-	0.6	245.9	-	0.0	246.5
Operating loss/profit (EBIT) of investments accounted for At-Equity ⁶⁾	-	-0.4	19.4	-	0.0	19.0

¹⁾ Non-recurring charges comprise restructuring expenses in a total amount of €82.0 million as well as impairment losses of €78.9 million. For more information, please refer to **Notes 6 and 7**

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, and working capital

⁵⁾ Defined as total of operating loss/profit (EBIT) before non-recurring charges plus amortization on intangible assets and depreciation on property, plant and equipment plus change in working capital minus capital expenditure

⁶⁾ Aggregated, non-consolidated 100% values with third parties

€m	PP	GMS ¹⁾	CFM	Other ¹⁾	Consolidation adjustments	SGL Group
2014						
External sales revenue	588.2	440.4	296.4	10.6	0.0	1,335.6
Intersegment sales revenue	7.0	2.0	5.3	29.9	-44.2	0.0
Total sales revenue	595.2	442.4	301.7	40.5	-44.2	1,335.6
Operating profit/loss (EBIT) before non-recurring charges	26.0	40.0	-22.5	-40.8	0.0	2.7
Non-recurring charges ²⁾	-20.4	-1.2	-10.5	-19.1	0.0	-51.2
Operating profit/loss (EBIT) after non-recurring charges	5.6	38.8	-33.0	-59.9	0.0	-48.5
Capital expenditure ³⁾	27.1	12.6	90.2	2.7	0.0	132.6
Amortization/depreciation on intangible assets and property, plant and equipment	39.1	21.5	13.7	7.1	0.0	81.4
Working capital ⁴⁾	266.4	172.2	47.9	-24.1	0.0	462.4
Capital employed ⁵⁾	672.3	386.7	278.6	64.0	0.0	1,401.6
Cash generation ⁶⁾	64.2	45.1	-84.6	-43.7	0.0	-19.0
Result from investments accounted for At-Equity	-	-5.0	-1.4	-	0.0	-6.4
Investments accounted for At-Equity	-	-	41.7	-	0.0	41.7
Employees of investments accounted for At-Equity (number) ⁷⁾	-	5	616	-	0.0	621
Total revenues of investments accounted for At-Equity ⁷⁾	2.0	2.6	215.8	-	0.0	220.4
Operating loss/profit (EBIT) of investments accounted for At-Equity ⁷⁾	-0.5	-3.9	5.1	0.0	0.0	0.7

¹⁾ Prior-year figures adjusted to present these pursuant to the new segment structure on a comparable basis

²⁾ Non-recurring charges comprise restructuring expenses and one-off payments in connection with legal disputes in a total amount of €40.6 million as well as impairment losses of €10.6 million. For more information, please refer to **Notes 6 and 7**

³⁾ Defined as total of capital expenditure in other intangible assets and property, plant and equipment

⁴⁾ Defined as sum of inventories and trade receivables less trade payables

⁵⁾ Defined as the sum of goodwill, other intangible assets, property, plant and equipment, and working capital

⁶⁾ Defined as total of operating loss/profit (EBIT) before non-recurring charges plus amortization on intangible assets and depreciation on property, plant and equipment plus change in working capital minus capital expenditure

⁷⁾ Aggregated, non-consolidated 100% values with third parties

Information on geographical regions

€m	Germany	Europe excluding Germany	North America	Asia	Other	SGL Group
2015						
Sales revenue (by destination)	266.2	325.0	299.9	326.1	105.7	1,322.9
Sales revenue (by company headquarters)	412.5	580.6	245.5	84.3	–	1,322.9
Capital expenditure	17.4	20.6	33.8	3.1	–	74.9
Non-current assets ¹⁾	160.7	239.2	244.8	201.5	0.2	846.4
2014						
Sales revenue (by destination)	264.0	313.6	310.7	317.4	129.9	1,335.6
Sales revenue (by company headquarters)	429.6	616.3	212.5	77.2	–	1,335.6
Capital expenditure	21.0	34.0	73.8	3.8	–	132.6
Non-current assets ¹⁾	275.0	245.4	205.1	236.1	0.2	961.8

¹⁾ Non-current assets consist of other intangible assets, property, plant and equipment, investments accounted for At-Equity, and other non-current assets (excluding financial assets)

30. Management and employee participation plans

SGL Group currently has five management and employee participation plans: two active plans (Short-Term Incentive Plan and Long-Term Incentive Plan) as well as three plans which are being phased out (Long-Term Cash Incentive Plan, Matching Share Plan, and Stock Appreciation Rights Plan).

Short-Term Incentive Plan ("STI")

All employees receive an annual bonus regardless of whether they are covered by the collective wage agreement. The amount of the bonus is based on the achievement of short-term corporate and business unit targets as well as individual targets. The reference figure is the amount of the individual fixed remuneration. The bonus in relation to the material German companies is paid in full to employees covered by the collective wage agreement (non-exempt employees), and those not covered (exempt employees) receive 50% of the bonus entitlement. The bonus is paid out in shares (Bonus Shares). Senior management members (MG 1-3) do not receive any payout in the form of shares. The goal is to enable all employees to participate in the Company's short-term success and in so doing provide each employee with a strong incentive to contribute to the positive performance of the Company.

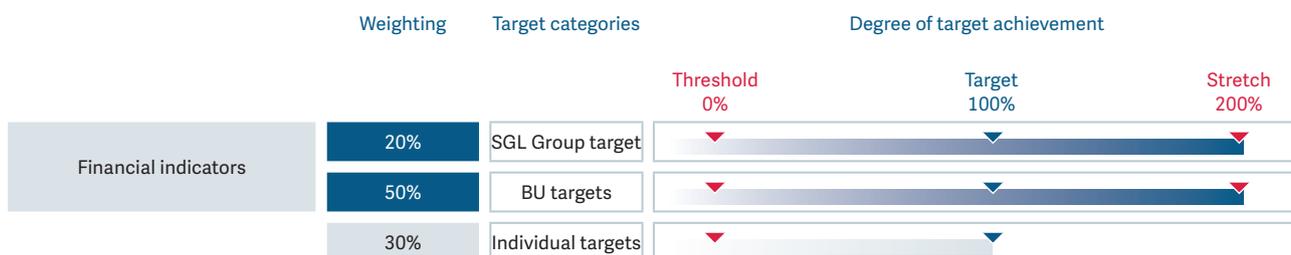
The maximum bonus potential achievable consists of the following target categories: SGL Group, relevant business unit, and individual targets. For non-exempt employees, the degree of target achievement of the SGL Group targets and individual performance evaluations are additionally analyzed. The following criteria apply: income before taxes at SGL Group level, operating profit (EBIT), and average working capital for the business unit.

The bonus is paid in the form of shares in March or April of the following year. For the bonus paid in shares, the bonus amount is divided by the determined daily price quotation on March 16 of the relevant year. If no trading of shares takes place on that date, the price on the next trading day will be used. The resulting rounded number of shares is transferred to the employee's custodian account. A total of 30% of the shares are blocked for one year; 70% can be sold immediately. A total of €4.8 million was expensed for the 2015 Bonus Share Plan (2014: €4.6 million) for Germany.

The percentage share of the STI in the base salary for the three upper management levels is within a defined corridor and reflects an appropriate risk/reward profile per management group.

MG	Threshold	Target	Stretch
MG1	0%	70%	119%
MG2	0%	50%	85%
MG3	0%	40%	68%

The three target categories have identical weightings for the three senior management groups. The “threshold” of 0% must be exceeded in order to trigger a bonus entitlement. In addition, a stretch (200%) is defined for the financial targets to reward performance in the case of overfulfillment of planned targets. The maximum to be achieved for the agreed personal targets is 100%. Overfulfillment is not possible.



Long Term Incentive Plan (“LTI”)

In 2014, the Management Board of SGL Carbon SE adopted a new Long Term Incentive Plan for SGL Group’s Senior Management, i.e. the members of management levels MG 1–3. With this plan (“SGL Performance Share Plan” or “PSP”), the Management Board intends to create a foundation for uniform rules for the granting of remuneration components with long-term incentive effect and a balanced risk/reward profile in the form of virtual shares (“Performance Share Units” or “PSUs”).

The long-term remuneration component is based, in principle, on SGL Group’s return on capital employed (ROCE) as the internal assessment basis. Within the framework of the PSP, the Board of Management of SGL Carbon SE may, prior to the beginning of individual plan tranches, determine that the internal assessment basis/bases for such plan tranches alternatively or cumulatively may be the ROCE applicable to individual business units of SGL Group or one or more other performance indicators. Furthermore, the long-term remuneration component depends on the share price performance of SGL stock at the end of the performance period.

The PSP is a cash-settled long-term incentive plan that does not grant a right to receive actual SGL shares and provides for a payout depending on the degree of target achievement. The objective of the allocation of PSUs is to retain senior management (MG 1–3) to SGL Group and to motivate them to ensure the SGL Group’s long-term success. In addition, the share price feature is intended to achieve a harmonization of the interests of senior management (MG 1–3) with that of the shareholders in view of a long-term added value of SGL Group.

Based on an allocation value to be determined by the Board of Management of SGL Carbon SE in euros as well as the average opening share price for the last 20 trading days prior to commencement of the performance period, each participant is allocated a preliminary number of Performance Share Units (“number of allocated PSUs”) at the beginning of the performance period. This number of allocated PSUs is calculated after the end of the performance period based on the determined degree of target achievement (the result of the performance-related adjustment is the “final number of PSUs”). The payout amount is calculated by multiplying the final number of PSUs by the average closing share price for the last 20 trading days.

The new Performance Share Plans helps to further harmonize the remuneration structure of senior managers with that of the Board of Management. Replacement of the previous long-term share-based payment components further reduces the complexity of remuneration for management members and will also significantly reduce future administrative efforts.

In 2015, three plan tranches were granted on a one-time basis in order to achieve a gradual replacement of the previous incentive plans:

- 2015/2016: 203,730 Performance Share Units allocated on a temporary basis
- 2015/2016/2017: 305,562 Performance Share Units allocated on a temporary basis
- 2015/2016/2017/2018: 451,253 Performance Share Units allocated on a temporary basis

Tranche	Allocation value	Price ¹⁾	PSU	Performance	Fair value
	€m	€	Number ²⁾	0% – 150%	€m
LTI 2015 – 2016	2.8	13.70	203,730	–	0.0
LTI 2015 – 2017	4.2	13.70	305,562	–	0.0
LTI 2015 – 2017	6.2	13.70	451,253	–	0.0

¹⁾ Share price during the last 20 trading days prior to Dec. 31, 2014

²⁾ Outstanding on Dec. 31, 2015

Target indicators ROCE	Minimum	Target	Maximum
Plan 2015 – 2016	3.0%	4.5%	5.5%
Plan 2015 – 2017	3.5%	5.5%	7.0%
Plan 2015 – 2017	4.0%	6.5%	8.5%

Long Term Cash Incentive-Plan ("LTCI-Plan")

Under the LTCI Plan, members of the Board of Management and selected senior managers are entitled to receive additional cash bonuses linked to specific performance targets. Until 2014, the participating executives were offered one LTCI Plan each year with a term of three years.

A precondition for the payment of an LTCI bonus is the achievement of predefined minimum values. If the minimum value is achieved as of the end of the term of the relevant LTCI plan, 25% of the maximum bonus (minimum bonus) will be paid. If the target is fully achieved or exceeded as of the relevant end of the term, the maximum bonus will be paid. If the target achievement is between the minimum value and the target value as of the end of the term of the relevant LTCI plan, the relevant degree of target achievement (Z) is determined as a percentage by applying the following formula: $Z = (\text{actual value} - \text{minimum value}) / (\text{target} - \text{minimum value})$. The LTCI premium is calculated based on the minimum premium plus multiplying the difference between the maximum and the minimum premium by the degree of target achievement.

The two LTCI plans currently outstanding are based on targets referring to average return on capital employed (ROCE), which is defined as the ratio of EBIT to average capital employed. Accordingly, the following targets apply for the individual plans:

Maturity date	Minimum bonus at an average ROCE	Maximum bonus at an average ROCE
Three-year plan 2013	7.0%	9.0%
Three-year plan 2014	4.0%	6.0%

The total volume of the LTCI plans introduced in 2013 and 2014 amounts to around €2.0 million each for the selected senior managers. It is no longer expected that the two current plans will achieve the targets owing to the fact that 2014 and 2015 were weak years.

Matching Share Plan

Until March 2014, SGL Group implemented the Matching Share Plan for members of the first three management levels. Under the plan, participants were able to invest up to 50% of their annual bonuses in shares in the Company. If they had held the shares for at least two years, they would have received the same number of shares (matching shares – "MSP"). Please see **Note 22** for details on the number of shares available under the Matching Share Plan.

In 2015, a total of 58,842 shares were created via a capital increase from authorized capital to service the entitlements of the participating executives from the 2013 Matching Share Plan.

The determination of the market price on the grant date represents the basis of recognition in the financial statements. The market price of shares to be granted as part of the Matching Share Plan running until 2015 was €30.83 per share, calculated using the price of SGL shares on the purchase date. The expense recognized for the Matching Share Plan in 2015 was €0.5 million (2014: €1.6 million).

Stock Appreciation Rights Plan (SAR Plan)

The 2010 SAR Plan came into effect on January 1, 2010. The SARs could be issued at any time during the period until the end of 2014. A maximum of 2,100,000 new shares are to be used to service the SAR Plan from 2010 onward.

SARs entitle the participants to receive variable remuneration from the Company equivalent to the difference (appreciation in price) between the SGL Carbon SE share price on the grant date (base price) and that on the SAR exercise date (exercise price) plus any dividends paid by the Company during this period, plus the value of the subscription rights, and they entitle the participants to purchase at the exercise price the number of SGL Carbon SE shares whose market value corresponds to the appreciation in price. Each SAR entitles the participant to receive that fraction of a new SGL Carbon SE share that is calculated by dividing the appreciation value by the issue price.

SARs have a term of up to ten years and SARs may not be exercised until the end of a vesting period of two years calculated from the grant date (holding period). SARs may then only be exercised during defined periods (exercise windows). The SARs expire if they are not exercised within this period.

Predetermined performance targets must be achieved to enable exercise. For 75% of the SARs granted, the performance target is the increase in total shareholder return (TSR) on SGL Carbon SE shares (absolute performance target). Accordingly, the absolute increase in the SGL Carbon SE share price between grant and exercise of the SARs must be at least 15%. The remaining 25% of the SARs may only be exercised if the performance of SGL Carbon SE shares is at least equivalent to that of the MDAX. The Company reserves the right to settle the appreciation through outstanding, repurchased SGL Carbon SE shares or cash, instead of issuing new shares. Finally, the participants must invest at least 15% of the gross receipts from the exercise of SARs in SGL Carbon SE shares and must hold these for a further period of twelve months.

A total of 3,405,245 SARs were granted under the 2005 SAR Plan (the predecessor of the 2010 SAR Plan), of which a total of 2,868,355 SARs have been exercised and 296,410 SARs have expired without being exercised as the individuals holding these SARs are no longer employed by the SGL Group. At the end of the year under review, a total of 240,480 SARs remained outstanding under the plan.

A total of 3,933,950 SARs were granted to members of the Management Board (until 2013) and senior managers (until 2014) under the 2010 SAR Plan, of which 634,519 SARs have been exercised and 795,050 SARs have expired without being exercised as the individuals holding these SARs are no longer employed by the SGL Group. At the end of the year under review, a total of 2,504,381 SARs remained outstanding.

The total expense for SARs in fiscal year 2015 amounted to €2.5 million (2014: €6.9 million). The fair values of the SARs were measured on the grant date on the basis of a Monte Carlo simulation, taking into account the market conditions described above (TSR increase and MDAX index). SGL-specific valuation parameters (such as dividends) were used and specific employee exercise behavior was assumed. The assumed risk-free zero interest rate was 1.94% for the 2014 SARs. A volatility of 43.72% was calculated for the SAR tranche in 2014. The volatility is calculated on the basis of daily XETRA closing prices for the SGL Carbon SE shares during the last five years. The fair value per issued SAR to be recognized for the expense from share-based payments required to be reported under IFRS amounted to €12.01 for the 2014 SARs.

In 2015, a total of 900 SARs from one of the replaced long-term incentive plans (2005–2009 SAR Plan) were exercised. The exercise could be made in 2015 within three exercise windows; the exercise price for the 2006 SAR Grant in fiscal 2015 was €15.86 (2014: €23.18).

The weighted average term to maturity for the 2005 SAR Plan is 2.0 years (2014: 3.1 years), and 6.2 years for the 2010 SAR Plan (2014: 7.2 years).

Additional information on instruments granted:

	SAR-Plan Number	SAR Plan Avge. price in €	Matching Share Plan Number	Matching Share Plan Avge. price in €	Stock options plan Number	Stock options plan Avge. price in €
Balance as of Jan. 1, 2014	2,733,594	30.00	178,305	33.01	1,500	8.57
Addition	589,987	28.83	25,226	24.08	0	
Expired/returned	-281,850	30.43	-34,095	31.89	-1,500	8.57
Exercised	-13,660	23.52	-75,984	35.44	0	
Balance as of Dec. 31, 2014	3,028,071	29.76	93,452	29.04	0	0.00
Balance as of Jan. 1, 2015	3,028,071	29.76	93,452	29.04	0	0.00
Addition	0	0.00	0.00	0.00	0	
Expired/returned	-282,310	28.84	-7,092	28.71	0	0.00
Exercised	-900	0.00	-66,384	30.83	0	
Balance as of Dec. 31, 2015	2,744,861	29.86	19,976	23.20	0	0.00
Range of exercise prices in €	15.86					
Expiration dates	Jan. 15, 2016		Mar. 12, 2016			
Intrinsic value as of Dec. 31, 2015 (in €m)	0.0		0.3		0.0	
Intrinsic value as of Dec. 31, 2014 (in €m)	0.1		1.3		0.0	

31. Audit fees and services provided by the auditors

The following fees were incurred in the year under review for the services provided by the auditor (Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, office Eschborn, Germany) of the consolidated financial statements:

€m	2015	2014
Audit fees	0.9	0.9
Other attestation and valuation services	0.2	1.1
Tax advisory services	0.0	0.0
Other services	0.2	0.3
Total	1.3	2.3

32. List of shareholdings pursuant to Section 313 (2) of the German Commercial Code (HGB)

A. Consolidated companies		Interest in %	Held via
a) Germany			
1 SGL Carbon SE	Wiesbaden		
2 SGL CARBON GmbH ¹⁾	Meitingen	100.0	1
3 Dr. Schnabel GmbH ¹⁾	Limburg	100.0	2
4 SGL CARBON Beteiligung GmbH ¹⁾	Wiesbaden	100.0	1
5 SGL TECHNOLOGIES GmbH ¹⁾	Meitingen	100.0	1
6 SGL epo GmbH ¹⁾	Willich	100.0	5
7 SGL TECHNOLOGIES Composites Holding GmbH ¹⁾	Meitingen	100.0	5
8 SGL TECHNOLOGIES Beteiligung GmbH ¹⁾	Meitingen	100.0	5
9 SGL Kämpers Verwaltungs-GmbH	Rheine	51.0	8
10 SGL Kämpers GmbH & Co. KG	Rheine	51.0	8
11 SGL TECHNOLOGIES Zweite Beteiligung GmbH ¹⁾	Meitingen	100.0	5
12 SGL/A&R Immobiliengesellschaft Lemwerder mbH	Lemwerder	51.0	5
13 SGL/A&R Services Lemwerder GmbH	Lemwerder	100.0	12
14 SGL/A&R Real Estate Lemwerder GmbH & Co. KG	Lemwerder	100.0	13
15 SGL GE Holding GmbH	Hamburg	100.0	2
16 SGL GE GmbH & Co. KG ²⁾	Meitingen	100.0	17
17 SGL GE GmbH	Hamburg	100.0	2
18 SGL GE Treuhand-GmbH	Hamburg	100.0	17
19 SGL CFL CE GmbH	Hamburg	100.0	35
20 SGL Carbon Asset GmbH	Hamburg	100.0	4

¹⁾ Exemption in accordance with section 264 (3) of the German Commercial Code (HGB)

²⁾ As reported by general partner

A. Consolidated companies		Interest in %	Held via
b) Outside Germany			
21 SGL CARBON Holding S.L.	La Coruña, Spain	100.0	4
22 SGL CARBON S.A.	La Coruña, Spain	99.9	21
23 SGL Gelter S.A.	Madrid, Spain	64.0	21
24 SGL CARBON S.p.A.	Milan, Italy	99.8	21
25 SGL Graphite Verdello S.r.l.	Verdello, Italy	100.0	21
26 SGL GE Carbon S.r.l.	Lainate, Italy	100.0	21
27 SGL CARBON do Brasil Ltda.	Diadema, Brazil	100.0	21
28 SGL CARBON Sdn. Bhd.	Kuala Lumpur, Malaysia	100.0	21
29 SGL GE GmbH	Steeg, Austria	100.0	1
30 SGL CARBON GmbH	Steeg, Austria	100.0	1
31 SGL Carbon Fibers Ltd.	Muir of Ord, United Kingdom	100.0	30
32 Project DnF Ltd.	Halifax, United Kingdom	100.0	30
33 FISIFE, S.A.	Lavradio, Portugal	100.0	30
34 Munditêxtil, LDA	Lavradio, Portugal	100.0	33
35 SGL CARBON Holdings B.V.	Rotterdam, Netherlands	100.0	4
36 SGL CARBON Polska S.A.	Racibórz, Poland	100.0	35
37 SGL Graphite Solutions Polska sp. z o.o	Nowy Sącz, Poland	100.0	35
38 SGL Singapore PTE. Ltd.	Singapore	100.0	35
39 SGL CARBON Luxembourg S.A.	Luxembourg	100.0	1
40 SGL CARBON Holding S.A.S.	Paris, France	100.0	1
41 SGL CARBON S.A.S.	Passy (Chedde), France	100.0	40
42 SGL CARBON Technic S.A.S.	Saint-Martin d'Heres, France	100.0	40
43 SGL CARBON Ltd.	Alcester, United Kingdom	100.0	1
44 SGL CARBON LLC	Charlotte, NC, USA	100.0	4
45 SGL GE Carbon LLC	Dover, DE, USA	100.0	44
46 Québec Inc.	Montreal, Québec, Canada	100.0	44
47 SGL Technologies North America Corp.	Charlotte, NC, USA	100.0	44
48 HITCO CARBON COMPOSITES Inc.	Gardena, CA, USA	100.0	47
49 SGL TECHNIC Inc.	Valencia, CA, USA	100.0	47
50 SGL Carbon Fibers LLC	Evanston, WY, USA	100.0	47
51 SGL CARBON Technic LLC	Strongsville, OH, USA	100.0	44
52 SGL Carbon Investment Fund, LLC ¹⁾	St. Louis, MS, USA	0.0	n.a.
53 Heartland Renaissance Fund Sub XIII, LLC ¹⁾	Little Rock, AR, USA	99.9	52

A. Consolidated companies		Interest in %	Held via
b) Outside Germany			
54 SGL CANADA Inc.	Lachute, Québec, Canada	100.0	1
55 SGL CARBON India Pvt. Ltd.	Maharashtra, India	100.0	1
56 SGL CARBON Far East Ltd.	Shanghai, China	100.0	1
57 SGL CARBON Japan Ltd.	Tokyo, Japan	100.0	1
58 SGL CARBON Korea Ltd.	Seoul, Korea	100.0	1
59 SGL CARBON Asia-Pacific Sdn. Bhd.	Kuala Lumpur, Malaysia	100.0	1
60 SGL Quanhai Carbon (Shanxi) Co.	Yangquan, China	84.5	4
61 SGL Tokai Process Technology Pte.Ltd.	Singapore	51.0	1
62 SGL CARBON KARAHM Ltd.	Sangdaewon-Dong, Korea	50.9	61
63 SGL CARBON Graphite Technic Co. Ltd.	Shanghai, China	100.0	61
64 Graphite Chemical Engineering Co.	Yamanashi, Japan	100.0	61
65 SGL TOKAI Carbon Ltd.	Shanghai, China	75.0	1
66 SGL Carbon Hong Kong Ltd.	Hong Kong, China	100.0	1
B. Equity investments over 20%			
a) Germany			
67 SGL Lindner GmbH & Co. KG ²⁾	Arnstorf	51.0	4
68 Benteler SGL Verwaltungs GmbH	Paderborn	50.0	7
69 Benteler SGL GmbH & Co. KG	Paderborn	50.0	7
70 SGL Automotive Carbon Fibers GmbH & Co. KG ²⁾	Munich	51.0	5
b) Outside Germany			
71 SGL Automotive Carbon Fibers LLC ²⁾	Moses Lake, WA, USA	51.0	44
72 Brembo SGL Carbon Ceramic Brakes S.p.A.	Stezzano, Italy	50.0	5
73 MRC-SGL Precursor Co. Ltd.	Tokyo, Japan	33.3	5
74 Fisigen, S.A.	Lisbon, Portugal	49.0	33
75 Hanwha SGL Carbon Composite Materials Co., Ltd.	Ulsan, Korea	50.0	5

¹⁾ Control due to contractual arrangements

²⁾ No control due to contractual arrangements

33. Declaration of Conformity with the German Corporate Governance Code

The annual declaration of conformity with the German Corporate Governance Code according to Section 161 of the German Stock Corporation Act (AktG) was issued by the Board of Management and the Supervisory Board of SGL Carbon SE on September 17, 2015 and has been published on the website of SGL Carbon SE.

34. Events after the balance sheet date

None.

Wiesbaden, March 8, 2016

SGL Carbon SE
The Board of Management of SGL

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

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Five-year Financial Summary

Independent Auditors' Report

We have audited the consolidated financial statements prepared by SGL CARBON SE, Wiesbaden, comprising the income statement, the statement of comprehensive income, the statement of financial position, the cash flow statement, the statement of changes in equity and the notes to the financial statements, together with the group management report for the fiscal year from 1 January to 31 December 2015. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs [International Financial Reporting Standards] as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB ["Handelsgesetzbuch": German Commercial Code] is the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report

are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Eschborn/Frankfurt am Main, 8 March 2016

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Turowski	Bösser
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the Consolidated Financial Statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Group Management Report includes a fair review of the development and performance of the business and the position of the group, together with a description of the material opportunities and risks associated with the expected development of the Group.

Wiesbaden, March 8, 2016

SGL Carbon SE
The Board of Management of SGL Group

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

Corporate Bodies

Board of Management

(Status December 31, 2015)

Dr. Jürgen Köhler

Chairman/Chief Executive Officer of SGL Carbon SE

Responsible for:

Human Resources
Management Development
Legal and Compliance
Corporate Development
Internal Audit
Corporate Communications

Internal board memberships:

SGL Automotive Carbon Fibers GmbH & Co. KG, Munich²⁾
SGL Automotive Carbon Fibers LLC, Charlotte, USA²⁾
Benteler SGL GmbH & Co. KG, Paderborn
Brembo SGL CARBON Ceramic Brakes S.p.A., Stezzano, Italy²⁾

Dr. Michael Majerus

Chief Financial Officer of SGL Carbon SE

Responsible for:

Group Accounting
Group Controlling
Group Treasury
Financial Reporting
IT Services
Investor Relations
Group Taxes

Internal board memberships:

SGL CARBON GmbH, Meitingen
SGL CARBON Holding S.L., La Coruña, Spain

Dr. Gerd Wingefeld

Chief Technology Officer of SGL Carbon SE

Responsible for:

Technology & Innovation
Environment Protection, Health and Safety Affairs
Purchasing
SGL Excellence
Engineering

Internal board memberships:

SGL CARBON Far East Ltd., Shanghai, China²⁾
(until 01.07.2015)
SGL Quanghai CARBON (Shanxi) Co. Ltd.,
Shanxi Province, China²⁾
SGL Tokai Process Technology Pte. Ltd., Singapore²⁾
SGL CARBON Japan Ltd., Tokyo, Japan²⁾

¹⁾ Chairman

²⁾ Shareholder Committee

Supervisory Board

(Status December 31, 2015)

Susanne Klatten**Chairwoman of the Supervisory Board of SGL Carbon SE**

Entrepreneur

External board memberships:

ALTANA AG, Wesel

BMW AG, Munich

UnternehmerTUM GmbH, Munich¹⁾

Dr.-Ing. Hubert Lienhard**Deputy Chairman of the Supervisory Board of SGL Carbon SE**

Chief Executive Officer

Voith GmbH, Heidenheim

Voith internal board memberships:

Voith Turbo Beteiligungs GmbH, Heidenheim¹⁾

Voith Industrial Services Holding GmbH & Co. KG, Stuttgart²⁾

Voith Hydro Holding GmbH & Co. KG, Heidenheim²⁾

Voith Paper Holding GmbH & Co. KG, Heidenheim²⁾

Voith Turbo GmbH & Co. KG, Heidenheim²⁾

External board memberships:

EnBW AG, Karlsruhe

Heraeus Holding GmbH, Hanau

KUKA AG, Augsburg (since 10.06.2015)

SMS Holding GmbH, Düsseldorf

Helmut Jodl**Deputy Chairman of the Supervisory Board of SGL Carbon SE**

Deputy Chairman of the Works Council (full-time)
SGL CARBON GmbH, Meitingen

Dr. Christine Bortenlänger

Managing Director Deutsches Aktieninstitut e.V.,
Frankfurt/Main

External board memberships:

Covestro AG, Leverkusen (since 01.10.2015)

Covestro Deutschland AG, Leverkusen (since 01.10.2015)

ERGO Versicherungsgruppe Aktiengesellschaft, Düsseldorf
(until 27.03.2015)

Münchener Hypothekbank e.G., Munich

(Member of representatives' assembly)

OSRAM GmbH, Munich

OSRAM Licht AG, Munich

TÜV Süd Aktiengesellschaft, Munich

Dr. Daniel Camus

Chief Financial Officer, The Global Fund, Genf, Switzerland
and former member of the Board of Management (CFO) EDF,
Electricité de France, Paris, France

External board memberships:

Cameco Corp., Saskatoon, Canada

Morphosys AG, Munich

Valéo SA, Paris, France

Vivendi SA, Paris, France

Ana Cristina Ferreira Cruz

Head of Integrated Management System,
FISIPE S.A., Lavradio, Portugal

Georg Denoke (since 30.04.2015)

Member of the Executive Board of Linde Aktiengesellschaft,
CFO, Labor Relations Director

Edwin Eichler

Consultant and Chief Executive Officer, SAPINDA Holding
B.V., Amsterdam, Netherlands

External board memberships or similar posts:

Heidelberger Druckmaschinen AG, Heidelberg
Hoberg & Driesch GmbH & Co. KG, Düsseldorf
(Advisory board member)
Fr. Lürssen Werft GmbH & Co. KG, Bremen
(Advisory board member)
Schmolz & Bickenbach AG, Emmenbrücke, Switzerland³⁾
SMS Holding GmbH, Düsseldorf

Michael Leppek

1st authorized Representative and Treasurer,
IG Metall Augsburg

External board memberships or similar posts:

AIRBUS Helicopters Deutschland GmbH, Donauwörth
Fujitsu Technology Solutions GmbH, Munich (since 01.04.2015)
KUKA AG, Augsburg
MAN Diesel & Turbo SE, Augsburg

Marcin Rzeziński

Technology & Quality Manager SGL CARBON Polska S.A.,
Nowy Sącz, Poland

Andrew H. Simon OBE MBA (until 30.04.2015)

Consultant and Supervisory Board Member
of various companies

External board memberships:

BCA Osprey I Ltd, London
Exova Group plc, London
Icon Infrastructure Management Ltd, Guernsey
Management Consulting Group plc, London
Travis Perkins plc, Northampton
(all Great Britain)
Finning International Inc., Vancouver, Canada
Gulf Keystone Petroleum Ltd., Hamilton, Bermuda

Markus Stettberger

Chairman of the Works Council (full-time)
SGL CARBON GmbH, Meitingen

Hans-Werner Zorn

Chairman of the Works Council (full-time)
SGL CARBON GmbH, Bonn

¹⁾ Chairwoman/Chairman of the supervisory board

²⁾ Chairman of the advisory committee

³⁾ Chairman of the board of directors

Glossary

Commercial Glossary

Bond

Collective term for interest-bearing debt instruments with contractually fixed repayment terms. Bonds are issued either by governments or companies and sold through financial institutions and provide long term external financing.

Cash flow

An economic measure for the inflow and outflow of cash funds representing the net inflow from sales activity and other current activities in a period. In a cash flow statement, the change in cash and cash equivalents is broken down by operating activity, investing activity and financing activity.

Cash flow hedge

A hedge of a recognized asset or of future, highly likely (foreign currency) transactions. The change in value of the hedging instrument is recognized directly in equity.

Cash generation

Total EBIT plus amortization/depreciation on intangible assets and property, plant & equipment plus change in working capital less capital expenditure.

Capital Employed

The sum of Goodwill, other intangible assets, property, plant & equipment, inventories, trade receivables less trade payables.

Convertible bond

Corporate bond that includes a share option. Under the option, the bond can be exchanged (converted) for shares in the company subject to certain preconditions. The exchange is possible within a specific period at a fixed price. The conversion price normally exceeds the share price on the date of the bond issue.

Corporate Governance

The German Corporate Governance Code is the primary legislation governing the management and monitoring of German publicly traded companies and comprises international standards for adequate and responsible corporate management.

Declaration of conformity

Declaration of conformity by the Board of Management and Supervisory Board of compliance with the German Corporate Governance Code pursuant to section 161 German Stock Corporation Act (AktG).

Deferred taxes

Assets and liabilities arising from the different treatment of transactions for financial and tax reporting purposes.

Distributable accumulated profits/accumulated losses

Result of SGL Carbon SE as reported in its German GAAP financial statements based on calculation pursuant to the German Commercial Code (HGB).

DSO (Days Sales Outstanding)

Trade account receivables divided by sales revenue, times 360 (A low figure indicates that the company collects its outstanding receivables quickly).

Earnings per share (EPS)

The figure of EPS is calculated by dividing the net result of the year attributable to SGL Carbon SE shareholders by the weighted average number of outstanding shares for the financial year.

EBIT

Earnings before interest and taxes. EBIT is an important key performance indicator for assessing the operational profitability of companies.

EBITDA

Earnings before interest, taxes, depreciation and amortization. In the case of EBITDA, the focus is rather more on cash earnings potential.

Equity ratio

The shareholders' equity as a proportion of total assets. The higher the equity ratio, the more independent a company is from external providers of capital. The equity ratio is also an indicator of the creditworthiness and robustness of a company.

At-Equity method

Method used in the consolidated financial statements for measuring and accounting for investments in which the SGL Group has joint control in, or significant influence over. Under the equity method, investments of this kind are initially recognized at cost. In subsequent years, these investments then change in line with their profit or loss contribution.

EURIBOR

Euro InterBank Offered Rate (EURIBOR) is an interest rate at which euro interbank term deposits are offered

Financial instruments

Forward contracts whose value is derived from another existing (primary) market value. An example of a derivative currency option, in which the premium largely depends on the option price, the maturity of the option and the volatility of this currency.

Free cash flow

The balance of cash flow from operating activities and cash flow from investing activities. Free cash flow therefore reflects the amount available to the company, for example, for debt repayment or distribution of dividends.

Free float

The total number of shares not owned by major investors (e.g. the parent company). Free float shares are distributed among a large number of shareholders and can therefore be bought and sold by many people. The number of free float shares therefore also normally provides an indication of the liquidity of the shares.

Functional costs

Functional costs include cost of sales, R&D expenses, selling expenses and general and administration expenses.

Gearing

The ratio of net debt to equity. Gearing is a key performance indicator reflecting financial strength and illustrates the dependency of a company on third-party lenders. The higher the figure, the greater the theoretical dependency.

Goodwill

The excess of cost of an acquisition over the fair value of the acquired entity at acquisition.

Gross profit

Sales revenue less cost of sales.

Hedging

Strategy to limit or eliminate price risks. Hedging is standard practice in capital markets and is used by market players to offset risks.

International Financial Reporting Standards (IFRS), formerly International Accounting Standards (IAS)

Uniform accounting standards to enhance comparability of financial data. According to European Union regulation, publicly traded companies are required to prepare their consolidated financial statements in accordance with these rules.

Joint venture

A contractual agreement whereby two or more parties undertake an economic activity that is subject to joint control.

Joint operation

A joint arrangement whereby the parties that have joint control of the arrangement have rights of the assets, and obligation for the liabilities, relating to the arrangements.

Market capitalization

Key performance indicator providing information on the stock market value of a listed company. It is calculated by multiplying the number of shares by the current share price.

Rating

Internationally recognized criteria for assessing the creditworthiness of a debtor or company. Ratings are determined by specialist agencies using standardized procedures.

Return on sales

Ratio of EBIT to sales revenue. Return on sales (ROS) provides information on a company's operating profit as a percentage of sales revenue in the period under review. A high return on sales indicates a high level of profitability.

ROCE (Return on capital employed)

The ratio of EBIT to capital employed. This key performance indicator provides information on the return on average capital employed by a company over a specific period.

Syndicated Loan

A loan offered by a syndicate consisting of several core industries; the loan's overall risk (e.g. resulting from credit quality or capital lock-up) is spread across the financial institutions involved.

Weighted average cost of capital (WACC)

An average representing the expected return on all of a company's securities. Each source of capital, such as stocks, bonds and other debt, is assigned a required rate of return, and then these required rates of return are weighted in proportion to the share each source of capital contributes to the company's capital structure. The resulting rate is what the firm would use as a minimum for evaluating a capital project or investment.

Working Capital

Inventories plus trade receivables minus trade payables. This figure describes the current assets employed by a company in the short-term. The lower the working capital, the better the liquidity position of a company.

Technical Glossary**Cathodes**

Indispensable component in the production of primary aluminum. Cathode blocks are capital investment products, used to line large smelting cells, in which aluminum oxide is reduced by an electrolysis process to produce aluminum which is deposited on these blocks.

Coarse grain graphite

The grain size lies between 1mm and up to approx. 20mm. Key material property is the high resistance to thermal shock. Typical product examples are graphite electrodes for steel scrap recycling, cathodes for aluminum electrolysis and furnace linings for crude steel production.

Fine grain graphite

Specialty graphite with a fine grain structure and a grain size of between 1mm and few μm , with which the required material strengths can be achieved. Fine grain graphites have a broad spectrum of applications in the semiconductor, mechanical engineering, metallurgical, industrial furnace construction, medical and analysis technology industries (isostatic graphite).

Graphite electrodes

The core business of the business segment Performance Products. Graphite electrodes are used in steel production in electric arc furnaces. In a furnace, they can withstand temperatures of up to 3,500 degrees Celsius and are therefore the "engine" in the melting process of scrap recycling to produce new steel. During the manufacturing process for electric steel, graphite electrodes are fully consumed within six to eight hours.

Isostatic graphite

Special fine grain graphite for specific applications. Its name is derived from the method of production (isostatically pressed; in a chamber of water subjected to equal pressure from every side). The main features of isostatic graphite are strength, density and isotropic structure. It is therefore used in all applications where the mechanical properties of conventional graphite are inadequate.

Lithium ion battery

Rechargeable battery with high energy and performance density. The cathode is made from a lithium compound, the anode from carbon or graphite. During the charging process, the lithium ions in the cathodes migrate to the carbon lattice of the anode material (intercalation). During discharging, the lithium ions from the intercalation migrate back to the cathode. Lithium ion batteries are the standard batteries for mobile applications today, such as for mobile phones and laptops. They are growing in importance for power tools (e.g. cordless screwdrivers) and for electric vehicles.

Natural graphite

Is a natural mineral. It is extracted from both surface and underground mining. High purity (>99%) is achieved by purification processes (flotation, thermal and chemical purification). Natural graphite possesses the nearly ideal crystalline structure of graphite. Its use as a lubricant is well known. The largest natural graphite amounts are used for fire proof applications. Small amounts are also included in the recipe for fine grain graphites. Inclusion of acids produces graphite salts, which are converted to expanded graphite in a thermal process.

PAN Precursor

Synthetic fiber made from polyacrylonitrile (PAN). PAN precursor is the raw material used in the production of carbon fibers.

Petroleum coke

Is a mass volume by-product of the oil refining process (80 million tons). Calcined petroleum cokes are used particularly for anodes in the aluminum electrolysis. The so-called needle coke is a special quality, which can only be produced by a few refineries. This needle coke is almost exclusively used for the production of graphite electrodes. Their outer form and tailor made physical properties enable the production of modern high performance electrodes.

REACH (regulation for chemicals)

REACH stands for Registration, Evaluation, Authorization and Restriction of Chemicals, an EU regulation for chemicals that became effective June 1, 2007. The scope of REACH includes manufacturers or importers who, in the European Union, either manufacture chemical substances and/or use such substances in formulations or import such substances into the European Union amounting to more than one ton per year.

List of Acronyms

A AktG

German Stock Corporation Act (Aktengesetz)

C Cefic

European Chemical Industry Council

CFRP

Carbon Fiber Reinforced Plastic

D DAX

German Stock Index (large caps)

E EBIT

Earnings before Interest and Taxes

EBITDA

Earnings before Interest, Taxes, Depreciation and Amortization

EHSA

Environment, Health & Safety Affairs

EPS

Earnings Per Share

H HGB

German Commercial Code

I IAS

International Accounting Standards

IASB

International Accounting Standards Board

IFRIC

International Financial Reporting Interpretations Committee

IFRS

International Financial Reporting Standards

IT

Information Technology

L LTCI

Long Term Cash Incentive

LTI

Long Term Incentive

M MDAX

Mid-Cap-DAX

R REACH

Registration, Evaluation, Authorisation and Restriction of Chemicals

ROCE

Return on Capital Employed

S SAR

Stock Appreciation Rights

SDAX

Small-Cap-DAX

V VorstAG

Act on the Appropriateness of Management Board Remuneration

W WpHG

German Securities Trading Act

Financial Calendar

March 23, 2016

- Publication of the 2015 Annual Report
- Year-end press conference, analyst conference, and conference call for analysts and investors

May 12, 2016

- Report on the first quarter of 2016
- Conference call for analysts and investors

May 18, 2016

- Annual general meeting

August 11, 2016

- Report on the first half of 2016
- Conference call for analysts and investors

November 10, 2016

- Report on the first nine months of 2016
- Conference call for analysts and investors

Contact

Investor Relations

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GmbH & Co. KG

Photo credits

Board of Management

Frank Reinhold

Other photos

SGL Group
iStock



Five-year Financial Summary

€m	Footnote	2015	2014	2013 ¹⁾	2012 ²⁾	2011 ²⁾
Financial performance						
Sales revenue		1,322.9	1,335.6	1,422.6	1,617.1	1,435.0
<i>thereof outside Germany</i>		80%	80%	82%	85%	82%
<i>thereof in Germany</i>		20%	20%	18%	15%	18%
EBITDA before non-recurring charges	3)	121.1	84.1	102.8	250.3	227.3
EBIT before non-recurring charges	3)	32.6	2.7	22.8	170.0	161.7
Result before tax		-182.1	-104.4	-161.1	82.3	57.7
Consolidated net result	4)	-295.0	-247.0	-317.0	26.8	-25.5
Return on sales (ROS)	5)	2.5%	0.2%	1.6%	10.5%	11.3%
Return on capital employed (ROCE _{EBITDA})	6) 7)	9.0%	5.9%	6.5%	15.5%	14.9%
Earnings per share, basic (in €)		-3.22	-3.26	-4.47	0.38	-0.38
Net assets						
Equity attributable to shareholders of the parent company		289.3	567.6	607.7	942.2	894.5
Total assets		1,856.1	2,170.3	2,059.1	2,497.5	2,170.6
Net debt		534.2	389.9	491.1	490.3	370.6
Equity ratio	8)	15.6%	26.2%	29.5%	37.7%	41.2%
Gearing	9)	1.85	0.69	0.81	0.52	0.41
Number of employees (December 31)	10)	5,658	6,342	6,387	6,757	6,501
Financial position						
Capital expenditure on property, plant and equipment and intangible assets		74.9	132.6	117.0	131.3	135.1
Depreciation and amortization		88.5	81.4	80.0	80.3	65.6
Working capital		450.3	462.4	476.2	623.0	555.3
Free cash flow	11)	-74.9	-121.3	41.9	-52.9	-24.1

¹⁾ Adjusted by BaFin adjustments as well as classification of AS as a discontinued operation and proportional consolidation of SGL ACF

²⁾ Adjusted by BaFin adjustments as well as classification of AS and RB as discontinued operations and proportional consolidation of SGL ACF

³⁾ Before non-recurring charges of €160.9 million in 2015, €51.2 million in 2014, €122.8 million in 2013, €3.9 million in 2012, and €30.5 million in 2011

⁴⁾ Consolidated net result (attributable to shareholders of the parent company)

⁵⁾ Ratio of EBIT before non-recurring charges to sales revenue

⁶⁾ Ratio of EBITDA before non-recurring charges to average capital employed

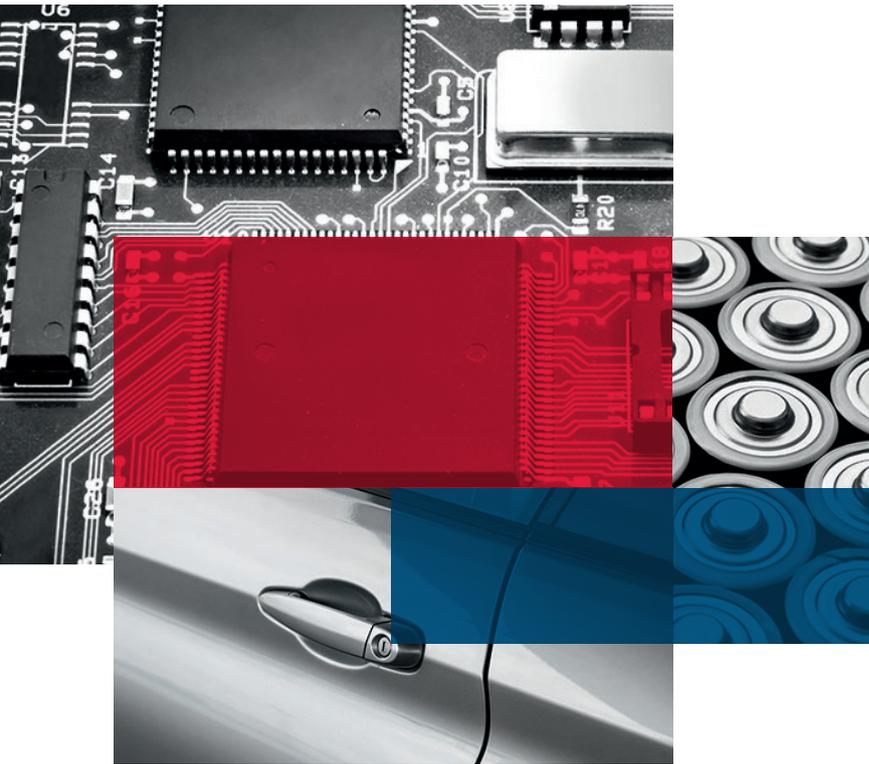
⁷⁾ Average capital employed (= the sum of goodwill, other intangible assets, property, plant and equipment and working capital, each at beginning of year and end of year)

⁸⁾ Shareholders' equity to total assets

⁹⁾ Net debt to equity attributable to shareholders

¹⁰⁾ As of Dec. 31, including discontinued operations

¹¹⁾ Net cash provided by operating activities (continuing operations) less net cash used for investing activities (continuing operations)



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