Broad Base. Best Solutions.

Annual Report 2013

Managing challenges. Shaping the future.

Key figures 2013

€m	2013	2012*	Change
Sales revenue	1,477.0	1,646.0	–10.3%
thereof outside Germany	*84%*	*85%*	–
thereof in Germany	*16%*	*15%*	–
EBITDA before non-recurring charges [1]	102.1	248.8	–59.0%
Operating profit (EBIT) before non-recurring charges [1]	19.5	164.4	–88.1%
Operating loss/profit (EBIT)	–207.4	110.2	> –100%
Result before tax	–276.4	24.1	> –100%
Consolidated net result attributable to equity holders	–396.4	5.9	> –100%
Earnings per share, basic (in €)	–5.59	0.08	–
Dividend per share, paid during fiscal year (in €)	0.20	0.20	–
Return on sales (ROS) [2]	1.3%	10.0%	–
Return on capital employed (ROCE) [3] [4]	1.2%	9.5%	–
Total assets	2,009.2	2,559.7	–21.5%
Equity attributable to the shareholders of the parent company	650.8	1,067.0	–39.0%
Equity ratio [5]	32.4%	41.7%	–
Net debt	447.7	459.3	–2.5%
Gearing (ratio of net debt to equity) [6]	0.69	0.43	–
Capital expenditure on intangible assets and property, plant, and equipment	95.5	131.8	–27.5%
Free cash flow [7]	38.2	–66.2	> 100%
Number of employees (December 31)	6,284	6,686	–6.0%

* Adjusted for effects of adapting IAS 19R

1) Restructuring expenses of €84.2 million and impairment losses of €120.6 million as well as project-write offs of €22.1 million in 2013; project write-offs of €54.2 million in 2012

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

3) Ratio of EBIT before non-recurring charges to average capital employed

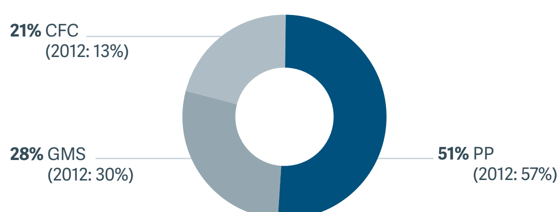
4) Average capital employed (= the sum of goodwill, other intangible assets, property, plant and equipment and working capital at beginning of year and end of year)

5) Shareholders' equity to total assets

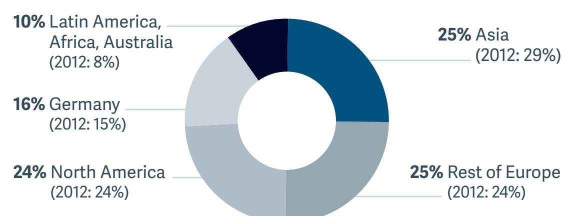
6) Net financial debt to shareholders' equity

7) Net cash provided by operating activities less net cash used in investing activities

Sales revenue by Business Area 2013



Sales revenue by region 2013



Business Areas:

With our broad base we offer our customers best solutions.

Performance Products (PP)

The product portfolio of the Business Area Performance Products covers carbon and graphite electrodes, cathodes and furnace linings. We supply these products to the aluminum and steel as well as other metallurgical industries.

Key Figures		2013	2012	Change
Sales revenue	€m	755.9	940.7	−19.6%
EBITDA before non-recurring charges [1]	€m	110.2	220.4	−50.0%
Operating profit (EBIT) before non-recurring charges [1]	€m	69.4	179.2	−61.3%
Return on sales [2]	%	9.2	19.0	–

[1] Before restructuring expenses of €59.5 million in 2013

[2] EBIT before non-recurring charges to sales

Graphite Materials & Systems (GMS)

The Business Area Graphite Materials & Systems supplies products to various different industries. Coarse and fine-grain graphite and expanded natural graphite are used primarily in the chemical, automotive, semiconductor, LED, lithium ion battery and solar industries.

Key Figures		2013	2012	Change
Sales revenue	€m	408.1	486.2	−16.1%
EBITDA before non-recurring charges [1]	€m	48.7	86.6	−43.8%
Operating profit (EBIT) before non-recurring charges [1]	€m	30.1	67.4	−55.3%
Return on sales [2]	%	7.4	13.9	–

[1] Before restructuring expenses of €5.5 million in 2013

[2] EBIT before non-recurring charges to sales

Carbon Fibers & Composites (CFC)

The Business Area Carbon Fibers & Composites covers the entire value chain from raw materials to carbon fibers through finished components. The Business Area CFC supplies, among others, manufacturers from the aerospace, wind energy and automotive industries.

Key Figures		2013	2012	Change
Sales revenue	Mio. €	309.3	214.1	44.5%
EBITDA before non-recurring charges [1]	Mio. €	−16.2	−6.8	> −100%
Operating profit (EBIT) before non-recurring charges [1]	Mio. €	−32.9	−23.9	−37.7%
Return on sales [2]	%	−10.6	−11.2	–

[1] Project write-offs of €54.2 million in 2012 and €22.1 million in 2013, impairments of €123.1 million in 2013 as well as restructuring expenses amounting to €1.4 million

[2] EBIT before non-recurring charges to sales

Table of contents

2 Managing challenges. Shaping the future.

16 Management
16 Board of Management
18 Letter from the Board of Management
20 Report of the Supervisory Board
26 Corporate Governance and Compliance Report
38 Corporate Social Responsibility
50 The Share and Investor Relations

56 Combined Management Report
57 The SGL Group
69 Economic Report
106 Risk Report
115 Opportunity Report
117 Outlook
122 Events after the reporting period
123 Disclosures pursuant to sections 289 (4), 315 (4) and 289a of the German Commercial Code (HGB)
126 SGL Carbon SE (parent company): disclosures on the basis of the German Commercial Code (HGB)

133 Consolidated Financial Statements
134 Consolidated Income Statement
135 Consolidated Statement of Comprehensive Income
136 Consolidated Balance Sheet
138 Consolidated Cash Flow Statement
140 Consolidated Statement of Changes in Equity
142 Notes to the Consolidated Financial Statements

241 Additional Information
242 Independent Auditors' Report
243 Responsibility Statement
244 Corporate Bodies
248 Glossary
252 List of acronyms
Five-year financial summary
Financial calendar/publication credits

Looking ahead together.

SGL Group is one of the world's leading manufacturers of carbon products. We work relentlessly to consolidate our strong position and build for the future, even in today's challenging market environment. To achieve these goals, we put our faith in a proven formula for success: technology leadership, a global presence, efficient processes in production and administration and a highly motivated workforce. Carbon is a highly versatile, high-potential material: its outstanding properties will lead to increasing demand, particularly in light of megatrends such as energy and resource conservation.

Deliberate responses to major challenges.

Why our market environment calls for a strategy change

Sometimes there's no way to soften the blow, so it's best if you just come straight out with it: 2013 was not a good year for the SGL Group. And the market situation is set to remain difficult for the foreseeable future. So what happened? In recent months we have seen how the weakness in our markets has increasingly come to a head. Although there was initial hope that the tide would turn in the second half of the year, it became clear in the course of the second quarter that full year profits for 2013 would drop significantly. By the end of the year, we had posted a year-on-year fall in EBITDA of almost 60 percent – a decline that we had not expected to be so dramatic.

After ten good years, a number of unfavorable factors came together in 2013 – with the effects felt across nearly all Business Units of the SGL Group. This difficult situation calls for swift countermeasures. We have responded and are taking all necessary steps, in the form of a comprehensive package of measures, to enable us to remain competitive and return to profitability.

Tough price war

Competitive pressures in the international graphite electrode business are immense. Recently, this downward pressure on prices has been having a significant impact on the results of the Performance Products Business Area, triggered by overcapacities in the graphite electrode market and by Asian competitors who can afford to price aggressively because of exchange rate advantages. We are countering this trend in the short term by closing sites in North America and Europe, and in the long term through quality improvements and product innovations, which are helping to make our steel customers' production processes more efficient.

Performance Products *

2012 **€179.2 million**

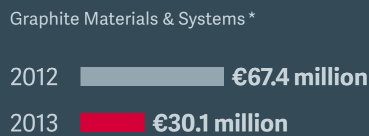
2013 **€69.4 million**

* EBIT before non-recurring charges

Significant decline

Demand in the solar, semiconductor and LED industries had already begun to fall in 2012. In the reporting period demand from industrial applications weakened additionally. This had a negative impact on the Business Area Graphite Materials & Systems. Although the first signs of a recovery in these markets are emerging, we are taking a proactive approach by shifting the focus of our production network toward our plants in Poland and China. Furthermore we are generating demand for our technologies by helping to commercialize high-grade materials, e.g. for microelectronics.

Graphite Materials & Systems *

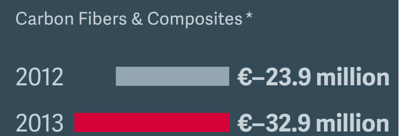


* EBIT before non-recurring charges

Unsatisfactory capacity utilization

The situation in the Carbon Fibers & Composites Business Area remains difficult. The development of this Business Area is characterized by the long development cycles in this very young industry, which require investments at an early stage. With few exceptions, such as BMW's i-series, project delays have led to overcapacity and consequently to added price pressure. Accordingly, we have modified our strategy in our carbon fiber business. We are now focusing on our materials expertise and on components for industrial applications like the automotive industry. As part of this approach, we sold our rotor blade business to a strategic investor at the end of 2013.

Carbon Fibers & Composites *



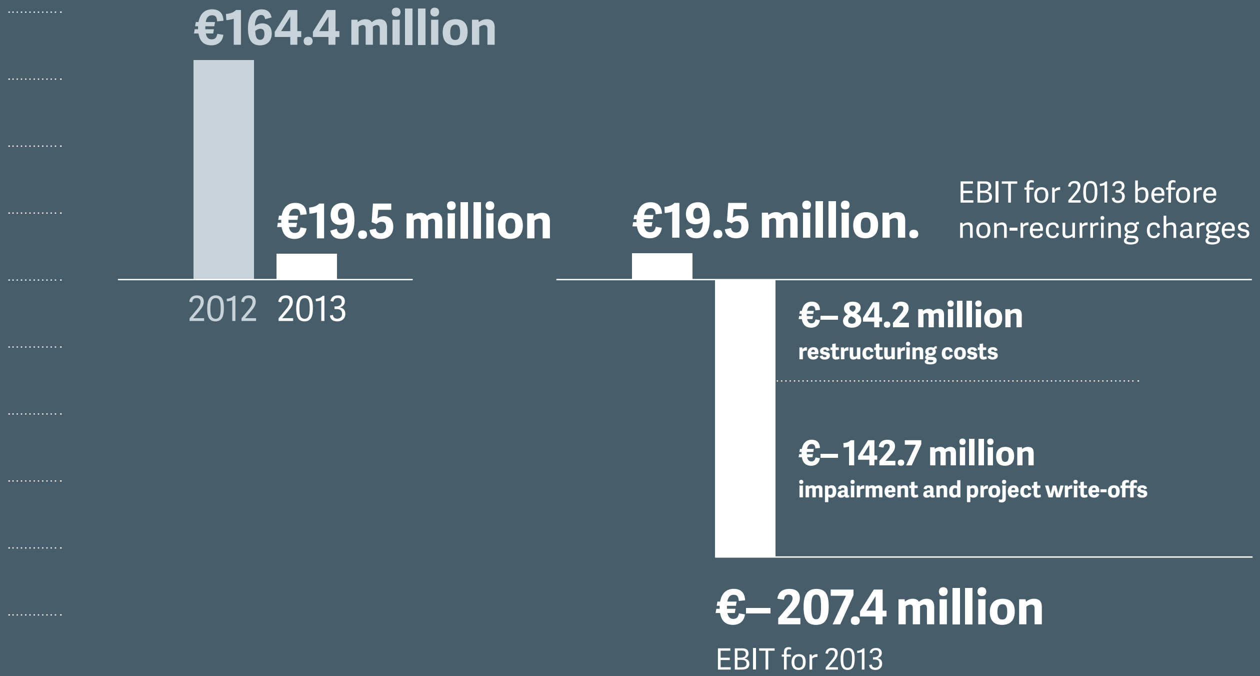
* EBIT before non-recurring charges

Where we stand. What's our plan. What's next.

SGL2015

the cost savings program

What do we have to do in order to change course and maneuver ourselves to calmer waters in economic terms? We will continue to keep a close watch on our highly competitive market environment – and we will also be casting a critical eye inwards. To this end, we have initiated a group-wide cost-savings program titled SGL2015. All structures and processes related to administration and service, in all parts of the business and at all levels of the organization worldwide, are being thoroughly scrutinized.



SGL2015 – the clue is in the name: by the end of 2015 we aim to achieve cost savings amounting to approx. €150 million. Much has already been done since SGL2015 was announced in August 2013. We swiftly completed all four preparatory phases of the project, which made it possible to begin implementing the numerous measures as early as October 2013. Initial savings amounting to €69 million were achieved in 2013, more than the €50 million that had originally been anticipated.

1.

Reducing costs.

Ambitious yet realistic: the SGL2015 program aims to deliver cost savings totaling €150 million relative to actual costs in 2012. €69 million of this had already been achieved in 2013 – the year the project was launched – exceeding the €50 million that had originally been anticipated. This demonstrates how quickly we are able to respond in a rapidly changing environment. And we remain flexible, tailoring the strategic direction of SGL2015 and of the company as a whole to the long term requirements of the market.

2.

Optimizing structures.

SGL2015 is based on three main pillars: a restructuring of the production sites, an overhaul of the Group portfolio and a reorganization of the corporate structure. Both the global production network and the Group portfolio are being brought into line with the new circumstances. This restructuring process is intended to increase the capacity utilization of our plants and reduce fixed costs. We are making the organization leaner by simplifying business processes and streamlining management structures.

3.

Being profitable and innovative.

The objective is clear: through SGL2015, our proven SGL Excellence initiative and improvements to our product and service portfolio, we have set a course that is strategically essential if we are to increase profitability as quickly as possible while at the same time securing the long term future of the SGL Group. Our way out of the crisis lies in a return to profitability and harnessing our strength in innovation.

4.

Taking the long term view.

Carbon is the future – of that we remain convinced. There will continue to be demand for the versatility and range of applications offered by this material. Nevertheless, we have to accept that development cycles in our business frequently last longer than expected and are difficult to predict. The SGL Group has risen to this challenge – and in doing so has set a course today for the world of tomorrow.

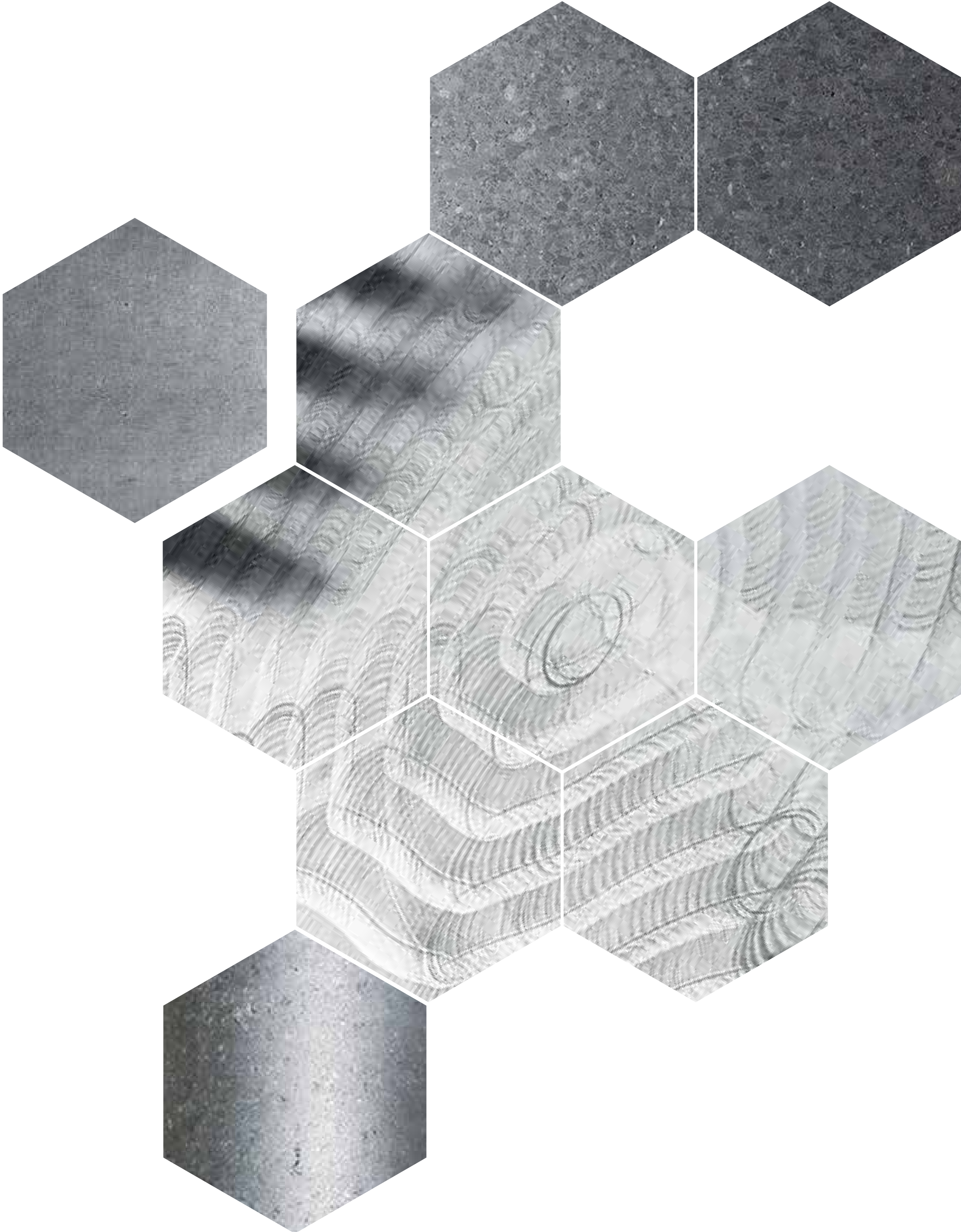
Tap synergies. For higher productivity.

Higher capacity utilization, lower fixed costs: we are streamlining our production network – while retaining our proximity to customers and our regional production approach.

Secure supply of raw materials: *the takeover of the Portuguese acrylic fiber manufacturer Fisipe will prove to be a key strategic investment. We will be able to produce our own raw materials there by converting production from textile fibers to precursor, i. e. the raw materials needed to make carbon fibers. This makes us less dependent on suppliers.*

Bringing electrode capacity in line with the new market conditions: *because of the structural overcapacities in the market for graphite electrodes and the tough conditions in the global steel markets, we decided to close the electrode facilities in Lachute, Canada, and Narni, Italy. These two measures are helping to reduce our global production capacity by approx. 25 percent. Production in the Canadian plant has already been scaled back. In the Italian plant this step will happen in the first half of 2014.*

The restructuring of our sites and optimization of our portfolio are among the key measures in the SGL2015 cost-saving program. Many options are open to us here, including spinning off activities that are not part of our core business. We can create valuable synergies by moving Business Units into strategic partnerships. In some cases, the comprehensive site review will also lead to parts of production being relocated, sold or discontinued. All this is being done in a measured manner and with a view to the primary objective of securing our position in the international markets.



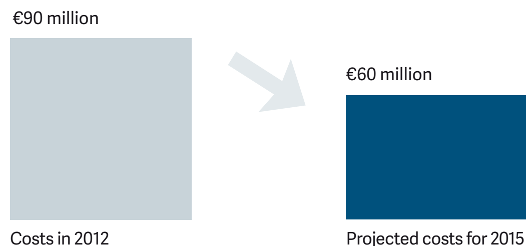
Broad Base. Best Solutions.

Optimal use of resources. For greater efficiency.

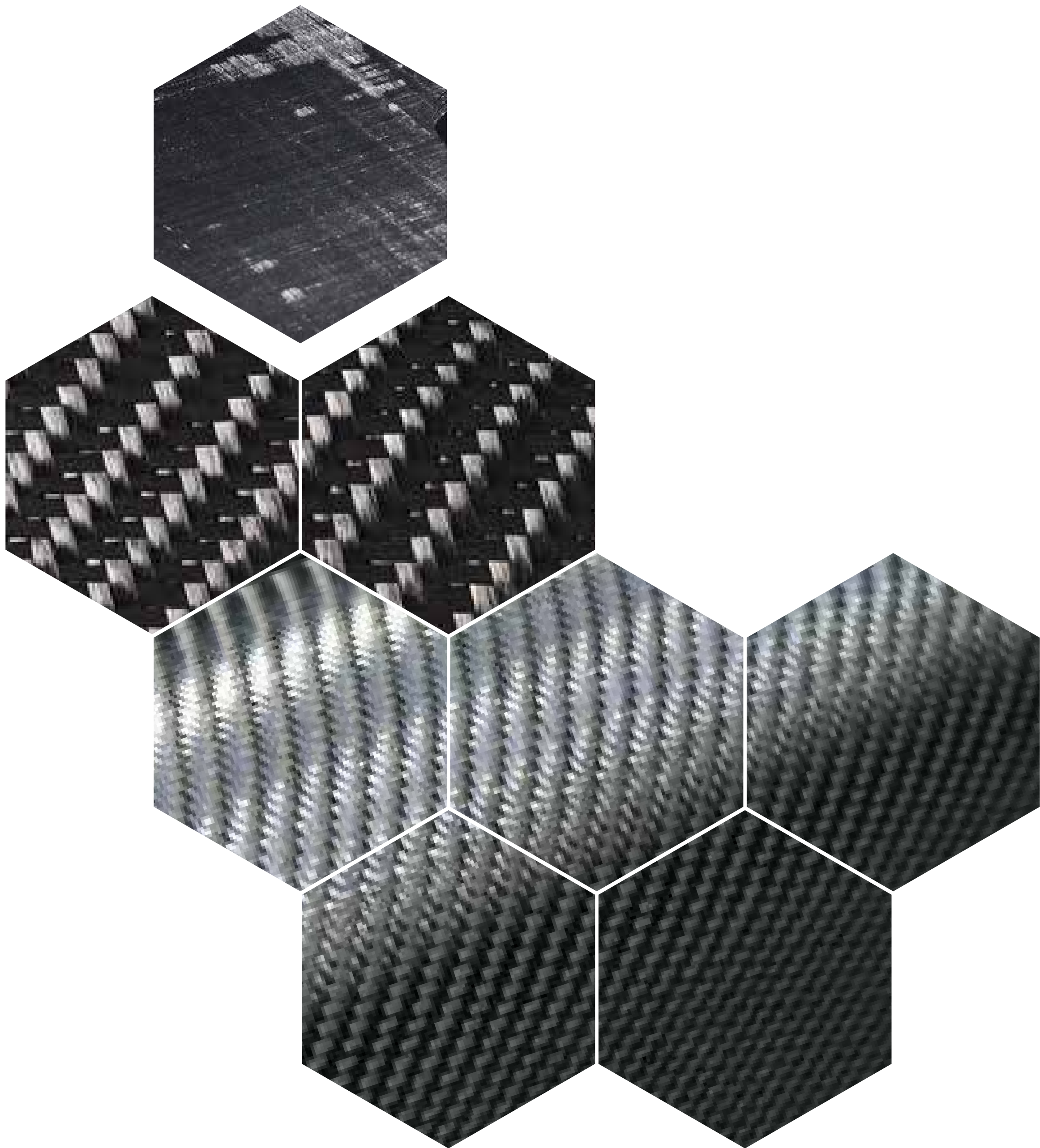
We are creating a lean organizational structure.

New face at the top: *on January 1, 2014, Dr. Jürgen Köhler became CEO of the SGL Group. He is an experienced manager who knows the company very well, having managed three of our current six Business Units during the course of his career here. He will immediately be faced with the huge task of getting the SGL Group back on track to long term sustainable success.*

Savings in administrative expenses



How can processes be simplified? How can you reduce sales and administrative costs? How do we avoid taking unnecessary routes and duplicating work? The fact of the matter is that anyone who is serious about strategic realignment also has to address the organizational structure – and this means streamlining it. Aligned with the numerous measures under the SGL2015 cost-saving program, the Supervisory Board reduced the number of members on the Board of Management from five to three. The number of managers at the next level will be halved.



Broad Base. Best Solutions.

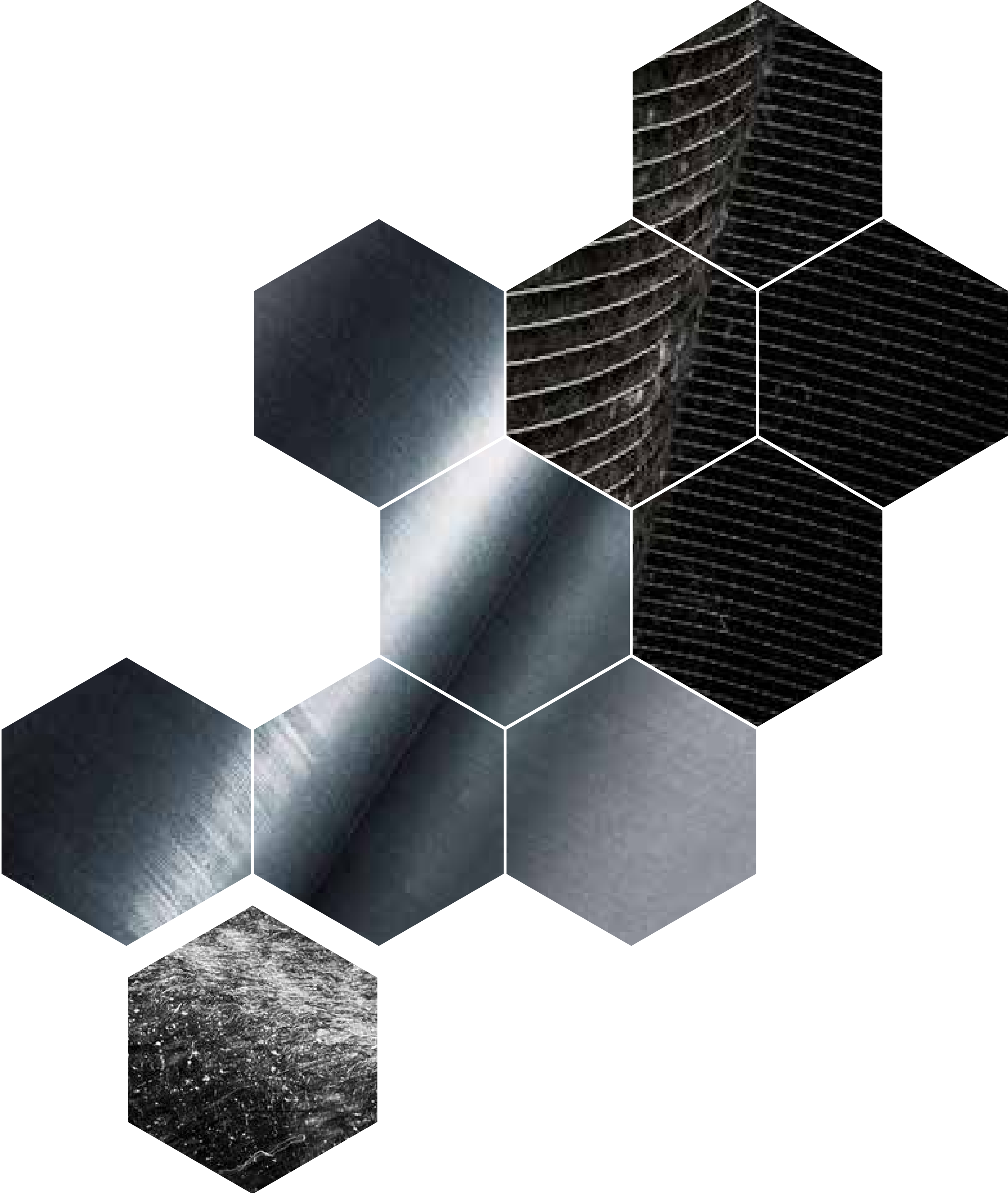
Focusing on core competencies. For future products.

We will continue to focus on our strengths: innovation and an entrepreneurial spirit.

Lightweight construction continues to be the future. *Even if electric mobility is making slower progress than many would have expected only a few years ago, carbon fibers still represent an alternative material that is both superlight and stable, making it particularly interesting for the automotive industry. BMW has started a revolution with the carbon fiber material produced by the SGL-ACF joint venture between SGL Group and BMW Group. The Munich-based auto manufacturer launched the i3 in mid-November 2013 – the world's first serially produced car with a passenger cell made of carbon.*

Focusing on our core business: *as part of the strategic realignment we divested our wind turbine rotor blade production. A new owner has already been found for SGL Rotec in Lemwerder, near Bremen.*

We know where our core expertise lies and that this is the key to getting back on track for success. We want to help shape future technologies and constantly reaffirm our role as a driver of innovation. To achieve this, we have put key measures in place: through our joint ventures – for example, with BMW, the Italian brake manufacturer Brembo and the automotive supplier Benteler – and through major investments that have already been made, for example in the new graphite facility in Malaysia and the expanded production capacities for isostatic graphite in Germany and China. These new capacities are paving the way for future growth in the coming years while reducing the level of capital investment needed for our established business. We remain committed to taking strategic steps that are driving our company forward and preparing it for future challenges. This includes making further major investments in the joint venture with BMW.



Broad Base. Best Solutions.

Where do we want to be.

“Don’t look for mistakes, look for solutions.”
This quote by Henry Ford represents our new direction. We have recognized the signs in our markets and taken a long, hard and critical look at our current situation. Now we are looking ahead. 2014 will be defined by a new and improved corporate strategy. A wide range of efficiency measures are already being put into practice and becoming part of day-to-day life at the SGL Group, which is precisely where their effect will be felt.

We are putting SGL Group back on track with a decisive and proactive approach. It will take time, of course, before we will be able to demonstrate financial success again. Sustainably recovering our former earnings power is the top priority, but we are also keeping a close eye on our future prospects. Which is why the subject of innovation remains high on the agenda.

In the next few years, we will be making the SGL Group more competitive and more profitable while striving to maintain our cost leadership.

Managing challenges. Shaping the future.

Board of Management

Jürgen Muth
Chief Financial Officer

Responsible for:
- *Group Financing*
- *Group Accounting*
- *Group Controlling*
- *Financial Reporting*
- *Human Resources*
- *Information Technology*
- *Taxes*
- *Investor Relations*

Dr. Jürgen Köhler
Chief Executive Officer

Responsible for:
- *Corporate Development*
- *Corporate Communications*
- *Legal and Compliance*
- *Management Development*
- *Internal Audit*

Dr. Gerd Wingefeld
Chief Technology Officer

Responsible for:
- *Technology & Innovation*
- *Environment, Health and Safety Affairs*
- *Purchasing*
- *SGL Excellence*
- *Engineering*

Letter from the Board of Management

Dear Shareholders, Dear Employees and Friends of SGL Group,

Difficult economic conditions made 2013 one of the most challenging years ever for our Company. This fact is clearly reflected in the performance of the individual Business Areas. For instance, the Business Area Performance Products was impacted by unexpected strong price pressure while operations in graphite specialties had to cope with a cyclical downturn in the most important customer industries as well as structural market changes. In the Business Area Carbon Fibers & Composites, the environment is still characterized by surplus capacities and unsatisfactory prices despite the promising developments in the automotive sector in particular. We also once again underwent the painful realization that new technologies require more time until they are commercially successful in the market. Our financial figures reflect the developments described here. Both Group sales revenue and the operating result (EBIT before special effects) were lower than in the prior year at €1.5 billion and €20 million, respectively. Due to necessary restructuring expenditures and extensive extraordinary write-downs totaling nearly €227 million, we had to report the highest loss in the Company's history at €396 million. This was a disappointing development for all of us.

In response, we took decisive action and launched a comprehensive, Group-wide cost reduction program called SGL2015 to strengthen SGL Group, and both structurally and organizationally prepare it to meet growing challenges. To this end the global production network is being optimized and the organizational structure simplified. Part of this effort includes the elimination of some 300 jobs in administration alone. In addition, we are divesting activities that are no longer part of the Company's core business. By the end of 2015, we will save a total of €150 million in costs with SGL2015. Thereof, €69 million was realized in 2013, exceeding the planned amount of €50 million.

Restructuring of the Group shows first signs of success

In the context of SGL2015 we were already able to successfully implement first measures. These include the announced closure of two graphite electrode plants in North America and Europe and the sale of our rotor blade activities. Internally, we significantly streamlined our organizational structure, also in the top levels of management. The most visible changes have to do with the Board of Management, which, effective January 1, 2014, was reduced from five to three members. The simultaneous change in the CEO position reflects the generation change at SGL Group as well as the commitment to continuity and the ongoing implementation of measures already initiated for strategic development and improvement of profitability.

In order to increase our competitiveness and steer the Company back to profitable growth, we will sustainably reduce costs and expenses. Positively, our major investment projects have largely been completed, including the graphite electrode and cathode plant in Malaysia, the isostatic graphite press in Bonn, Germany, and the expansion of our carbon fiber value chain. As a consequence, we are now able to build on a state-of-the-art production network. Our focus will be on achieving the optimum balance between sustainable cost reductions and targeted investments in future technologies and innovations.

We are convinced that the sustainable success of a company is demonstrated by its ability to weather difficult times. SGL Group has already proven this. We will face the current challenges with determination and actively shape our own future.

Forward looking technologies with strong potential

In 2013, we contributed to the advancement of innovations in key industries and facilitated the introduction of groundbreaking technologies. The BMW i3 is the first series-production vehicle with a passenger cell made entirely of carbon (CFRF) and attracted considerable worldwide attention when it was launched. We supply the carbon fiber materials for the car through our joint venture with the BMW Group. This breakthrough technology represents an important milestone in the use of carbon for automotive series production. Our joint ventures with Benteler and Brembo also developed very favorably, enjoying major success in the production of carbon fiber components and carbon ceramic brake discs for the automotive industry. Thanks to the unique characteristics of our carbon-based products, we feel well prepared for the future since carbon materials are contributing to a more sustainable and resource efficient life.

SGL2015 measures consistently implemented

What are our plans for the fiscal year 2014? Despite first positive signs, the current economic conditions are no grounds for euphoria in many of our customer industries. In the emerging economies, many new players are entering the market, and this is creating stronger competition. This, in turn, influences our customers' ordering patterns and makes it harder for us to plan ahead. Accordingly, from today's perspective, we have to assume that it might be difficult in 2014 to reach the EBIT level achieved in 2013.

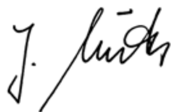
The consistent implementation of SGL2015 is all the more important as a means to strengthen our competitiveness. We will work hard to achieve the projected cost savings of €150 million by the end of 2015. The corporate bond we successfully placed in December 2013 in connection with the extension of the syndicated loan agreement at favorable conditions demonstrates that financial markets have put their trust in us.

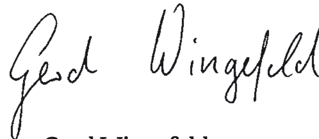
Looking ahead in 2014 and beyond, with the support of our employees, customers, suppliers, business and strategic partners, and shareholders, we will consistently implement the steps necessary for our realignment. Our joint goal is to steer SGL Group back to a sustainably profitable future, and we are committed to achieving it.

We would like to thank all of our employees, shareholders, and everyone close to the Company for their support and continued dedication. We appreciate their strong identification with the Company. What unites us all is our passion for carbon.

Yours sincerely,

The Board of Management of SGL Group





Jürgen Köhler **Jürgen Muth** **Gerd Wingefeld**

Report of the Supervisory Board

Dear Shareholders,

2013 proved to be an eventful year for SGL Carbon SE, presenting considerable challenges and bringing significant changes. The Board of Management and the Supervisory Board had to take tough decisions in order to strategically realign the Company while safeguarding its interests and those of its employees. The Supervisory Board is confident that the operational and personnel-related measures implemented as part of the SGL2015 cost savings program will contribute to SGL Group's competitiveness.

Focus of the Supervisory Board's advisory and monitoring activities

The Supervisory Board's work in 2013 was largely determined by the increasing deterioration of the economic environment in the first half of the year in which SGL Carbon SE and its affiliated companies (SGL Group) operated, and by the Company's necessary response to this trend. My predecessor Max Dietrich Kley and, subsequently, I myself maintained a regular and close dialog with the CEO to discuss specific developments and issues, especially in relation to the planning and implementation of the SGL2015 cost savings program.

At a total of eight meetings the Supervisory Board provided the Board of Management with advice on how to meet these challenges, and it closely and continually monitored 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 chairmen 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 documented form – on the agenda items being discussed. Any cases where operating performance had deviated from budgets and targets were explained in detail, which enabled us to discuss with the Board of Management the reasons for these discrepancies and the appropriate action to take. In addition, the Board of Management provided regular reports on material transactions, the quarterly financial statements, and how SGL Group was perceived in the financial markets.

The Company's financial situation and the outlook for both the following quarter and the rest of the year were discussed at all Supervisory Board meetings. These deliberations covered, in particular, trends in the Company's operational and financial KPIs, the opportunities and risks facing it, and its risk management methods. The cost savings measures devised by the Board of Management as well as the tougher competitive and market environment constituted key issues for deliberation and were the subject of regular and intensive Supervisory Board discussions.

Back in April 2013 the Board of Management informed us of the adverse economic trends prevailing in several of SGL Group's key customer industries. We and the Board of Management then held in-depth discussions to identify potential responses. After signs had emerged at the end of June that macroeconomic conditions and the outlook for the year as a whole were

likely to deteriorate, we discussed at length the resultant financial challenges and the initial proposals put forward by the Board of Management for potential cost savings and restructuring measures. By setting up a temporary Restructuring Committee, we ensured that the Board of Management and the Supervisory Board liaised closely when deciding on potential restructuring projects and the appropriate action to take.

When the Supervisory Board met in September, we looked in detail at the structure and composition of the SGL2015 cost-cutting program. In particular we discussed the options available for restructuring and consolidating our production sites and lowering our administrative costs.

A further meeting held in November examined the progress made on the cost savings and restructuring program, the Company's operational planning for 2014, and its medium-term budgets and planning. It also discussed various options for financing the Company. The benign capital market conditions prevailing in December were then used to renew the syndicated credit line and refinance ahead of schedule the corporate bond maturing in 2015.

At our meeting in December we discussed in detail the progress made on implementing our SGL2015 program. The Supervisory Board discussed and unanimously approved the disposal of the Company's rotor blade operations to a strategic investor as part of the optimization of its portfolio.

One Supervisory Board meeting was held in Meitingen, which is SGL Group's largest production site. At the Technology & Innovation Center (T&I Center) there, we obtained information about the advances made in our research and development activities and visited the plant's production facilities. A further focal point at this meeting was a discussion of the status report on the ramp-up of production at the plant in Banting, Malaysia, which had previously been visited by a small delegation from the Supervisory Board.

A meeting held in May 2013 was devoted to the Company's plans to enter into a strategic alliance in China in order to strengthen the market position of the Business Area Performance Products. Given the challenging situation prevailing in the Company's major sales markets and the uncertainty surrounding their development, the Supervisory Board and the Board of Management decided to focus SGL Group's resources more on its internal cost-containment processes and, consequently, not to pursue this project any further.

When the Supervisory Board met in December it voted to introduce a new remuneration system. This resolution was preceded by intensive discussions in which an external remuneration consultant was also involved. The structure of the new remuneration system is simple and conforms to market standards, while its variable salary components have a balanced risk/reward profile.

Attendance at the eight Supervisory Board meetings averaged 94 percent. None of the members of the Supervisory Board participated in fewer than half of the meetings. All meetings of the Supervisory Board's committees were fully attended with the exception of just two cases. There were no indications of any conflicts of interest concerning members of the Board of Management or the Supervisory Board during the reporting period.

Parent Company and Consolidated Financial Statements for 2013

Both at the Audit Committee meeting and at the Supervisory Board meeting held in March 2014 the Supervisory Board verified that the books and records, the financial statements of the parent company SGL Carbon SE were 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, 2013, and the combined management reports of SGL Carbon SE and of SGL Group had been audited by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Eschborn, 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, 2013. We received the audit reports for the consolidated and parent company financial statements promptly. The Audit Committee scrutinized these documents carefully, and they were also examined by the Supervisory Board meeting. 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 2013.

At its meeting on March 7, 2014 the Supervisory Board also discussed the disclosures in the notes to the financial statements pursuant to section 315 (4) of the German Commercial Code (HGB). Please refer to the corresponding disclosures in the management report (see pages 123 to 125). The Supervisory Board has examined these disclosures and is satisfied that they are complete.

Corporate Governance

With respect to the development and refinement of the German Corporate Governance Code as revised on May 13, 2013, we updated the corporate governance principles of SGL Carbon SE at our December meeting. In addition, the Supervisory Board decided at its meeting in September to adopt a suggestion made at the 2013 Annual General Meeting that a separate Supervisory Board committee dealing with potential conflicts of interest should be set up; consequently, it created the Governance and Ethics Committee. This committee, which is composed of three independent Supervisory Board members, is now operational. Further information on the Company's corporate governance principles can be found in the Corporate Governance and Compliance Report on pages 26 to 37.

The declaration of conformity adopted in December pursuant to section 161 of the German Stock Corporation Act (AktG) still contains exceptions to the obligatory recommendations of the German Corporate Governance Code. These exceptions are mentioned in the Corporate Governance and Compliance Report of this annual report and have been published on the Company's website at www.sglgroup.com. The Supervisory Board has decided to conduct its next efficiency review in 2014 because the composition of this governing body changed significantly in 2013.

Activities of the committees

The Supervisory Board has set up a total of five permanent committees in order to ensure that its duties are discharged efficiently. The members of these committees are listed in the Corporate Governance and Compliance Report (see pages 27 to 28). In addition, a Restructuring Committee and a Funding Committee were formed in 2013 to oversee specific projects. The committee chairmen reported in detail on the work of these committees at the meetings of the Supervisory Board.

When it met in July – its only meeting in 2013 – the Strategy and Technology Committee dealt mainly with the Business Areas Graphite Materials & Systems and Carbon Fibers & Composites. The main issues discussed at this meeting were the prevailing market conditions and the operational situation and, in particular, the future direction of these Business Areas. The Committee also analyzed the Company's portfolio and discussed strategic options available to SGL Group. The Strategy and Technology Committee gained a comprehensive insight into the Board of Management's strategic thinking and supports its planned initiatives.

The Audit Committee met on three occasions in 2013 and was kept regularly informed prior to publication of the quarterly reports. When reviewing the quarterly financial statements, the Audit Committee also discussed ongoing issues relating to reporting and internal audit as well as any other special topics of current interest. The meetings in March and December were also attended by the independent auditors to enable the Company's audit procedures, key audit issues, and material findings arising from audits of the annual financial statements to be discussed in a timely manner. The newly constituted Audit Committee met for the first time in July. The main subjects discussed at this meeting were the half-year financial statements and the full year forecast revision published ahead of these results, the impairment losses recognized on assets, and the ongoing tax audits. The Audit Committee examined the background and factors contributing to these one-off charges. During the year the chairman of the Committee was kept constantly informed verbally and in writing about the status and progress of audits and with regard to the documentation and validation of the core processes used for the internal control system. In addition to the annual financial statements and consolidated financial statements, the Audit Committee focused on the Company's risk identification and risk management systems, the efficiency of the internal control system, and the audit fees payable for 2013. The Committee also scrutinized the audits performed in 2013, material findings identified by the internal audit department, and the audit schedule for 2014. Further key topics regularly discussed were the status and development of SGL Group's pension obligations as well as the situation regarding taxation and derivatives. The Audit Committee supported the Company's global compliance management activities and received reports on these matters.

The Personnel Committee met five times in 2013. The main issues discussed and subsequently adopted as resolutions were the targets to be agreed with the Board of Management; preparations for the decisions to be taken at the Supervisory Board meeting concerning both the future composition of the Board of Management – including the associated appointment of new members and the reappointment of existing members – and termination of the service contracts of those members leaving the Company's Board of Management; and, finally, the introduction of a new remuneration system for the Board of Management.

The Nominating Committee met on three occasions in 2013 – in January, February, and March – and discussed the shareholder representative candidates proposed for election to the Supervisory Board of SGL Carbon SE.

The Supervisory Board's new Governance and Ethics Committee met once last year (in December), when it discussed the details of how the Committee would work in future. It decided, among other things, what types of transactions would require special consideration by the Committee.

The Restructuring Committee liaised closely with the Board of Management while overseeing the planning and implementation of the SGL2015 cost savings program and the reporting activities associated with it.

The Financing Committee concerned itself with the details of the Company's financing in 2013.

Composition of the Board of Management

In order to prepare for the transition to a new generation on the Board of Management, the Supervisory Board voted in March to appoint Dr. Jürgen Köhler to the Board of Management of SGL Carbon SE and decided that Theodore H. Breyer should step down from the Board of Management before his contract was due to expire. Jürgen Muth was reappointed to the Board of Management in September. His contract runs until June 30, 2015.

The Supervisory Board decided to change the composition and reduce the size of the Board of Management with effect from January 1, 2014 as part of the SGL2015 cost savings program. In November the Supervisory Board appointed Dr. Jürgen Köhler as the new chairman of the Board of Management for a three-year term that runs until December 31, 2016. At the same time, Dr. Gerd Wingefeld was reappointed to the Board of Management until September 30, 2017. The contracts with Armin Bruch and Robert J. Koehler were terminated by mutual consent.

The members of the Board of Management of SGL Carbon SE as of January 1, 2014 are therefore Dr. Jürgen Köhler (Chief Executive Officer), Jürgen Muth (Chief Financial Officer), and Dr. Gerd Wingefeld.

Composition of the Supervisory Board and its committees

Shortly before the 2013 Annual General Meeting was due to take place, the Company's employees nominated the candidates to represent them on the Supervisory Board of SGL Carbon SE. They elected Ana-Cristina Cruz, Helmut Jodl, Marcin Rzemiński, Markus Stettberger, and Hans Werner Zorn, while the trade unions nominated Michael Leppek as their candidate. The Annual General Meeting held on April 30, 2013 elected all the aforementioned employee representatives to the Supervisory Board.

At an extraordinary meeting held in February the Supervisory Board discussed the forthcoming appointment and reappointment of shareholder representatives to the Supervisory Board and the appointment of a new chairman of the Supervisory Board; it then decided on these matters at its meeting in March.

The Supervisory Board proposed to the Annual General Meeting that it re-elect Dr. Daniel Camus and Dr. Hubert Lienhard to the Supervisory Board for a further five-year term and that it re-elect Andrew Simon for another two years. Dr. Christine Bortenlänger was nominated for a five-year term to replace Max Dietrich Kley, whose term of appointment ended on April 30, 2013 and who was no longer available as a candidate because he had reached the statutory retirement age. The Annual General Meeting held on April 30, 2013 approved all proposed candidates.

After the Annual General Meeting had finished, a constitutive Supervisory Board meeting was held, at which Susanne Klatten was elected to chair the Supervisory Board, while Helmut Jodl and Dr. Hubert Lienhard were elected as its deputy chairmen. New members were also appointed to the Supervisory Board's committees (see the Corporate Governance and Compliance Report for details).

Thanks from the Supervisory Board

Special thanks goes to the former Board of Management members Theodore Breyer and Armin Bruch for their many years of dedicated work in the Company's service. The Supervisory Board would also especially like to thank Robert J. Koehler for shaping the Company's fortunes and driving the development of new Business Areas over the past couple of decades.

In addition, we wish to thank the former employee representatives Michael Pfeiffer, Marek Plata, Josef Scherer, Stuart Skinner, and Heinz Will – who stepped down from the Supervisory Board on April 30, 2013 – for their constructive and trustful collaboration on the Supervisory Board of SGL Carbon SE.

We would also like to express our deep gratitude to Max Dietrich Kley for the loyal and professional support that he gave the Company during the nine years that he chaired the Supervisory Board.

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 2013.

Wiesbaden, March 7, 2014

The Supervisory Board

Susanne Klatten
Chairwoman of the Supervisory Board

Corporate Governance and Compliance Report

Responsible Corporate Governance

The term "corporate governance" refers to a responsible and transparent corporate management and control focused on long term value creation. These principles have long formed the basis of all our decision-making and control processes. Corporate management and control at SGL Carbon SE is structured around the relevant legal provisions, in particular, stock corporation and capital markets law, the Articles of Incorporation, the Rules of Procedure for the Supervisory Board and the Board of Management in SGL Carbon SE's Corporate Governance Principles, and the German Corporate Governance Code.

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. The Board of Management regularly, comprehensively, and promptly reports all relevant developments within the Company to the Supervisory Board. Such developments primarily include current business developments, planning and strategy as well as risk and compliance management. 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 business operations, discontinuation of existing divisions, or issuance of bonds. The Supervisory Board of SGL Carbon SE consists of six shareholder and six employee representatives. All members of the Supervisory Board are appointed by the Annual General Meeting, which is required to vote for the employee representative candidates proposed by the employees. In accordance with the Articles of Incorporation of SGL Carbon SE, in the case of a split resolution, the chairman of the Supervisory Board or, if the chairman is unable to participate in a resolution vote, the deputy chairman representing the shareholders, has the casting vote. If necessary, the Supervisory Board can also meet without the Board of Management.

Objectives for composition of the Supervisory Board

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

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

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

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

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

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

Rules for possible conflicts of interest

Members of the Supervisory Board shall disclose any conflicts of interest to the chairman and/or deputy chairmen of the Supervisory Board. This includes both concrete conflicts of interest which may occur, as well as sufficiently probable potential conflicts of interest. Any significant conflicts of interest on the part of a Supervisory Board member that are not merely temporary in nature shall lead to that member's resignation from the Board.

There were no indications of conflicts of interest among the members of the Board of Management or the Supervisory Board in the reporting period. In order to be able to deal suitably with any issues concerning (potential) conflicts of interest that may arise, and as suggested by shareholders, a new committee in the Supervisory Board was formed in September 2013: the Governance and Ethics Committee (see below in the section on Supervisory Board Committees). During the period under review there were 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 31**).

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 (see remuneration of the Board of Management described below). In addition, the committee submits proposals for the appointment of new members and the dismissal of members of the Board of Management to help prepare the respective Supervisory Board decisions. The committee's other members are Dr. Lienhard and Mr. Jodl.

Nomination Committee

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

Audit Committee

The Audit Committee consists of four members and is chaired by Andrew Simon. The committee's other members are Dr. Bortenlänger, Mr. Leppek and Mr. Stettberger. The responsibilities of the committee include monitoring the Company's financial accounting process, risk management, compliance, and consequently its internal control and auditing system. In addition, it is in charge of carrying out its own review of the consolidated financial statements of SGL Group and the annual financial statements of SGL Carbon SE. Furthermore, the committee is in charge of the relationship between the Company and its independent auditors. In this context, its main responsibility is to prepare the Supervisory Board's proposal to the Annual General Meeting for the appointment of the auditor. In doing so, it must ensure that the auditor is both qualified and independent. The committee also defines key audit issues, agrees on audit fees, and performs the preparatory work related to appointing the auditor.

Strategy/Technology Committee

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

Governance and Ethics Committee

The Governance and Ethics Committee reviews, in particular, if transactions between SGL Group companies and members of the Supervisory Board, their related parties and shareholders with an interest of more than 5% of voting rights in SGL Carbon SE are in line with industry standards, and that these transactions do not contradict the 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 also forms temporary, project-related committees as required. For example, a restructuring committee has been formed in 2013 to support the SGL2015 cost saving program, with Mr. Eichler (Chair), Ms. Klatten, Mr. Jodl, Dr. Lienhard and Mr. Stettberger as its members. In addition, in connection with the 2013 refinancing, a further temporary committee was formed, whose members included Ms. Klatten, Dr. Camus and Mr. Leppek.

Systematic Risk Management

Since a responsible approach to risk is an integral part of all good corporate governance practices, SGL Group developed an appropriate risk management system early on. The system ensures that the Company's risk management and control procedures are adequate and effective. The concept is to identify any business or financial risks as early as possible so that appropriate countermeasures can be taken. The Company is working to enhance the system on an ongoing basis and adapt it to reflect changing circumstances. The Board of Management reports at regular intervals to the Supervisory Board and in particular to the Audit Committee on existing risks and their development. Further information on the risk management system can be found in the risk report on pages 106–114.

Updated Declaration of Compliance

During the year under review, SGL Carbon SE's Board of Management and Supervisory Board dealt with the changes to the German Corporate Governance Code resolved by the Government Commission on May 13, 2013 in order to constantly improve corporate governance. On December 19, 2013, the Board of Management and the Supervisory Board issued the current version of the Declaration of Compliance pursuant to section 161 of the German Stock Corporation Act (AktG). SGL Carbon SE meets the recommendations of the German Corporate Governance Code, as amended, with only a few exceptions.

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

"The Board of Management and the Supervisory Board declare that the Company is in compliance with the recommendations of the "Government Commission on the German Corporate Governance Code" ("Regierungskommission Deutscher Corporate Governance Kodex") in the version dated May 13, 2013 (publication as of June 10, 2013) with the following exceptions:

- Code section 4.2.2 (2) Sentence 3: When measuring the remuneration for the Board of Management as part of the currently existing employment agreements for the Board of Management, the recommendation which was added on June 10, 2013 to consider the ratio of remuneration for the Board of Management to the remuneration for 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, as the legal positions acquired in these agreements shall not be subsequently changed, and in addition the ratio is only to be defined when the future remuneration structure for the executives has been set, which is currently being reviewed by the Company.

- Code section 4.2.3 (2) Sentence 6: When measuring the remuneration for the Board of Management as part of the employment agreements for the Board of Management that were concluded before June 10, 2013, the recommendation which was newly added on June 10, 2013 to include caps for the remuneration and variable remuneration components in the employment agreements for the Board of Management which existed on this date was not implemented, as the legal positions acquired in these agreements shall not be subsequently changed. However, the Supervisory Board will follow this recommendation when concluding new and extending existing agreements with the Board of Management, and will uphold this recommendation for the revised agreements with the Board of Management which come into effect on January 1, 2014.

- Code section 4.2.3 (4): The payment cap in case of the premature termination of a Board of Management member's contract is, in our view, not appropriate in all cases with respect to the current contract and compensation structure, so that in the contracts which currently exist (Note: i.e., on December 19, 2013, the date the declaration of compliance was issued) no cap is included, and from January 1, 2014 for one of the contracts existing at that time no cap is included.

The Board of Management and the Supervisory Board further declare that the Company had been in compliance with the recommendations of the "Government Commission on the German Corporate Governance Code" (Code) in its version dated May 15, 2012 (publication as of June 15, 2012) since the delivery of the last Declaration of Compliance on December 6, 2012 apart from the named deviations therein, and in compliance with the recommendations of the Code version dated May 13, 2013 since the publication of such version apart from the deviation named above.

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

The statement is also published on the website www.sglgroup.com

Active and transparent shareholder communication

One of the primary objectives of the Board of Management is to report comprehensively to all target groups, in particular to our shareholders, and to communicate the same information at the same time. A calendar of regular events (such as the Annual General Meeting and 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.

Remuneration of the Board of Management in fiscal year 2013 (Part of the Combined Management Report)

This section forms part of the Management Report, as well as the sections "Further development of remuneration for the Board of Management from 2014" and "Supervisory Board Remuneration". According to the remuneration system which applied until December 31, 2013, the members of the Board of Management of our Company received a total remuneration that comprised both fixed and variable components. The fixed component consisted of a monthly salary, additional benefits and pension commitments.

The variable component consisted of the variable cash compensation with a short-term and a medium-term component, and the SAR Plan (SAR = Stock Appreciation Rights). Furthermore, the Matching Shares Plan was continued in the same form as in previous years.

Variable Cash Compensation

The Variable Cash Compensation comprised an annual bonus (60% of the Variable Cash Compensation) and a multi-year component (40% of the Variable Cash Compensation). A total of 10% of the annual pre-tax bonus under the Variable Cash Compensation had to be invested in SGL Carbon SE shares, which were subject to a minimum lock-up period of 24 months.

Annual Bonus

A maximum bonus amount was established for each member of the Board of Management (to be paid if 100% of target was achieved). The bonus payment depended on whether certain targets, as defined by the Supervisory Board, were achieved (weighting: 70%) as well as an evaluation of the overall performance of the Board of Management, which the Supervisory Board conducts (weighting: 30%). The Supervisory Board reserved the right to review the appropriateness of the targets and specify new ones. The Supervisory Board had thus set defined earnings before tax (EBT) targets (weighting: 35%) and free cash flow targets (weighting: 35%). Both the EBT and free cash flow targets corresponded to the Company's annual planning.

In the context of the overall evaluation of the performance of the Board of Management, the Supervisory Board determined an amount to be paid of between 0% and 100% of the target bonus amount defined for the performance of the Board of Management. The performance evaluation was based on pre-defined evaluation criteria.

Multi-Year Component

The multi-year component was determined based on the average attainment of annual return on capital employed (ROCE) targets within a three-year period. The Supervisory Board set the ROCE target and threshold values each year.

Stock Appreciation Rights (SAR Plan)

In addition to the base remuneration and the variable cash compensation, the Company had an SAR Plan. For further details on the SAR Plan, please refer to the notes on the management and employee bonus plans and the remuneration report in the notes to the consolidated financial statements (**Note 34**) and the remuneration report (**Note 35**), respectively.

The remuneration report (including the following descriptions of the new remuneration system from fiscal year 2014) is a component of the management report. Please refer to the report (**Note 33**) in the notes to the consolidated financial statements for further information on the participation programs stated and the remuneration received by each individual member of the Board of Management in 2013.

Further development of remuneration for the Board of Management from 2014 (Part of the Combined Management Report)

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 by the Supervisory Board with the assistance of an independent, external advisor and resolved by the Supervisory Board on December 19, 2013. The remuneration for the members of the Board of Management was changed on January 1, 2014. As a rule, the individual agreements for the Board members are identical. Different characteristics have been agreed in some cases with respect to the company retirement benefits, the maximum total remuneration and the provisions in the event of termination of a Board member's contract. These differences take into account the respective Board member's situation on the date when the remuneration system was changed.

As part of this revision, to fulfill the regulatory requirements, the following objectives in particular were considered:

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

The fundamental system for the new remuneration for the Board of Management is described below.

Structure of remuneration for the Board of Management

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

The non-performance related components include a fixed annual salary (basic remuneration) as well as incidental payments and an annual contribution to retirement benefits. The basic remuneration is paid in twelve equal installments at the end of each month. This totals €630,000 per year for Dr. Köhler, €465,000 for Mr. Muth, and €465,000 for Dr. Wingefeld.The incidental payments mostly comprise the use of a company car, including use of the pool of chauffeurs, accident insurance, as well as D&O insurance with a deductible according to the Aktiengesetz (AktG – German Public Limited Companies Act) and the German Corporate Governance Code (GCGC).

The performance-related components comprise annual variable remuneration (SGL Carbon SE Bonus Plan) and a multi-year variable remuneration component (SGL Carbon SE Performance Share Plan).

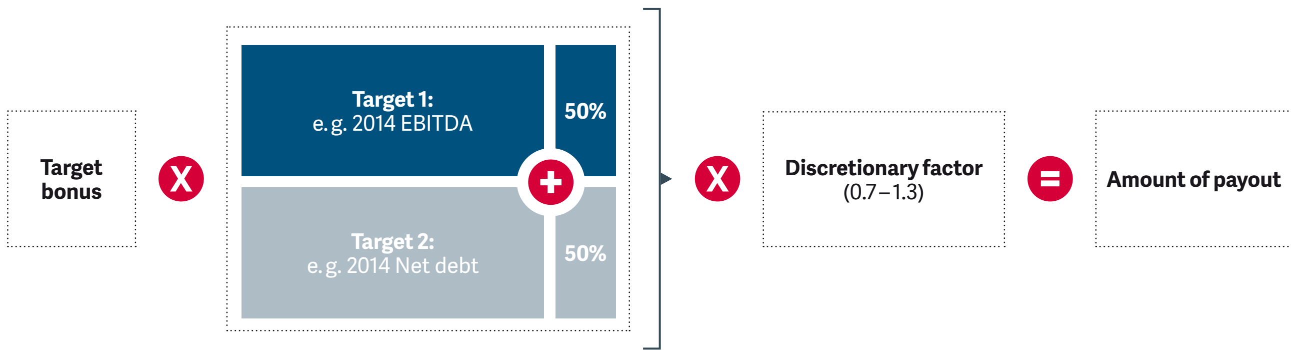
SGL Carbon SE Bonus Plan

The annual variable remuneration for the members of the Board of Management is measured based on a target bonus defined individually for each Board member (Dr. Köhler €420,000, Mr. Muth €558,000, and Dr. Wingefeld €350,000 per year). The amount paid out depends on financial and individual performance targets being reached during a fiscal year.

In determining the annual variable remuneration, as a rule, the Supervisory Board sets two financial performance targets, which can vary from year to year. These carry an equal weighting of 50%. Depending on the target, these can be reached at between 0% and 200%. The requirements for this target achievement increases from 120% onwards.

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

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

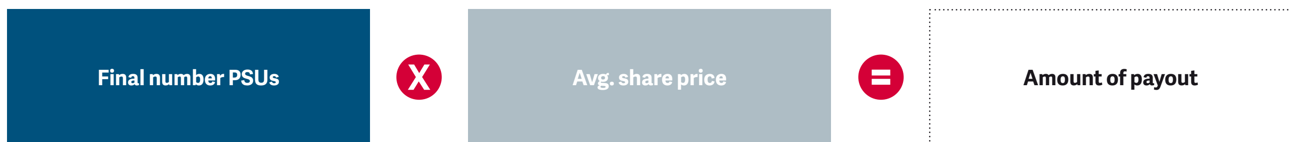


SGL Carbon SE Performance Share Plan

Members of the Board of Management are entitled to multi-year variable remuneration in the form of the SGL Carbon SE Performance Share plan (SGL PSP). SGL PSP aims to honor the company's sustained, long term growth. This is mapped using the multi-year ROCE (performance target) and share price. One tranche of the plan is granted each year. The Supervisory Board sets the target ROCE including the relevant minimum and maximum threshold for a period of four years.

Upon granting, an allocation value in euros has been set for each Board member (Dr. Köhler €700,000, Mr. Muth €993,900, and Dr. Wingefeld €545,000 per year). This is used to calculate a preliminary number of virtual shares (performance share units, PSU) every year. The number of preliminary PSUs is calculated at the start of the corresponding period by dividing the allocation value by the fair value per share for the PSU. This fair value is computed by an independent third party.

After a period of four years, the degree of ROCE-target attainment is identified. A payment is only made if at least the lowest ROCE target is reached. The final number of PSUs is limited and can be between 0% and 150% of the preliminary number of PSUs. The possible amount paid is defined by the final number of PSUs multiplied with the rounded share price at the end of the 4-year performance period. The rounded share price is the average share price for 60 trading days at the end of the 4-year performance period. The total amount to be paid out is capped at 200% of the allocation value on the date granted (Cap). Payouts are made in cash.



€	Chief Executive Officer		Chief Financial Officer		Member of the Board of Management	
	2013	**2014**	2013	**2014**	2013	**2014**
Direct Target Remuneration	2,965,000	1,780,000	2,067,933	2,044,900	2,067,933	1,390,000
Retirement benefits	593,000	0	762,000	810,000	658,000	699,000
Target Remuneration	**3,558,000**	**1,780,000**	**2,829,933**	**2,854,900**	**2,725,933**	**2,089,000**

Company retirement benefits

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

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

The company retirement benefits plan for Dr. Köhler has been migrated to the new system. The former system continues to apply for Mr. Muth and Dr. Wingefeld.

Shareholding requirements

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

The Supervisory Board is entitled to re-determine the number of shares to be held when the Board of Management is re-appointed in line with the described method.

Maximum total remuneration

As part of the changes to the contracts, the target remuneration (basic remuneration plus 100% target achievement for all variable targets plus retirement benefits) will be reduced significantly from January 1, 2014 (see table above):

The contract for the CFO Mr. Muth has been changed in principle with effect from January 1, 2014, however the amount is identical to that in the previous contract. Dr. Köhler will receive for the first time on January 1, 2017 a defined contribution for the period relating to 2016.

In addition, it was resolved to set maximum total remuneration for 2014. That means that the annual gross remuneration of the members of the Board of Management of SGL Carbon SE (including contributions to the company pension scheme) is subject to a cap, considering all of the remuneration components. The maximum amount of the annual maximum remuneration from fiscal year 2014 is €3,600,000 for Dr. Köhler, €2,854,900 for Mr. Muth, and €3,100,000 for Dr. Wingefeld.

Payments in the event of termination of activities

If the appointment of the Board member as a member of the Board of Management is prematurely terminated – be this by mutual consent, cancellation, resignation or by termination as a result of company law proceedings under the UmwG – the Board members receive maximum compensation of two annual salaries in line with the German Corporate Governance Code. If the residual period of the employment contract for the member of the Board of Management is less than two years, the compensation is generally reduced and is to be calculated on a pro rata basis. The amount of the annual remuneration to be paid is governed by the total amount of the fixed salary and the variable remuneration components, based on targets being 100% achieved without non-cash compensation and other incidental payments for the last full fiscal year prior to the end of the employment agreement for the Board member.

As a rule, the Board members are subject to a one-year ban on competition after their contract ends. As compensation, the company pays the members of the Board of Management compensation of 50% of their last target remuneration for the duration of the prohibition on competition. Other income of the Board member is netted with this compensation.

In the event of a change of control, there is separate regulation for Board members (see **Note 36**) in the notes to the consolidated financial statements.

Supervisory Board remuneration regulated by the Articles of Incorporation (Part of the Combined Management Report)

The remuneration of the members of the Supervisory Board, which is determined by the Annual General Meeting, is governed by section 12 of the Articles of Incorporation. Under the provisions of this section all members of the Supervisory Board receive a fixed base remuneration plus reimbursement of out-of-pocket expenses. Each member of select committees receives additional compensation for attending a meeting of these committees. Please refer to the notes to the consolidated financial statements (**Note 33**) for further information on the remuneration received by each member of the Supervisory Board. The Annual General Meeting on April 30, 2013 resolved to increase the fixed remuneration for ordinary members of the Supervisory Board to €50,000, for the Deputy Chairmen to €75,000, and to €125,000 for the Chairman of the Supervisory Board from January 1, 2014. In addition, in view of the large amount of time required for their activities, compensation for members of the Audit Committee will be increased from €2,000 to €3,000 and the compensation for the Chairman of this committee should increase from €5,000 to €6,000 per meeting, while the previous regulation continues to apply to the HR and the Strategy/Technology Committee.

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 a summary of all transactions involving members of the Board of Management and the Supervisory Board as well as persons closely affiliated to them of which we were notified during the year under review. The respective notifications were immediately posted on SGL Group's website.

Directors' Dealings in 2013

Date of transaction	Name of person	Type of security/right	International Securities Identification Number (ISIN)	Type of transaction	Price (€)	Quantity	Total amount traded (€)
Jan. 10, 2013	Robert J. Koehler	SGL Shares	723530/DE0007235301	Sale	34.02243	6,410	218,083.78
Jan. 11, 2013	Robert J. Koehler	SGL Shares	723530/DE0007235301	Sale	33.42006	8,387	280,294.04
March 15, 2013	Armin Bruch	SGL Shares	723530/DE0007235301	Sale	31.524544	12,856	405,279.54
March 21, 2013	Theodore H. Breyer	SGL Shares	723530/DE0007235301	Sale	31.285	21,497	672,533.64
March 22, 2013	Robert J. Koehler	SGL Shares	723530/DE0007235301	Sale	30.69925	15,936	489,223.24
March 25, 2013	Robert J. Koehler	SGL Shares	723530/DE0007235301	Sale	30.61830	16,500	505,201.95
March 28, 2013	Gerd Wingefeld	SGL Shares	723530/DE0007235301	Purchase	30.83	8,272	255,025.76
March 28, 2013	Jürgen Muth	SGL Shares	723530/DE0007235301	Purchase	30.83	5,515	170,027.45
March 28, 2013	Armin Bruch	SGL Shares	723530/DE0007235301	Purchase	30.83	8,272	255,025.76
March 28, 2013	Theodore H. Breyer	SGL Shares	723530/DE0007235301	Purchase	30.83	9,333	287,736.39
March 28, 2013	Robert J. Koehler	SGL Shares	723530/DE0007235301	Purchase	30.83	12,596	388,334.68
May 31, 2013	Theodore H. Breyer	SGL Shares	723530/DE0007235301	Sale	28.63547	10,136	290,249.12
Sep. 24, 2013	Theodore H. Breyer	SGL Shares	723530/DE0007235301	Sale	27.26	5,000	136,300.00
Sep. 25, 2013	Theodore H. Breyer	SGL Shares	723530/DE0007235301	Sale	28.37	19,000	539,030.00
Dec. 6, 2013	Robert J. Koehler	SGL Shares	723530/DE0007235301	Sale	30.0051	8,572	257,203.72
Dec. 9, 2013	Robert J. Koehler	SGL Shares	723530/DE0007235301	Sale	30.13794	2,814	84,808.16
Dec. 10, 2013	Robert J. Koehler	SGL Shares	723530/DE0007235301	Sale	30.16514	8,614	259,842.52
Dec. 11, 2013	Robert J. Koehler	SGL Shares	723530/DE0007235301	Sale	30.00578	13,000	390,075.14

At year-end 2013, the members of the Board of Management neither directly nor indirectly held more than 1% of the outstanding shares in the Company. According to her notification of voting rights dated May 2011 and her directors' dealings reports, at the end of the year 2013 Supervisory Board member Susanne Klatten holds approximately 28% of the outstanding shares through SKion GmbH.

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 guidelines 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 legal department, and compliance officers. All employees are personally responsible for ensuring that their actions and conduct are in line with the Code of Business Conduct and Ethics of SGL Group and in compliance with the regulations of their respective work areas. Compliance must be ever-present in the minds of our executives and employees, and they must live this in their day-to-day business. This allows compliance to sustainably support the success of our business.

SGL Group introduced and implemented specific compliance programs and measures many years ago. Our compliance programs are regularly reviewed and adjusted as required. In view of the increased compliance requirements, and to further develop a standardized compliance approach, the Board of Management established the Group Compliance department in September 2009. Its task is to steer the required comprehensive organizational, communications, and control structures for SGL Group worldwide. Effective compliance goes beyond merely ensuring the adherence to legal and formal requirements and structures: Compliance must become an integral part of value-oriented corporate management. After the "Compliance Days 2012", which the Compliance department conducted following the communication of the 2011 roll-out, 2013 was entirely governed by the global introduction of the eLearning program on the code of conduct. This training component is a key addition to the existing activities, and sustainably reinforces compliance awareness for all SGL Group employees around the world. Around 3,400 employees were already trained all over the world in 2013.

In addition, a process to review business partners' compliance standards (business partner compliance) was added to the compliance management system which has been put in place, also in view of the requirements resulting from the UK Bribery Act. The various activities were rolled out in various stages in the company.

Part of the compliance organization in SGL Group is the network of regional and local compliance officers. In 2013, the information and communication structures already introduced were continued, in order to ensure the transfer of knowledge between the regional and local compliance officers and Group Compliance.

SGL Group's Code of Business Conduct and Ethics with its whistleblowing policy and its gifts and entertainment policy is part of the information package for new hires and is handed out to all new employees. The policies are now available in nine languages.

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

A comprehensive, global antitrust compliance program was introduced at SGL Group already in 2001. Regularly scheduled training sessions are an integral part of the compliance program. All new employees of the respective target group participate in a personal training session, after which refresher courses take place at least every two years. Since the program was introduced, more than 180 training sessions have been conducted worldwide with approximately 2,980 employees. In 2013, 290 employees took part in the personal training.

Other measures relate to, for example, capital markets law 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, and the maintenance of insider lists, to name a few. An Ad-hoc Committee has been in place for years now. The committee consists of representatives of a number of company functions who examine potential ad-hoc issues and ensure that potential insider information is handled in accordance with legal provisions. Our compliance program for export control has been working with an IT-based compliance module since 2009. This supports the efficient monitoring of relevant export transactions. Furthermore, training sessions and workshops on export control compliance are held regularly. In addition, the eLearning program on export control was introduced, and approx. 400 employees have already been trained.

The Supervisory Board's Audit Committee addressed the Company's compliance activities in detail at its meeting in December 2013.

Corporate Social Responsibility

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

The following chapter provides an overview of SGL Group's principal CSR activities. You will find more details and further examples under Corporate Social Responsibility in the Company section of our corporate website at www.sglgroup.com.

Integrity and values

Acting responsibly and in accordance with the law is anchored in SGL Group's corporate philosophy. Our Code of Business Conduct and Ethics 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 settings into account, and it reflects our common values. We act fairly and honestly vis-à-vis business partners, shareholders, the authorities and the general public. Our employees treat each other with courtesy and respect and we act responsibly with regard to the environment – these are our key principles. The Code plays an important role in building and maintaining trust and supports the personal integrity of our employees.

Each employee is personally responsible for ensuring that their actions are in line with the Code. The Code also provides the framework for other corporate guidelines, in which specific regulations are described and explained in greater detail. These guidelines are also a substantial component of SGL Group's Corporate Governance principles.

Management serves as an important role model when fulfilling its personnel and leadership responsibilities. The members of the Compliance Network are also available to employees for compliance-related questions. Furthermore, the company-wide compliance program serves to deepen the staff's knowledge of compliance standards and legal requirements through regular training sessions and targeted communication. After introducing the program with extensive on-site training in 2011 and the "Compliance Days" in 2012, an Internet-based Code of Conduct educational program was introduced around the world at all SGL Group sites as a further important building block. (See also Corporate Governance and Compliance Report page 26)

SGL Group is also committed to ensuring that the conduct of its business partners meets the Company's compliance standards. To this end, a company-wide process to review the compliance standards of business partners was developed, among others, and has been introduced in several stages since 2013.

Responsibility for employees

SGL Group is continuously developing. Our fascination with carbon is what joins us together. Every single day our employees contribute their experience, dedication and passion for carbon, helping to further advance the Company.

SGL Group employees – The strategic advantage of diversity

At the end of 2013, SGL Group had a total of 6,284 employees – down 402 or 6% year on year, which is mainly the result of the sale of SGL Rotec as of December 31, 2013. The Group's workforce continues to be very international. Europe has the greatest share with 67% (2012: 69%), followed by North America with 22% (2012: 20%) and Asia with 11% (unchanged).

The global presence of SGL Group is reflected in the structure of the workforce. The diversity of nationalities, cultures and languages is an important strategic advantage. Interaction among and the exchange of knowledge between employees is supported, for example, by actively sending employees on foreign assignments to our facilities in other countries. As in 2012, a total of 25 executives were on international expatriate assignments in 2013. The largest groups of expatriates are once again in China, Malaysia and Portugal. Because the promotion of diversity in the workforce is important to us, in 2013 this aspect was included as one of six cornerstones of SGL Group's competence model, which serves as a basis for the internal development of executives and top performers.

Equal opportunity, family friendliness and health management

The share of women in our workforce as of December 31, 2013 remained unchanged compared with the previous year at 15%. The share of women in executive positions was 19%, an increase of three percentage points above 2012. The Group's workforce is characterized by a balanced age structure, which only changed marginally compared to the prior year. 26% of all employees are younger than 36 years old and another 26% are between 36 and 45 years old (2012: each 27%); 31% are 46 to 55 years old (2012: 30%); 17% are more than 55 years old (2012: 16%).

In order to support the work-life balance and health of our employees, we offer specific programs at some sites in addition to flexible working hours, such as childcare options during the summer break as well as medical checkups and health workshops. One example in 2013 was the launch of a new training series entitled "healthy leadership" (Gesund Führen) at our site in Meitingen (Germany), based on an employee survey. The series teaches executives to pay particular attention to each employee's health risks and lead with foresight.

Training and education

Consistent HR development is an essential component of our company philosophy, both because of our responsibility to our employees and also for the long term development of SGL Group. Our goal is to encourage our employees to develop themselves both personally and professionally. To this end we also train specialists in-house and foster the development of our employees through internal training programs.

Training has always played an important role at SGL Group. In 2013, we had 125 apprentices in our German facilities alone. As in previous years, the majority worked at our facilities in Meitingen (78 apprentices) and Bonn (39 apprentices). SGL Group has a total of eleven apprenticeship schemes and three dual-degree programs. Beyond the specialist training, we also offer general education courses to the apprentices, such as on the topic of money in working life.

To provide our employees with further education, we offer semiannual development meetings as part of the performance reviews in addition to a wide variety of individual programs aimed at advancing our employees' professional qualifications. Moreover, we provide an extensive three-step program series called "Leadership@Work" to selected executives and top performers to promote the development of personal, interdisciplinary competencies. In April 2013, the program was awarded the Certificate of Merit in Best HRD Practice Category by the International Federation of Training and Development Organizations (IFTDO). One element of our executive development program sees SGL Group enable selected young executives with mainly science or engineering degrees to pursue an internationally recognized, English-language MBA degree. Particularly noteworthy in this respect is our many years of cooperation with the University of Augsburg as well as the European Business School (EBS – Universität für Wirtschaft und Recht, Oestrich-Winkel/Wiesbaden).

ECOPHIT® climate ceiling - for environmentally friendly climate control

Competing for talent – Grants, internships and theses

As an innovative company targeting long term business sustainability, we are always competing for the best talent. In this context, we are also pleased about our good performance in employer rankings such as the "Top Arbeitgeber Deutschland" (top German employer) study conducted by the CRF Institute. The study gave SGL Group excellent marks for the past year in all categories, including the "Top German Employer" award. Moreover, SGL Group ranked as one of the 100 most popular employers in Germany in 2013 in the Student Survey by the employer branding consulting firm UNIVERSUM Communications, which surveyed some 23,000 students.

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 job fairs. We also offer tangible support in the form of university grants, internships and provide opportunities for students to cooperate with us in writing dissertations and theses. We do this, for example, as part of our extensive alliances with various universities around the world (see "Promoting Science – Shaping the Future Together", pages 48–49).

Furthermore, we participate in many other activities to support the exchange between business and students. In 2013, for example, we continued to be active in "Formula Student," an international series of race car construction competitions for students, and we organized events for students of the Compliance Officer advanced training course at the University of Augsburg.

Our online career page acts as the main point of contact for applicants. In 2013, within the frame work of introducing an e-recruiting system, we modernized the page with a user-friendly design based on the new visual concept for our employer brand which highlights our employees and their passion for carbon.

Carbon materials

As a specialist for carbon materials, SGL Group's products contribute to increased sustainability, which allows customers to create more environmentally friendly production processes as well as manufacture more environmentally friendly products. The extraordinary properties of carbon materials are essential for this. Depending on its form and processing, the material is characterized by excellent electrical and thermal conductivity, high resistance to heat and corrosion and unique light weight combined with strength. In the following we briefly present some of these products and their contribution to increased sustainability.

SGL Group blazes trails for sustainable product solutions

The best known example for the use of carbon for sustainable solutions is lightweight construction, which plays an increasingly important role in both the aerospace and automotive sectors. In order to save weight and, thus, to cut fuel consumption and CO_2 emissions, many manufacturers are increasingly using components made of carbon fiber reinforced plastics (CFRP).

In the solar and LED industries, graphite is used to produce ultra-pure silicon. Carbon is also the first choice for many applications in which energy storage and efficiency are critical factors, for example, as anode material in lithium ion batteries or as heat conductors in climate control systems. One very new application is the use of carbon fibers to strengthen and reinforce buildings and bridges. This makes both brand-new and longer lasting constructions possible.

One traditional but little-known application is the recycling of scrap steel. This is the largest recycling process in the world, and our graphite electrodes are used to melt steel scrap in steel producers' electric arc furnaces.

Wide range of applications – Selected examples for sustainable solutions

Lightweight construction

Where is carbon used?

- Components made of carbon fiber reinforced plastics (CFRP) are used, among others, in aircraft manufacturing as well as in automobile bodies – for example, in the passenger cell of the BMW i3.

What contribution does carbon make?

- CFRP is approximately 40% lighter than aluminum and 70% lighter than steel. As a result, the material helps to reduce weight, thereby saving fuel and lowering CO_2 emissions.

Photovoltaic, LEDs and semiconductors

Where is carbon used?

- As a material for smelters and heating elements for the production of ultra-pure silicon, a key raw material in photovoltaic systems, LEDs and semiconductors for computer chips.

What contribution does carbon make?

- Carbon in the form of isostatic graphite remains solid and chemically resistant at temperatures far above the melting point of silicon (over 1,400 C°). This is necessary to enable the production of ultra-pure silicon.

Energy efficiency in buildings

Where is carbon used?

- In lightweight boards in our ECOPHIT® climate elements.

What contribution does carbon make?

- In the form of expanded natural graphite, carbon helps to quickly balance different temperatures and distribute both cold and heat quickly and evenly over the surface area. A climate ceiling with ECOPHIT® uses up to 40% less energy compared with conventional heating and cooling systems.

In fiscal year 2013, a total of approximately 62% of our Group sales revenue was linked to products for sustainable solutions. This included carbon fiber composites for light-weight construction, specialty graphite for the solar and LED industry as well as graphite electrodes for steel scrap recycling. We carry out many of our own research activities and have set up many cooperations with universities and other partners in order to continuously advance the potential applications for carbon in sustainable solutions and develop new products (see “Promoting science – shaping the future together” on pages 48–49 as well as our own research activities in the T&I section of the management report on pages 66–68).

Resources and environmental protection

Conscious use of resources, environmental protection and upholding high standards in health and safety at work are key prerequisites for SGL Group’s responsible and sustainable growth. The organizational foundation for monitoring and continuously developing all environmental protection and health and safety activities are formed by the central function Corporate EHSA (Environment, Health & Safety Affairs), which coordinates all Group-wide activities, sets uniform standards and routinely audits developments in cooperation with local EHSA representatives.

The fundamental principle of energy efficiency

Industrial production processes naturally require a certain amount of energy. The high temperature technologies used to manufacture products made of carbon are energy intensive yet necessary in order to generate the special properties of the various products. More than four-fifths of SGL Group’s energy consumption is in the form of heat. In some steps, temperatures of up to 3,000°C are required.

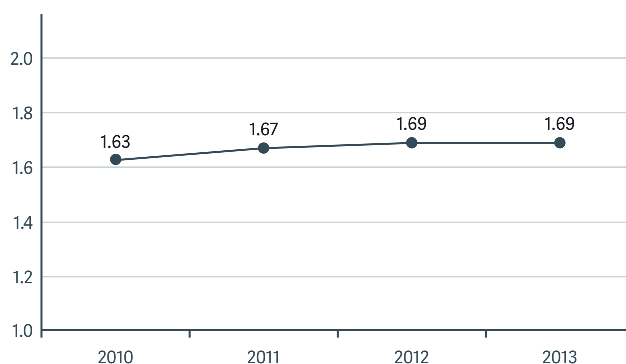
Therefore, resource conservation is not only one of SGL Group’s fundamental environmental principles, it also makes good business sense. When planning new plants and buildings as well as operating existing facilities, we look for ways to further improve energy efficiency.

Energy consumption of SGL Group in gigawatt-hours (GWh)

	2013	2012	2011	2010
Total energy consumption	2,717	2,766	2,662	2,272

The overall energy consumption of SGL Group has increased in the past four years – from 2,272 GWh in 2010 to 2,717 GWh in 2013 – a result of increased as well as additionally acquired production volume, for example, through the acquisition of Portuguese manufacturer Fisipe.

Energy consumption in megawatt-hours (MWh)
per €1,000 adjusted [1] sales revenue



[1] Excluding price and currency translation gains and losses

In the same period, the specific energy consumption remained relatively constant at approx. 1.6–1.7 MWh per €1,000 adjusted sales revenue (see figure above). This is on the one hand the result of production specifics such as the commissioning of new production facilities as well as lower

utilization in our worldwide facilities in 2013, but also on the other hand a result of proactive measures to increase energy efficiency, such as the introduction of an energy management system in Germany and heat recovery systems (see text box).

Moreover, SGL Group is also engaged in the development of new forward-looking energy management models for industrial companies. For example, we are a partner of the FOREnergy initiative of the Bavarian Research Foundation. The goal of the initiative, which currently includes 28 partners from science and business, is to research concepts and solutions for energy flexible factories.

Examples of energy efficiency measures

SGL Group works consistently at its sites to develop and implement new measures and systems to improve energy efficiency.

Launch of energy management system – in 2012 and 2013 SGL Group introduced an energy management system (EnMS) in accordance with DIN ISO 50001 at six German sites. The EnMS is regularly audited for conformity with both the DIN and internal standards.

Heat recovery systems – at our Scottish site Muir of Ord we put a heat recovery system into operation that uses the warm process exhaust air and redirects it into the production process. At our Austrian site Steeg, the exhaust heat from production is fed directly to the local energy supplier's district heating grid via a heat exchanger.

Acting responsibly with cooling water

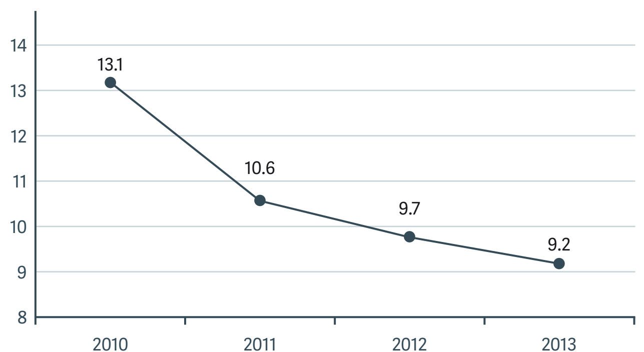
The manufacture of products made of carbon and graphite does not require water for the product itself, but instead is needed primarily for cooling the systems used in the production process. The use of secondary cooling circuits prevents contact with the products, which ensures that the water is not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

In 2013, our absolute water consumption declined from around 18 million cubic meters in 2010 to under 15 million cubic meters – a 20% reduction despite increased production and the acquisition of additional facilities. Consumption even declined from 13 cubic meters in 2010 to 9 cubic meters in 2013 per €1,000 adjusted sales revenue. More than 90% of the consumed water in 2013 was used to cool production systems. The remaining volume was used for cleaning or sanitary purposes.

Water consumption of SGL Group in millions of cubic meters (million m^3)

	2013	2012	2011	2010
Total water usage	14.7	15.9	16.8	18.4

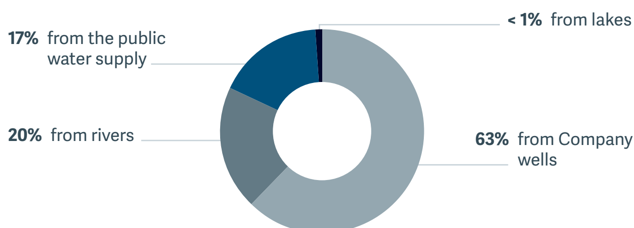
Water consumption in cubic meters (m^3) per €1,000 adjusted[1)] sales revenue



[1)] Excluding price and currency translation gains and losses

Nearly two-thirds of SGL Group's water requirement is taken from its own well, and after it is used as a coolant, fed into rivers or public canal systems in its natural state. Just under one-fifth of the water requirement is taken from river water and another one-fifth from the public water supply.

SGL Group's water usage by source in 2013



The motto is: avoid waste and recycle

The SGL Group motto for waste is "reduce, reuse, remove" – reducing first, reusing where possible and removing only when necessary. The advantage here is that carbon as well as most of the byproducts of our production processes are to a large extent recyclable. Waste that cannot be avoided can often be reused in other products. Examples include recycling tar from the production of graphite for use as a source of energy, and using recycled carbon fibers as fleece textiles or in CFRP-based secondary components for automotive products (see text box).

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

Byproducts are valuable raw materials – Recycling examples

Most of the byproducts of SGL Group's production processes are to a large extent recyclable.

Recycling tar as an energy source – Well over 80% of the waste resulting from graphite production is tar, which can be recycled as a source of energy within the Company. For example, at our facility in Raciborz (Poland), an incinerator was installed that can use tar from filters for heat recovery.

Recycling carbon fiber scrap pieces into fleece textiles and for auto parts – Carbon fiber scrap pieces that accumulate during production can be processed into high-quality fleece textiles in a special textile machine. These textiles can be further processed into components using a variety of methods. For example, carbon fibers recycled in this way are used to make the rear seat shells in the BMW i3.

In these cases, the waste is recorded, analyzed and categorized. The proper disposal is precisely documented and accounted for.

The total volume of waste generated by SGL Group declined slightly year on year. In absolute terms, a total of approximately 42,500 tons accumulated in 2013, of which 5,200 tons were categorized as hazardous waste. Based on the adjusted

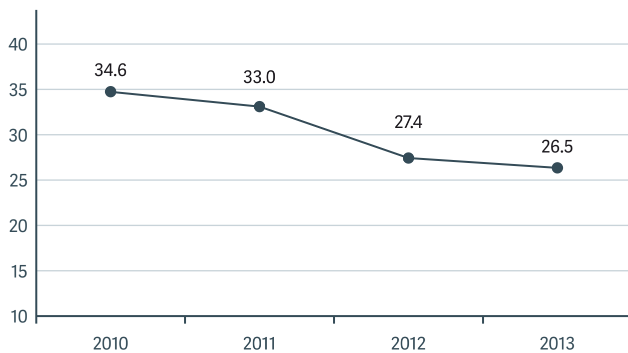
sales revenue, which increased by 15% from 2010 to 2013, the volume of waste actually fell by 20% in the same time frame, totaling 26.5 kg per €1,000 adjusted sales revenue in 2013 (see graph).

SGL Group waste in kilotons (kt) [1]

	2013	2012	2011	2010
Total waste	42.5	44.8	52.6	48.3
thereof hazardous waste	5.2	4.7	4.7	3.9

[1] Recording takes place in accordance with regional laws in each case

Waste volume in kilogram (kg) per €1,000 adjusted [1] sales revenue



[1] Excluding price and currency translation gains and losses

Handling emissions and chemical substances responsibly

Handling emissions and chemical substances responsibly is a key aspect of environmental protection at SGL Group. In this context, SGL Group has invested more than €75 million in the past eight years in equipment with Best Available Techniques (BAT) for environmental protection. These maximum standards are developed together with the European Carbon & Graphite Association (ECGA). The focus of these investments are processes to clean production exhaust gases such as regenerative thermal oxidation (RTO), in which contaminants are thermally removed from the exhaust gases. Most of the heat is then recovered from this process. This combines the highest degree of heat recovery with high cleaning performance.

To avoid CO_2 emissions, special attention was given to the use of renewable energies, among others, when the site was selected for the carbon fiber facility of SGL Automotive Carbon Fibers (SGL-ACF), a joint venture with the BMW Group. At our facility in Moses Lake (State Washington), USA, the manufacture of carbon fiber runs completely on hydropower generated electricity. A further example of how we are optimizing our CO_2 emissions is the revision of the Group's company car policy. In addition to economic criteria, substantial emphasis is being placed on the reduction of CO_2 emissions.

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 EU regulation on chemicals (REACH). REACH stands for the Registration, Evaluation, Authorization, and restriction of CHemicals. Exchanging information about the use of substances is an integral part of SGL Group's collaboration with suppliers and customers. This includes exchanging detailed risk and exposure assessments with customers and suppliers in accordance with legal requirements. In addition, customers receive relevant product information such as safety data sheets for all substances and products produced by SGL Group in a standardized global Web-based system.

Health & safety at work

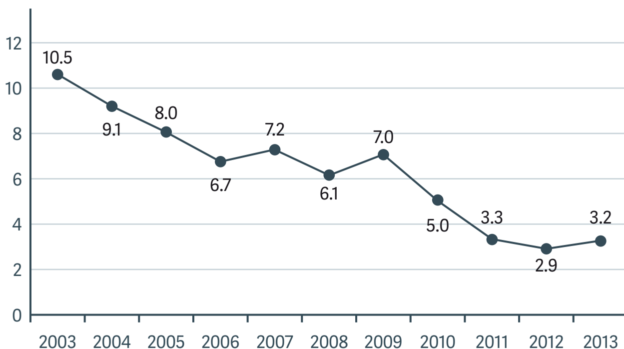
Accident prevention

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.

As a result of our activities, we continue to see a positive development in the frequency rate of accident-related work absences compared to the number of hours worked. Based on 1 million hours worked, the index has fallen significantly from 10.5 in 2003 to 3.2 in 2013.

The strong safety culture within our company, which has been established through extensive efforts, has played a significant role in this success. Additionally, in order to further reinforce awareness of occupational health and safety at our sites, we issue the SGL Safety Award once a year to honor occupational safety. The award is given to sites that have remained accident-free over a pre-defined period. In 2013, a total of 26 sites had no accident-related absences, of which 16 sites received the SGL Safety Award because they were accident-free over the entire required time period.

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



SGL Group's preventative measures are complemented by emergency management systems specific to each site. Guidelines are in place for this which define employee tasks and roles, organize the required communication and information at all levels of the Company and ensure that the emergency management systems at all SGL Group sites function according to the same principles. To maintain and optimize the standards, routine training takes place at all production facilities. In addition, occupational safety and risk minimization are anchored in the target agreements of our Business Units and sites; salary bonuses, among other things, are also tied to reaching these targets.

Minimizing risk

SGL Group uses a variety of tools to minimize risk. The Group established a company-wide approach to recording, analyzing and evaluating risk back in 2002, which is being expanded regularly. This approach not only accounts for potential accidents at work, but also for the consequences of a fire or natural disaster. It also analyzes the financial effects of crises such as cleanup and repairs resulting from environmental damages or losses resulting from production downtime.

In cooperation with FM Global, a property insurance company, SGL Group also conducts annual audits that include a safety analysis of all processes and facilities. Also stress scenarios are simulated. The results are discussed with the plant management and, if necessary, an action catalog to minimize risk is prepared. Our facilities can obtain a special certificate as part of these audits which certifies their status as being a Highly Protected Risk (HPR), which is the highest safety level. Achieving this also lowers insurance premiums. In 2013, 23 locations were audited. A total of 18 plants in SGL Group have HPR status.

Furthermore, SGL Group begins the risk assessment and management as soon as new production facilities or expansions of existing plants are in the planning phase. In these cases the EHSA team also employs the support of external partners to complement our own expertise, in order to assess potential process risks and eliminate them using appropriate measures.

Corporate Citizenship

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

Local community involvement

The circumstances and challenges of communities vary greatly between the regions in which we operate facilities. The community activities we are involved in, which are often characterized by a strong commitment from our local employees, are equally diverse. The activities range from community involvement, such as in the area of education, to supporting the local economy to fostering sports and cultural institutions. In the following, we present a number of selected exemplary local activities. Even if they are small and often voluntary activities, they are an important part of our corporate citizenship activities.

As in the past, SGL Group was involved in helping needy families, among others, in the local communities surrounding its facilities in 2013. In Valencia (California), USA, for instance, we supported the volunteer organization Assistance League Santa Clarita, which provides school supplies and clothing to local school children. As part of the Big Brothers Big Sisters School Buddy Program, SGL Group employees helped elementary school students in Morganton (North Carolina), USA, with their homework once a week. Our German sites in Meitingen, Griesheim, Limburg and Wiesbaden also did a lot for families and schools. Meitingen organized, among others, educational partnerships, lessons at the plant and plant tours as part of a school cooperation. In Griesheim, SGL Group held experiment classes at the local elementary school.

With the support of SGL Group, students learned how to make their own street marking crayons in experimental classes at a school in Frankfurt.

Our involvement in promoting the local economy is reflected in the active participation of representatives from many of our various sites in the local Chambers of Commerce and business associations. Promoting local sports and preserving cultural traditions are also focal areas for us. We have extensive sports programs at our sites in Chedde (France), Meitingen (Germany), and La Coruña (Spain), among others. An example of our involvement in cultural affairs is the support of many music and cultural clubs that our employees around the world have initiated, such as the brass band “Plania” in Racibórz (Poland) or the “SGL Kapelle” in Meitingen (Germany).

An auditorium was set up at the AGH Technical University in Krakow (Poland) with the support of SGL Group.

In addition to local involvement in the form of programs and initiatives, SGL Group also provides concrete non-bureaucratic aid in the event of a crisis. For instance, many employees made private donations in the past year for victims of the flooding in Germany in the early summer. In Ozark, Arkansas (USA), SGL Group made a donation to help reconstruction of the neighboring town of Denning, most of which was destroyed after a tornado.

Promoting science – Shaping the future together

Promoting science continues to be particularly important to 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) (see also pages 66–68 in the management report).

By supporting the professorship of Carbon Composites (LCC) at the Technical University of Munich (TUM), SGL Group is actively promoting research in carbon fiber based materials. Founded in the year 2009 under Prof. Klaus Drechsler, the professorship had over 75 employees at the end of 2013 and has two technical centers equipped with state-of-the-art equipment.

As part of our research and development alliance with the AGH Krakow Technical University, in addition to our ongoing support of master theses and dissertations, in 2013 we also helped to establish a carbon laboratory and an auditorium, which was handed over to the teaching staff at the beginning of the new academic year in October.

At the “Young Researcher” regional competition in Augsburg, the remote-controlled flying machine “Safecopter”, with its carbon fiber reinforced frame, won first prize in the technology category.

At the renowned Technical University Nanyang (NTU) in Singapore, SGL Group held a lecture series for the first time for dissertation students of the Interdisciplinary Graduate School on the subject of “carbon & graphite high-performance materials for industries” in 2013. For this, we received support from the Energy Research Institute at NTU (ERI@N).

As part of our cooperation with the European Business School (EBS – Universität für Wirtschaft und Recht, Oestrich-Winkel/Wiesbaden) and in addition to existing activities, a supply chain management professorship was established, which is chaired by Prof. Hans Sebastian Heese and is researching integrated logistics chains over the entire value chain.

Another example of our activities that combines training and education is our “SGL Class” initiative in China, which has been in place for several years. This program gives especially talented students in technical courses of study the opportunity to receive practical training provided by SGL Group experts. Our partners in this cooperation are the Shanghai Dianji College and the Fengxian Secondary Professional School in Shanghai as well as the Chien-Shiung Institute in Taicang in Jiangsu Province. In 2013, 18 students took part in SGL Class.

We award a number of prizes to provide scientists with incentives and to promote the discovery of new applications for carbon. Every year we give out the SGL Group Award for the best dissertation in the engineering department at the Technical University of Munich as well as the “Schwäbische Wissenschaftspreis” (Swabian Prize for Science) to foster young scientists in Augsburg. In 2013, the Utz-Hellmuth Felcht Award was also granted for the second time at the International Carbon Conference. This year’s award went to Prof. Dr. Klaus Müllen, Director of the Max Planck Institute for Polymer Research in Mainz (Germany), for his research into the synthesis of tailored graphenes.

We have also created a meeting place for people to discuss scientific topics surrounding carbon materials called the SGL Forum, which has been in place since 2010 at our facility in Meitingen (Germany). Each quarter the so-called “Innovation Panel” – SGL Group’s future forum – is held at the SGL Forum, among other events. The panel is a lecture series featuring renowned guest speakers who discuss trends and new developments and acts as a platform for dialogue between business and research experts.

As a co-founder of the “Initiative Junge Forscherinnen und Forscher e.V.” (IJF – Initiative for young researchers), we offer comprehensive support for scientific education – from nursery schools through to universities. In 2013, we again supported initiatives through donations and active participation in the jury for the annual Nano school competition as well as in a joint online idea competition, among others.

Carbon also met with great fascination at the “Jugend forscht” (youth research) competition put on by the German Federal Ministry of Education and Research. Supported by SGL Group, two young scientists ages 18 and 19 built the “Safecopter,” a remote-controlled aircraft with a frame made of CFRP and sophisticated safety electronics that won first place in the technical category in the nationwide competition.

The Share and Investor Relations

*The **SGL Share** was not able to keep pace with the positive trend of the DAX and MDAX in 2013: at year-end it closed at €28.78, down by 4% from year-end 2012.*

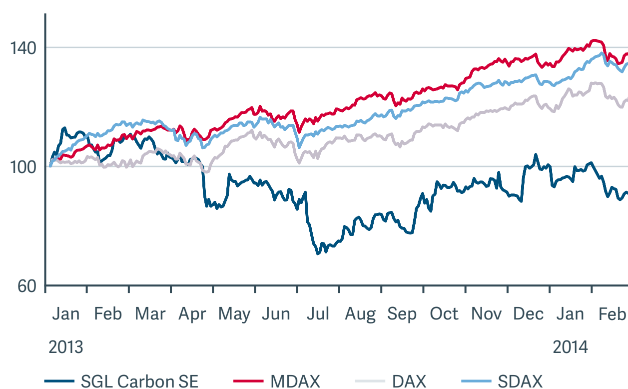
The easing of tension from the European sovereign debt crisis in the course of 2013 and the liquidity strongly driven by the low interest policy of the central banks led to significant price gains in the underlying indices despite restrained global economic forecasts. Several times in the course of the year 2013, the International Monetary Fund (IMF) downgraded its forecast for global economic growth. In its January forecast, the IMF still anticipated the global economy to grow at a rate of 3.5% in the current year, with a clear dichotomy between regions. While the emerging and developing economies were expected to contribute the largest share at 5.5%, expectations for the industrialized countries were considerably lower at 1.4%. In the course of the year, however, the growth dynamics in the emerging and developing economies weakened noticeably while the growth expectations for the industrialized nations stabilized at a low level and even picked up again toward the end of the year. Based on the most recent analysis of the IMF from January 2014, the world economy grew by 3.0% in 2013, corresponding to a decline of 50 basis points from the January projection. The analysis also showed that economic growth declined by only 10 basis points to 1.3% in the industrialized nations while the emerging and developing economies suffered a decline in growth dynamics by 80 basis points to 4.7%. For the eurozone, the IMF calculated a slight decline in economic output by 0.4% in 2013 while Germany posted an increase by at least 0.5%. The varied development within the eurozone was largely due to weak growth in the southern European peripheral countries.

While concerns over the global economic growth still limited the performance of the DAX, Germany's leading index, in the first half of the year these same concerns alleviated fears of a quick end to the liquidity injections by the central banks. This drove the index up by 25% in the second half year. By the end of the year, the index had risen to 9,552 points, substantially higher than the previous year's close at 7,612 points. The MDAX performed even better, gaining 39% from the year-end 2012 close of 11,994 points and ending 2013 with 16,574 points, not far from the all-time high of 16,626 points achieved on December 27, 2013.

Key figures for SGL Carbon SE shares

	2013	2012
Number of shares at year-end	71,016,193	70,636,538
High (€)	33.92	39.73
Low (€)	21.20	29.87
Closing price at year-end (€)	28.78	30.05
Market capitalization at year-end (€m)	2,043.5	2,122.6
Average daily turnover in Xetra trading (number of shares)	123,242	117,160
Free float (%)	approx. 38	approx. 40
Earnings per share (€) (basic)	–5.59	0.08
Dividend per share (€)	0.00	0.20

Relative share price performance



SGL shares unable to benefit from positive stock market trend

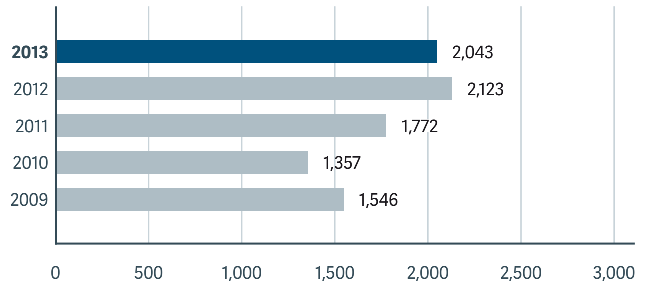
SGL shares were unable to benefit from the positive market environment. The difficult business conditions in 2013 led to a slight decline in the share price. Contributing factors included two profit revisions published on April 18, 2013, and June 27, 2013. In response, the SGL share reached a low of €21.20 on July 5, 2013. From that point on, the share price has continued to rise, while reclassifications between the MDAX and SDAX, or more specifically the speculations in anticipation of such reclassification, led to higher price volatility. The positive performance on the whole since July 5, 2013 (up 25% by year-end) is largely a result of the consistent implementation of the SGL2015 cost reduction program, the return to the MDAX, the successful refinancing, and the more friendly market environment in general. As a consequence of these factors, the SGL share lost only 4% in the course of 2013 and reached €28.78 at year end.

Slight decline in market capitalization and high trading volume

In line with the performance of the share price, market capitalization declined in the course of the year. After €2,122.6 million in the previous year, it amounted to €2,043.5 million at the end of 2013. With a free-float market capitalization of €795 million on December 30, 2013, the date Deutsche Börse AG employs to calculate its MDAX rankings, SGL Carbon SE took 49th place, after 36th place in the previous year. Deutsche Börse calculates this figure using the average volume-weighted share price over the 20 days preceding the respective cut-off date. A total of 71,016,193 shares were in circulation as of December 31, 2013, approximately 380,000 more than at year-end 2012.

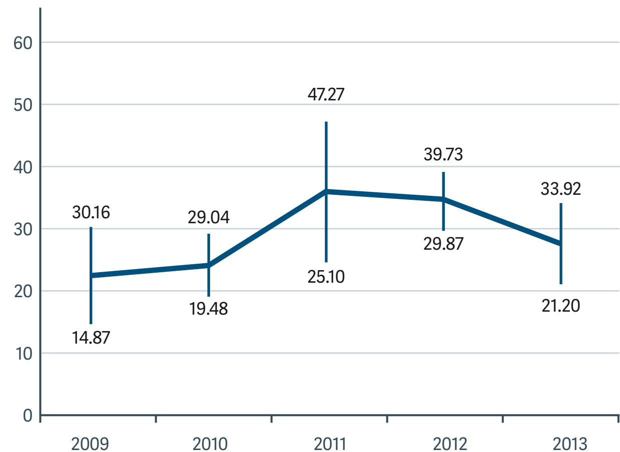
The average trading volume of SGL shares in Xetra trading rose slightly from 117,160 per day in the prior year to 123,242.

Market capitalization in €m



Share price performance in €

Highest and lowest price of the share in €



Temporary reclassification to the SDAX

On September 23, 2013, the SGL share was reclassified from MDAX to SDAX in accordance with Deutsche Börse (German Stock Exchange) guidelines due to the lower free float market capitalization. After the acquisition of the MDAX member GSW by Deutsche Wohnen AG, the free float of the GSW share dropped to below the 10% threshold, whereupon on November 27 the GSW share was replaced with the SGL share in application of the fast-exit rule of the Deutsche Börse. This means that in the reporting period the SGL share was predominantly listed in the MDAX mid-cap index and only for a little over two months in the SDAX small-cap index.

Stable shareholder base

The largest shareholder of our company, with an approx. 28% stake, is still SKion GmbH, the investment company of Susanne Klatten.

In addition, based on the respective voting rights announcements, the following companies hold shareholdings subject to disclosure requirements:

Volkswagen AG	(December 4, 2013) [1]	9.98%
Voith AG	(September 1, 2011) [1]	9.14%
BMW AG	(December 12, 2011) [1]	15.72%

[1] Date of the most recent voting announcement

According to a shareholder identification exercise in March 2013, the geographical distribution of institutional investors was as follows: approx. 28% of the shares are held by investors in Germany, 39% in the rest of Europe, 11% in the Asia-Pacific/Middle East region, and 22% in North America.

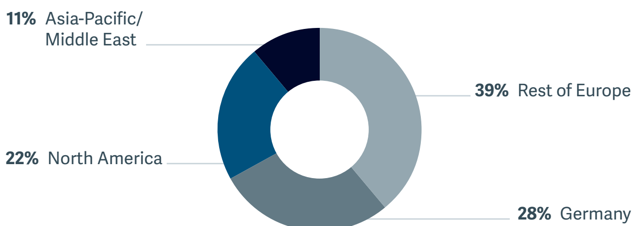
Business situation requires temporary dividend suspension

The adverse business conditions in the past year lead the Management Board and Supervisory Board to draw the conclusion to propose no dividend to the Annual General Meeting. In 2013 we still distributed a dividend of €0.20 per share for fiscal year 2012, having resumed dividend payments in 2012 for the year 2011 for the first time since 1998 (€0.20 per share). Nevertheless, we feel obligated to our shareholders to resume payment of a continuous, earnings-related dividend as soon as we achieve sustainable profitability again.

2013 Annual General Meeting

At the Annual General Meeting of SGL Carbon SE on April 30, 2013, 72.08% of the voting capital was represented (2012: 71.88%). This equated to 51,148,829 shares and the same number of votes. A total of approx. 880 shareholders, shareholder representatives, and guests participated in our Annual General Meeting. All of the agenda items were approved with a large majority. As in the previous year, the speech by CEO Robert J. Koehler was broadcast on the Internet. His speech and the results of all votes are available to our shareholders and other interested parties in the investor relations section of our website under the menu item “Annual General Meeting.” SGL Carbon SE’s next Annual General Meeting takes place on April 30, 2014.

Geographical distribution of institutional investors



Analyst coverage [1]

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

[1] Status: January 2014

Intensive communication with capital markets

A total of 14 German and international financial analysts observed, analyzed, and rated SGL Group at the end of January 2014 (2012: 17 financial analysts). Dialog with analysts focused on the implemented SGL2015 cost savings program, the earnings situation in the current economic environment, and SGL Group's medium-term development. At the end of January 2014, analysts rated our shares as follows: ten analysts issued a sell, underperform, or underweight recommendation and three analysts issued a hold or neutral recommendation. One analyst recommends buying the shares. These recommendations resulted from the analysts' price targets, the majority of which were lower than the current share price. Whereas the closing price of our share was €27.70 on January 31, 2014, the analysts' price targets were between €12.50 and €34.00.

We have provided a summary of the analysts' ratings on our investor relations website under the menu item "Share."

We aim to provide all participants in the capital markets with transparent, timely, and comprehensive information on SGL Group's current business position and its future prospects. With this objective in mind, we continued to vigorously pursue our investor relations activities in 2013. In just under 200 one-on-one meetings with analysts and investors in Germany and abroad, we presented SGL Group in general, the current cost savings program SGL2015, and the growth prospects for the medium- and long term future.

Roadshows and capital market conferences were the main forums for intensive personal dialog with institutional investors. We participated in six roadshows and twelve investor conferences in six countries in 2013.

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

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

Key data SGL Carbon SE shares

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

Refinancing successfully completed

In the reporting year, we were able to considerably improve the maturity profile of our financing. We repaid the convertible bond due in May 2013 at maturity; a total of €145.5 million of the original volume of €200 million was still outstanding on the maturity date. On December 5, 2013, SGL Carbon SE issued a senior secured bond with a principal amount of €250.0 million. The bond has a coupon of 4.875% p.a. and matures on January 15, 2021. The bond issue met with strong demand and was several times oversubscribed. The rating agencies Standard & Poor's and Moody's rated the bond in the category BB+ and Ba3, respectively. In addition, the existing syndicated credit line (maturing in 2015) with a volume of €200 million was replaced and a new syndicated credit line for €200 million and a maturity in 2017 was established.

Part of the proceeds from the placement of the new corporate bond was used for the early repayment of the floating rate note (volume: €200 million, coupon: Euribor +125 basis points) maturing in 2015. The 2007 floating rate note was derecognized from the balance sheet on December 12, 2013, by cash depositing the amount of the bond plus interest payable until January 11, 2014, the repayment date of the bond. Another part of the proceeds was used to repay a subsidiary bank loan and for general corporate purposes.

Overview of SGL Bonds

Corporate bond

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

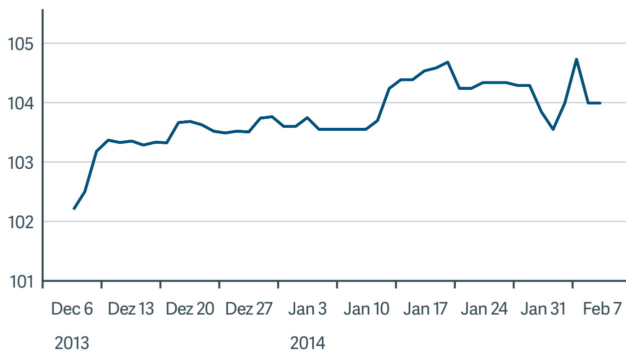
Convertible bond

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

Performance of corporate bond in € (was due May 15, 2015; prematurely derecognized from balance sheet on December 12, 2013)

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

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



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

Further information on SGL Group and its shares

Contact our Investor Relations department:

Söhnleinstrasse 8
65201 Wiesbaden
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Phone: + 49 611 6029 – 103
Fax: + 49 611 6029 – 101
E-mail: Investor-Relations@sglgroup.com

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

We look forward to hearing from you.

Combined Management Report

Most of the Business Units of SGL Group showed poorer performance in fiscal year 2013 than originally anticipated. Core operations in the Business Areas PP and GMS suffered greatly due to price erosion and increased competition in their key markets. CFC was characterized by project and development delays as well as high development cost which lasted longer than expected. Substantial impairment losses were required to be recognized in this regard. As a reaction to this negative trend, we initiated the cost-savings program SGL2015 in the summer of 2013, and are now consistently implementing it with high priority. The following Group management report is combined with the management report of SGL Carbon SE and provides detailed information on business performance and our expectations for the future of SGL Group.

57 The SGL Group
57 Group business model (organizational structure and business activity)
62 Management, Objectives and Strategy
66 Technology & Innovation

69 Economic Report
69 Overall economic and industry-specific underlying conditions
71 Business overview
73 Key events for the development of the business
75 Financial performance of the Group
85 Financial performance of the Business Areas
90 Financial position
98 Net assets
101 Non-financial performance indicators
101 Employees
102 Environmental protection and occupational and process safety
104 General Statement on the current financial situation

106 Risk report

115 Opportunity Report

117 Outlook

122 Events after the reporting period

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

126 SGL Carbon SE (parent company): disclosures on the basis of the German Commercial Code (HGB)

The SGL Group

12 Production Sites in North America · **24** Production Sites in Europe · **8** Production Sites in Asia

Group business model (organizational structure and business activity)

Legal structure of the Company

SGL Carbon SE (the "Company"), headquartered in Wiesbaden (Germany), is quoted on the Frankfurt stock exchange. The shares are currently listed in Deutsche Börse's MDAX index. SGL Group is made up of SGL Carbon SE, the operative holding company, together with its subsidiaries (a detailed overview of shareholdings of SGL Carbon SE can be found in **Note 39**).

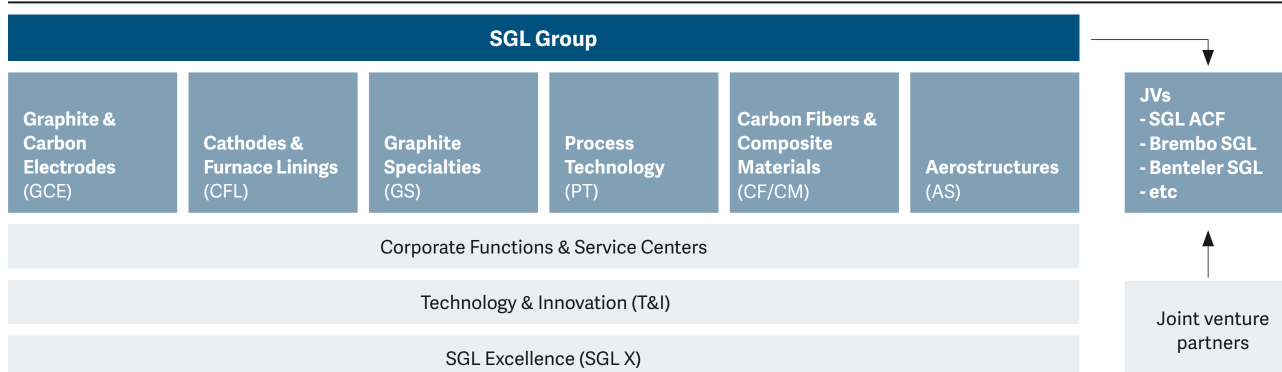
Business Areas and organizational structure

SGL Group has a global workforce of 6,284 employees at the end of December 2013. We operate a total of 44 production facilities either directly or in cooperation with our joint venture partners, of which 24 are located in Europe, twelve in North America and eight in Asia. With a service network in more than 100 countries, we can flexibly accommodate the regional and industry-specific requirements of our customers. We consistently adapt to increasing globalization by developing new facilities, such as our new carbon and graphite plant in Malaysia.

SGL Group's business activities focus on the development, production and sale 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. Our portfolio of products and technology comprises four types of carbon materials: coarse grain graphite, fine grain graphite, expanded natural graphite as well as carbon fibers and carbon fiber composite materials.

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

Organizational structure



As part of the group-wide cost cutting program SGL2015, the organizational structure has also been revised (information on SGL2015 can be found in the chapter "Company Management, Objectives and Strategy" on page 62). To further reinforce the operating role of the Business Units and to make the management structures leaner, our Business Areas Performance Products (PP), Graphite Materials & Systems (GMS) and Carbon Fibers & Composites (CFC) have been removed as a management level. Since February 1, 2014, activities have focused on the six Business Units **Graphite & Carbon Electrodes (GCE), Cathodes & Furnace Linings (CFL), Graphite Specialties (GS), Process Technology (PT), Carbon Fibers & Composite Materials (CF/CM) and Aerostructures (AS)**. Resource allocation is decided at this level and this is reviewed and approved by the Board of Management at its annual objectives meetings. These six global Business Units have end-to-end 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.

Business activities are presented in these consolidated financial statements for the past fiscal years based on our three previous Business Areas: Performance Products (PP), Graphite Materials & Systems (GMS) and Carbon Fibers & Composites (CFC) which were previously also our reporting segments. As a result of the revision of our organizational structure, the comments in our outlook are based on the Business Units named above. Starting fiscal year 2014 we will present the following reporting segments. In this context, the Business Units Graphite & Carbon Electrodes (GCE) and Cathodes & Furnace Linings (CFL) are aggregated to the reporting segment Performance Products (PP). In addition, the two BMW joint venture companies (SGL-ACF), which are proportionately consolidated from January 1, 2014, have been integrated into the Business Unit Carbon Fibers & Composite Materials (CF/CM). The business unit Graphite Specialties (GS) will be presented as a separate repotable segment. The smaller Business Units Process Technology (PT) and Aerostructures (AS) will be initially integrated into the reporting segment Corporate & Others.

Key additions to the Business Units' portfolios

For strategic reasons, SGL Group holds interests in companies together with other shareholders. Some of these companies (e.g., SGL Quanhai Carbon, SGL Kümpers) are fully consolidated and included in the results of their respective segments. Our interests of 51% in SGL Automotive Carbon Fibers (Germany) and SGL Automotive Carbon Fibers (USA), our joint ventures with the BMW Group for the production of carbon fibers and carbon fiber based fabrics for the automotive industry, are accounted for as joint operations from January 1, 2014, based on the new accounting standard IFRS 11 "Joint Arrangements." In accordance with IFRS 11, any party to a joint arrangement has to recognize the portion

The equity-accounted investments relate to the following operating companies (as of December 31, 2013):

	Interest	Customer industry	Business Area
Benteler-SGL GmbH & Co. KG, Germany	50.0%	Automotive	CFC
SGL Automotive Carbon Fibers GmbH & Co. KG, Germany	51.0%	Automotive	CFC
SGL Automotive Carbon Fibers LLC, USA	51.0%	Automotive	CFC
Brembo SGL Carbon Ceramic Brakes S.p.A., Italy	50.0%	Automotive	CFC
MRC-SGL Precursor Co. Ltd., Japan	33.3%	Own raw materials supply	CFC
Fisigen S.A., Portugal	49.0%	Own energy supply	CFC
Samsung SGL Carbon Composite Materials Co., Ltd., Korea	50.0%	Electronics, digital media	CFC
SGL Lindner GmbH & Co. KG, Germany	51.0%	Construction	GMS
SGL TOKAI Carbon Ltd., China	51.0%	Steel	PP

of assets and liabilities as well as of expenses and income attributable to it. In the case of the above mentioned companies, the portions attributable to the parties are based on the respective ownership interests of the contracting parties. To that extent, the presentation in the balance sheet is similar to a proportional consolidation. In future reporting, these activities will be consolidated in line with the interests held, and reported at their proportionate value together with the Business Unit CF/CM. Through December 31, 2013 the proportional earnings of SGL-ACF were disclosed in the result from equity accounted investments.

In addition, SGL Group also holds additional interests in companies accounted for using the equity method. These equity-accounted investments primarily include our interests of 50% in Benteler-SGL, Germany (development of carbon fiber-based components for the automotive industry), our interest of approx. 33% in MRC-SGL Precursor, Japan (raw material supply of polyacrylonitrile precursor), our 50% interest in Brembo SGL Carbon Ceramic Brakes, Italy (carbon ceramic brake disc business), and our interest of 49% in Fisigen, Portugal (electricity and steam generation for Fisipe, our Portuguese acrylic fiber plant). Other companies accounted for using the at-equity method include Samsung SGL Carbon Composites (development of new industrial and electronic applications based on carbon composites for the Korean market) and SGL Lindner (production and marketing of high-performance cooling ceilings). For further information in this regard see page 62.

Management and control

SGL Group is structured and regulated according to our Guiding Principles: 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. Six global Business Units are responsible for operating the business. These Business Units each obtain the necessary infrastructure and services from respective legal entities and production facilities. 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. This culture is based on the principles of leadership and management by objectives. The Board of Management, the Business Units and the centralized functions agree on objectives for the Group, the Business Units and the individual executives, based on a defined set of key

performance indicators. Remuneration models and performance related bonus programs for the Board of Management and all executive levels are derived from this process.

The members of the Board of Management of our Company received total remuneration in 2013 that comprised both fixed and variable components. The fixed components consisted of a monthly salary, additional benefits and pension commitments. Objectives for the annual component included profit before tax, free cash flow, strategy and employee development as well as cost savings. The multi-year component was coupled with the average return on capital employed. The share-based remuneration plans were continued (Stock Appreciation Rights/SAR Plan and Matching Share Plan). The remuneration from the SAR Plan depended on relative and absolute share price performance.

By way of a resolution by the Supervisory Board on December 19, 2013, a new remuneration system for the Board of Management was introduced on January 1, 2014. Information on this new system can be found in the Remuneration Report on page 30 ff.

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

Please refer to **Notes 34 and 35** in the notes to the consolidated financial statements for further information on the stock participation plans and remuneration received by individual members of the Board of Management.

The remuneration of the members of the Supervisory Board, which is determined by the Annual General Meeting, is governed by section 12 of the Articles of Incorporation. Under the provisions of this section all members of the Supervisory Board receive a fixed basic remuneration plus reimbursement of out-of-pocket expenses. Each member of a committee receives additional compensation for attending a committee meeting. Further information on the remuneration received by each member of the Supervisory Board can also be found in **Note 35** of the notes to the consolidated financial statements.

Products, services and business processes

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

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

The Business Units CGE and CFL have a global production network at their disposal with seven production sites in Europe, three in North America, and one in Asia. The existing capacity can be used by both of the Business Units GCE and CFL – depending on the specific equipment structure at the individual location.

The Business Unit **Graphite Specialities (GS)** comprises a broad range of customized graphite-based products. Graphite components are manufactured, purified and, in some cases, refined by adding a special coating – all according to customer requirements. Sales revenue in the Business Unit GS is generated, first and foremost, from customers in the solar, semiconductor and LED industries, the chemical and automotive industries and in the areas of metallurgy and hightemperature 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. GS is also increasingly developing products to support efficient power generation and energy storage, such as anode material for lithium ion batteries. 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. After the formation of SGL-Lindner Ecophit joint ventures in January 2013, we integrated the remaining activities of the Business Unit New Markets, in particular anode material for lithium ion batteries, into the Business Unit Graphite Specialties as of May 1, 2013.

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

The Business **Unit Carbon Fibers & Composite Materials (CF/CM)** bundles all of the material business based on carbon fibers and covers the entire, integrated value chain, from raw materials to carbon fibers and composite materials to finished components for the automotive industry. 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 a lower weight and high stiffness. The Business Unit CF/CM focuses, in particular, on customers from the automotive, wind and other industries.

The Business Unit **Aerostructures (AS)** is represented by our subsidiary HITCO in the US state of California, and manufactures components for the aerospace and defense industry.

The former Business Unit Rotor Blades (RB, SGL Rotec, manufacturer of rotor blades for onshore and offshore wind parks) was sold as of December 31, 2013, and is thus classified as discontinued operations in this report.

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

Products and services of equity-accounted companies

SGL Automotive Carbon Fibers (SGL ACF)

The two joint ventures with BMW Group develop and produce carbon fiber based composite materials which are sold to BMW Group.

Brembo SGL

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

Benteler-SGL

In our joint venture with Benteler, 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.

MRC-SGL Precursor

MRC-SGL Precursor Co. Ltd. (Japan), an associated company of Mitsubishi Rayon Corporation, is used to ensure an independent supply of the raw materials PAN precursor for our carbon fiber production.

Fisigen

The joint venture with the Portuguese energy supplier EDP comprises the production of energy and steam and secures a low-cost supply for our Portuguese acrylic fiber plant (Fisipe).

Samsung SGL Carbon Composites Materials

The new joint venture with Samsung Petrochemical has the primary objective of developing new industrial and electronic applications based on carbon composite materials for Samsung and the Korean market.

SGL Lindner

The joint venture with Lindner Group focuses on producing and marketing high-performance cooling ceilings.

Major sales markets

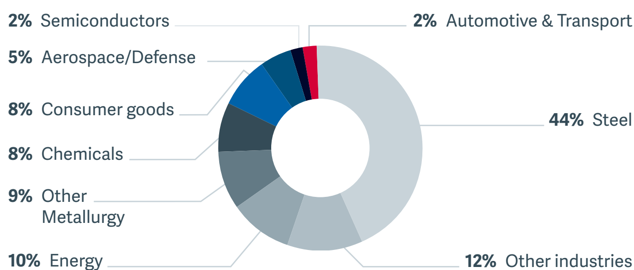
SGL Group's major customer industry is still the steel industry, accounting for 44% of Group sales in the past fiscal year. This figure is thus down 4 percentage points year-on-year due to the strong price pressure for graphite electrodes. The proportion of revenues with other metallurgy industries fell from 10% to 9%, and is due in particular to the final settlement of a long-standing supply agreement in our business with the aluminum industry included in the prior year figures. Revenues with the energy industry accounted for 10% of revenues in the past fiscal year – this figure was also down by 3 percentage points year-on-year. This is due to substantially lower revenues with the solar and semiconductor industries. In contrast, the proportion of revenues with the consumer goods industry increased from 5% to 8% as a result of the full inclusion of Fisipe in 2013, the acrylic fiber manufacturer we acquired in April 2012. Revenues with other industries also increased from 9% to 12% due to the increased requirements for the supply of carbon fiber raw material for one of our customers. The share of total annual sales revenues remained mostly unchanged year on year in all other customer industries.

Management, Objectives and Strategy

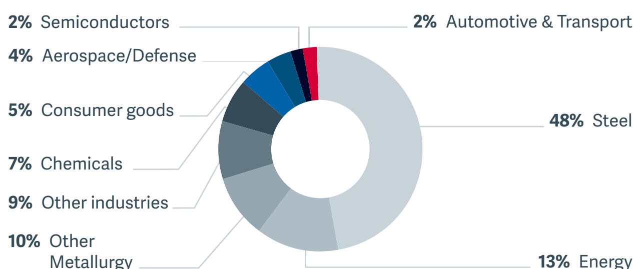
Internal management system

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.

Sales revenue by customer industry 2013



Sales revenue by customer industry 2012



Key leading indicators for the anticipated development of operations in our Business Units include the actual or forecasted growth in important customer markets, incoming orders and corresponding capacity utilization in the Company. In the Business Units **Graphite & Carbon Electrodes** and **Cathodes & Furnace Linings** corresponding indicators generally show a reliable picture of anticipated developments for the current fiscal year due to traditionally longer delivery times. During economically troubled times such as at the onset of the financial crisis in the second half of 2008 or during the sovereign debt crisis, which has intensified since mid-2011, particularly in Europe, customer order patterns have shown much shorter term tendencies. As a result there was again a delay in order intake at the end of 2013 for the current fiscal year 2014. The Business Unit **Graphite Specialties** serves a large variety of industries, the largest of which are normally the solar and semiconductor industry, and also the lithium ion battery industry. The Business Unit **Process Technology** generally benefits from investments in systems for corrosive chemical processes from numerous areas such as the chemical and pharmaceutical industries and the environmental sector. It is only possible to derive medium to long term market and demand indicators for the Business Unit **Carbon Fibers & Composite Materials** 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 course of business for these activities is often affected by delays. In spite of this, however, we believe that there is an increasing trend in substituting traditional materials with carbon fibers and carbon fiber composite materials in a range of industrial applications. Demand in the automotive segment in particular is growing – driven by new vehicle projects such as the BMW i3. In the Business Unit **Aerostructures**, medium to long term developments can be derived based on production plans for both civil and military aircraft manufacturers. However, the example of the Boeing 787 (Dreamliner) has repeatedly shown that delays can also not be ruled out in this area.

Corporate strategy

Our corporate strategy is derived from our vision:

We are the leading Carbon Company.

Our vision is founded on our 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 strategic goal is sustainable, profitable growth. Our dedication to leadership in everything we do plays a decisive role in achieving this goal. We have the largest portfolio of carbon products worldwide and already hold leading global

market positions in most of our areas. But leading means more than just that at SGL Carbon: 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 on the part of all employees of SGL Group to deliver top performance that is genuinely rewarded by the market.

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

Broad Base. Best Solutions.

Our Broad Base is our strength and the value added we provide for 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 44 production sites in Europe, North America, and Asia. We are, for instance, the only European company that covers the entire value chain from PAN precursor raw materials to carbon fibers and through to select composite component (e.g. for the automotive industry).

Best solutions for our customers

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, renewable energy sources and higher energy efficiency. As a result, we generate roughly 62% of Group sales revenue from environmentally friendly, resource saving applications.

We employ our SGL Excellence philosophy, first introduced in 2002, as the driving force to operationally achieve Best Solutions. SGL Excellence aims to continuously improve performance by means of proven Six Sigma and lean management methods and a tight 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

The heightened, more difficult market and competitive conditions had a major impact on our earnings development in the year under review. In reaction to this, we consistently implemented our cost saving program SGL2015 in the summer 2013 with urgency. This program is based on three pillars. We are reviewing our organizational structure, in particular in administration, with the aid of external consultants. This includes simplifying business workflows as well as making our management structures leaner. In addition, SGL2015 includes activities to restructure our sites (relocating, discontinuing or selling production facilities). The third pillar in the program is portfolio optimization (possible spin-off of non-core activities, transferring activities to partnerships).

Based on the actual costs in 2012, costs savings of approx. €150 million will be recorded through to the end of 2015. Of this total, approx. €69 million were already realized in 2013, with approx. 50% in each case stemming from SGL Excellence and from other savings. We will report on the status of savings from the SGL2015 program during our ongoing reporting. This will include the savings from our SGL Excellence Initiative, which we will also continue to report separately.

The SGL2015 program is associated with one-off restructuring expenses, which we anticipate will total a figure in the (low) triple-digit million euro range. As expected, a major proportion of these restructuring expenses (€84 million) were already included in the 2013 financial statements. Only approx. 40% of the entire restructuring expenses will be cash effective mostly from 2014 on.

By implementing SGL2015 we are reacting to the difficult underlying conditions which are characterized, in particular, by unsatisfactory price developments for graphic electrodes and cyclical downturn in our graphite specialties business. At the same time, the further development and expansion of our high-growth CFC operations (Business Units CF/CM and AS) is being impacted by delays in the development and start-up phase.

As part of SGL2015 we have now defined a large number of concrete measures to improve our operational and organizational structures and to restructure locations. These measures are about to be or already being implemented. This includes the closure of graphite electrode production in our Canadian plant in Lachute announced on October 18, 2013. This plant is expected to be closed in the first quarter of 2014, and has depressed earnings in the Business Area PP with non-recurring items totaling €21.6 million. In addition, on February 13, 2014 we resolved to discontinue our graphite electrode production in our Italian plant in Narni by the middle of the current year. Expenses of €32 million are already included in the 2013 financial statements in this context.

We announced details of our organizational restructuring on December 10, 2013. The core of these activities are the restructuring and streamlining of the central and service functions, making management structures leaner, and further reinforcing the operating role of the Business Units. Throughout the Group, up to 300 jobs are affected by the planned restructuring activities. In addition to the planned job cuts, the project organizational restructuring is expected to reduce indirect spend by €30 million by 2015.

A first measure we announced on December 20, 2013 to optimize our portfolio was the sale of our rotor blade activities to a strategic investor. The sale of the Business Unit Rotor Blades resulted in a loss in connection with discontinued operations for the year of €31.2 million (2012: loss of €14.2 million).

Financial targets

The internal and external performance indicators calculated for our Business Units were also revised and streamlined at the beginning of 2014. Management indicators and financial key figures:

Short-term management indicators

- Return on sales (ROS) – based on EBIT (earnings before interest and taxes)
- Cash generation by business unit (earnings before interest, depreciation and amortization less capital expenditure and changes in working capital)
- Free cash flow (cash inflows/outflows from operating activities and investing activities)

Long term key figures

- Return on capital employed (ROCE) – based on EBIT (CE = average capital employed, defined as the sum total of goodwill, other intangible assets, property, plant and equipment, and working capital)

Technology & Innovation

Our central research and development

To support our central research and development "Technology & Innovation" (T&I) in Meitingen (Germany), a state-of-the-art, comprehensive research infrastructure is available. The laboratories for developing composites and energy storage systems and a standard-setting carbon fiber pilot plant have been used to the full extent since 2012. This allows us to focus on our development projects under the best possible technical conditions. T&I's product and process developments are aligned to SGL Group's strategic objectives and fall into the following development areas: synthetic graphite, energy storage systems, precursor and carbon fibers, carbon composites as well as ceramic fibers and composites.

Our research expenditure totaled €42.8 million in the past fiscal year (2012: €46.5 million), which means that research costs account for 2.9% of consolidated sales revenues (2012: 2.8%). At the end of 2013, there were 147 T&I employees (2012: 153).

Highlights from our development areas

In R&D for **synthetic graphite**, we use our long-standing process knowledge combined with current modeling methods to further improve energy, material and cost efficiency in our products and production processes. We were able to develop, in particular, cost efficient processes for graphite production. For example, we designed a new production process for furnace lining blocs with extended life-time. The responsible Business Unit then qualified this process in cooperation with T&I and launched the product on the market. Application modeling of graphite electrodes and cathodes provided us with key findings on further optimizing performance during customer use. New sources for raw materials were tested in order to further improve our cost situation and safeguard of our supply of raw materials for fine and coarse grain graphite.

T&I develops components for future **energy storage systems** such as redox flow batteries, which can store electrical energy in chemical compounds, as well as for lithium ion batteries and for fuel cells. In 2013 we expanded our technical competence for lithium ion batteries. In our long-standing strategic development alliance with Hitachi Chemical, the global market leader for 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 electromobility, we are already working on the next generation of lithium ion batteries as part of funded projects. Both in the Alpha-Laion project, in which companies including Bosch, BASF, Wacker Chemie, BMW and Daimler rank among the project partners, and also in the MaLiSu project (NanoMaterials for future generation lithium sulphur batteries), we recorded initial technical progress in increasing storage capacity. We are contributing our graphite expertise to a new joint project (TOPBatt) to improve the thermal management of batteries.

In producing gas diffusion layers for fuel cells, T&I has built up expertise and consulting competence over many years. In 2013 we reacted to a substantial increase in demand with initial activities to increase capacity.

T&I made excellent progress in optimizing processes to manufacture **carbon fibers**. In particular it was possible to substantially improve the textile characteristics. Knowledge obtained in the pilot plant has already been transferred to the production lines in Muir of Ord (UK) and Evanston, Wyoming (USA) and will simultaneously be included in the **precursor** development at the Portuguese Fisipe location.

For the development of carbon fiber in aviation applications, the publicly funded development project "AirCarbon I" with partners in the European aerospace industry was extended through to the end of 2013 with additional funding, and successfully completed. A follow-on project has already been approved.

In **Carbon Composites**, the development program started in 2012 for thermoplastic carbon fiber composite materials was successfully continued last year. This group of materials offers advantages compared to duroplastic matrix systems, such as shorter cycle times and improved recycling which should better enable industrial series application and which makes them particularly interesting for use in automotive construction. In 2013 several customers were sampled with semi-finished products – unidirectional tapes and organic sheets – for material qualification. T&I has developed carbon fibers with an adapted fiber surface specially for thermoplastic matrix systems. Thermoplastic composites and recycling were also key topics for the activities in the MAI Carbon cluster of excellence, where we are involved in several projects.

In 2013, state-of-the-art coating and measurement technology was used to further develop stretch-broken carbon fiber yarns for applications in the automotive sector and these were produced as small series in the pilot phase. In addition to the characteristics which are typical for carbon fibers, these particularly fine yarns are characterized by excellent knot and loop strength. They can thus be used in sewing and knitting processes, as well as resistance heating elements. Development experience and experience from customer feedback has been considered when constructing serial production equipment in Muir of Ord, thus creating the conditions for production starting successfully and on-time at the end of 2013.

Together with European partners from research and industry, SGL Group started work on an EU-funded project at the end of 2013, which aims to develop flexible, cost-efficient production methods for CFK components, thereby linking several key technologies such as automated production methods, intelligent tool concepts, simulation and customized material systems.

After a project in ceramic fibers and composites was developed through to commercial maturity for the first time in 2012 and transferred to the Business Unit Graphite Specialties, we want to develop additional applications and markets. As a result, in 2013 a steel-ceramic hybrid system for automotive applications was developed together with Benteler Automobiltechnik.

Silicon carbide fibers are an additional development target for ceramics. In the joint project “SicTec2”, together with partners including the Fraunhofer Institut für Silicatforschung ISC Würzburg, MTU Aero Engines and Wacker Chemie, we are working on developing silicon carbide fibers for high-performance turbines. In 2013 we produced the first kilometers of SiC fibers on spools, and presented these to the project partners for testing.

Strategic industry alliances and research networks

In 2013 SGL Group was honored for the fourth time as one of the top 100 innovators in the German SME segment. The jury was particularly convinced by our involvement in industry associations and research networks as one of our particular strengths – and this is a key element in our R&D strategy.

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. Setting up an “International Carbon Center” at the AGH has been further driven by building up a laboratory and an auditorium.

As a co-founder of the competence network for lithium ion batteries (KLiB), we are working together with companies including BASF, Bosch, Daimler, Evonik and BMW on the development and market launch of lithium ion batteries for e-mobility and stationary energy storage. In order to take the new cell production process out of the laboratory and into industrial scale production, a pilot plant for industrial scale production of battery cells has been built at the ZSW (Zentrum für Sonnenenergie- und Wasserstoffforschung

Baden-Württemberg) in Ulm using a substantial government support. SGL Group is one of the first users of this new, research production line. A corresponding declaration of intent was signed in May 2013 as part of the foundation ceremony.

Together with all of our partners, we want to drive the development of carbon fiber and fiber composite technologies via the Carbon Composites e.V. (CCeV). The key results include developments as part of the MAI Carbon cluster of excellence, in which SGL Group is also active in several leading projects. CCeV, an association of companies and research institutions, spans the entire value chain for high-performance composite materials in Germany, Austria and Switzerland, and also wants to establish itself internationally as a recognized association. The association has been awarded the "Gold" label in the "European Cluster Excellence Initiative", which marks a further milestone on this path.

The professorship of Carbon Composites (LCC) endowed by SGL Group at the Technical University of Munich (TUM) has developed to become a hub for multinational projects with industrial partners. The existing networks, in particular with universities in Singapore, helped us to internationalize our own Asian development activities in 2013. Singapore is one of Asia's knowledge hubs, and has grown to become a center of applied product research with its technology subsidies while simultaneously highly protected intellectual property rights and recognized certification standards. Together with other industrial partners, we want to support a project at the universities of Singapore Polytechnic, TUM Asia and LCC, to establish a technology center for composite materials in Singapore.

Scientists at TUM Asia and Nanyang Technological University (NTU) in Singapore have developed the world's first electric taxi for tropical mega-cities. In so doing, they use top technology for battery development, and also state-of-the-art lightweight construction with carbon fiber composite materials. SGL Group supplied the material for lightweight, and high strength CFRP-chassis and supported with technological know-how. The electric taxi was presented at the 43rd Tokyo Motor Show in November 2013. A series of seminars for future construction applications was conducted with external experts. We presented leading representatives from the Institute for Energy Research at the NTU and the construction authorities in Singapore with the current status and the future possibilities offered by carbon fiber reinforced concrete. For Redox-Flow batteries, the network with the renowned NTU in Singapore is also a key step in internationalizing our research.

We registered 17 new patents in 2013, further developing our portfolio of patents in a targeted manner, and we have consistently geared the existing portfolio of patents to the current technology areas. SGL Group is active in the management bodies of national (Arbeitskreis Kohlenstoff AKK) and international scientific carbon societies and regularly lectures at the annual Carbon Conference.

T&I is SGL Group's talent pool

Again in 2013, SGL Group worked intensively to develop new talent, thus training up-and-coming specialists and managers for the Company. T&I employees regularly attend the leading HR recruiting fairs. A key instrument in developing junior talents for engineering and materials sciences continues to be our program for masters and doctoral candidates. In 2013 a total of 61 students were supported by T&I for their theses, in internships or in work study (2012: 69). During the past fiscal year, five employees left T&I in order to take over new positions within the Business Units, three new employees joined T&I from other areas of SGL Group, and one external employee and six apprentices were hired.

Economic Report

Overall economic and industry-specific underlying conditions

Economic conditions

The European debt crisis gradually moved into the background in 2013 as a result of the success of initial consolidation efforts. The year was much rather characterized by an environment of very loose monetary policy, low interest rates and the lower inflation in industrialized nations. The US Fed continued its expansive monetary policy for longer than had been planned. The ECB cut the base rate in 2013 in two stages to a historical low of 0.25%. This cheap money stimulated the capital markets, however perceptible impetus for the real economy failed to materialize. According to information from the IMF from January 2014, the global domestic product only grew at 3.0% in 2013, and thus more slowly than in the previous years, which were depressed by the debt crisis (2012: +3.1%; 2011: +3.9%).

Global economy grew weaker than expected

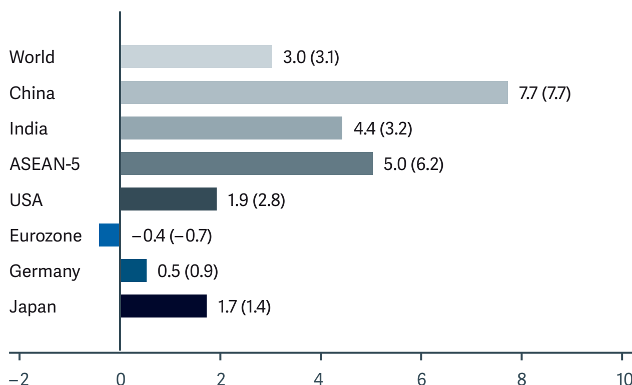
The economic recovery was only moderate in the USA due to the weak private consumption and, at times, stagnating investments in equipment. The eurozone was able to overcome the recession; however the driving economic forces remained powerless and heterogeneous across the eurozone. The economy in France stagnated, and in Germany growth fell by half. According to the IMF, in established economies, growth slowed to 1.3% after 1.4% in the previous year. China (+7.7%) drove growth once again, however the pace of expansion there tended to fall. The IMF estimates that the South-East Asian emerging nations (ASEAN-5) grew by just 5.0%, after 6.2% in the previous year. Global growth slowed in emerging and developing nations to 4.7% (2012: +4.9%).

Growth in key customer industries

Steel industry excluding China with practically no growth, downturn in core sales markets

According to the World Steel Association (WSA), global crude steel production in 2013 increased by 3.5% to 1,607 million tons. Output was thus once again higher than the global steel demand of an estimated 1,475 million tons (+3.1%). Despite a slight increase in capacity utilization to an average of 78.1% (2012: 76.2%), the steel industry continued to suffer from a high level of overcapacity and continued pressure on selling prices and income. In terms of our graphite electrode business, with regard to global steel growth it should be noted that China accounts for almost half of global steel production. In this country, production increased by 7.5% in 2013. However, electric steel currently accounts for approx. 10% of total steel production in China. Without China, global steel production stagnated (2012: +1.1%). The Gulf region recorded production growth in 2013, as did producers in India (+5.1%) and Japan (+3.1%) – supported by currency devaluations. In contrast crude steel output in the EU fell by 1.8%, by 1.5% in Russia and 0.5% in Ukraine. Steel production fell by around 2% in North America and by a good 4% in South Korea.

2013 (2012) Gross Domestic Product – an Overview
Real year-on-year change in %



Source: IMF, World Economic Outlook dated January 2014

Aluminum production in China up, continued overcapacity

According to information from the International Aluminum Institute (IAI), global production of primary aluminum increased by 4.0% to 49.7 million tons in 2013. Only the largest producer, China, made a significant increase to production (+11%). Production in the rest of Asia (without China) fell by almost 4%. The US Association for the Aluminum Industry put the downturn in the USA at 5.9% in 2013. In Western Europe, output fell by a good 2% in 2013 according to IAI figures. According to information from the European Aluminum Association (EAA), in contrast, global consumption of primary aluminum increased by a good 7%. This means that inventories fell for the first time since 2006, causing the conditions on the market to relax somewhat in 2013. In spite of this, however, the industry continues to be characterized by notable overcapacity. Producers also suffered from high energy costs and continued reductions in aluminum prices. Many manufacturers produced at a loss, some plants were closed. Given this background, the aluminum industry continued to hold back on making investments.

Chemicals industry grows worldwide, Europe recovers slightly

Globally, the chemicals industry enjoyed on track growth in 2013. Verband der Chemischen Industrie (VCI Chemical Industry Association) estimates that production grew 4.5% after 2.7% in the previous year. Chemicals enjoyed substantial growth in Russia, South Korea and India. China's chemicals output increased by 12.0%. The industry only grew by a moderate 1.0% in the USA. After downturns in the previous year and at the start of 2013, chemicals production recovered in Europe beginning in the spring. However, the pace of growth was slower than in normal cyclical recovery periods as a result of lower chemicals exports. According to VCI, chemicals production increased by 0.5% in the EU and 1.5% in Germany. For the first time in two years, German chemicals companies once again increased their investments in property, plant and equipment by 2%, mostly to expand capacity.

Solar markets still not balanced despite increased demand

The photovoltaic (PV) industry is a long term high-growth market. According to information from the research institute IHS, newly installed PV systems grew by 15% in 2013 to 37GW p.a. This was driven by China, Japan and the USA. However, in view of existing over-capacity in the developed solar regions of the USA, EU and China, the consolidation phase continued in 2013. The situation was characterized by the weak economic environment, the downturn in solar subsidies, the lower prices throughout the value chain and thus the continued consolidation of producers. Given this environment, there were practically no investments, as was the case in the previous year. The IHS puts the volume of investment in the PV industry in 2013 at just USD 2.3 billion. USD 12.9 billion were invested in the record-breaking year 2011.

Semiconductors continue to grow, equipment companies still lag the pack

The market research institutes Gartner and IHS iSupply put revenues in the semiconductor industry in 2013 at USD 315–318 billion (+5%). The industry association World Semiconductor Trade Statistics (WSTS) puts market growth at 4.4% to USD 304 billion. The semiconductor market has thus increased more in value than sales of end devices (+3.8%) according to Gartner's calculations. The number of tablets sold increased by 50%, PC sales fell again substantially by 12%. The cellphone segment grew by a good 3% in terms of unit numbers. The semiconductor industry recorded revenue growth in particular in North and Latin America and in the Asia Pacific region according to WSTS calculations. Europe grew by a good 4%. This return to growth is only reflected in investments with a time lag. The market for equipment manufacturers in the semiconductor industry fell again by approx. 9% in 2013 according to Gartner's information. The industry association SEMI put the downturn at 13% to USD 32 billion.

Wind industry grew too slowly, overcapacity at manufacturers

The World Wind Energy Association (WWEA) puts global wind capacity at 318 GW at the end of 2013. New installations in 2013 totaled an anticipated 35.7 GW and were thus substantially lower than the 44.6 GW recorded in the previous year. The bulk of new installations in the first six months were due to China (39%), followed by the United Kingdom (10%), India (9%) and Germany (8%). The expansion came to a standstill in the USA and Spain in 2013. Global capacity along the entire value chain was geared to higher growth in the wind industry. This also affects carbon fiber capacity which reflected under-capacity.

Automotive industry grows worldwide, light construction still a niche

Global automotive sales increased by 5% in 2013. Verband der Automobilindustrie (VDA) puts the volume at 72.2 new registrations for cars and light vehicles. This growth is due purely to the strong increase in new registrations in the USA (+7.5%) and China (+23.1%). In Western Europe, new registrations fell by 1.9% despite the turnaround during the course of the year. The markets in Russia, India, Brazil and Japan also fell. Key development trends aim for innovation in electronic networking, electro-mobility and light constructions. However, to date, alternative engines and light construction have played a minor role compared to the sales figures.

Aviation industry improves slightly, aircraft manufacturers with record figures

The aviation industry enjoyed moderate growth in 2013. According to estimates by the International Air Transport Association, revenues for all airlines around the world increased by 4.3% to USD 708 billion. Passenger transport grew in terms of both revenues and volume by a good 5%. In contrast, air freight revenues continued to fall, although the transport volume increased by 1%. The dominant aircraft manufacturers Airbus and Boeing surpassed the previous year's figure by 7.1% with 1,274 deliveries (Airbus 626, Boeing 648), and have broken new records. Orders also boomed. Airbus reported net orders for 1,503 (833) civilian aircraft. Boeing booked 1,355 (1,203) net new orders. In the military segment, Airbus delivered 31 (29) aircraft. Boeing also increased its military and aerospace sales. In both of the projects Dreamliner (Boeing 787) and Joint Strike Fighter (F-35), which are key for our subsidiary HITCO, the production and delivery figures were lower than the original forecast due to delays.

Share price performance in 2013

You can find a description of our share price performance as well as key indicators and other information for all aspects of our shares in the section on Shares on pages 50–55.

Business Overview

Revenue and income targets missed in 2013 due to strong price pressure

At our year-end press conference in March 2013, we presented the following targets for the year:

- Consolidated revenue to grow slightly over 2012 (if exchange rates remain comparable)
- EBITDA to be about 10–15% under prior-year level of €240 million (before impairment)
- Earnings from investments accounted for using the equity method to improve
- Gearing ratio to remain at around 0.5
- Capital expenditure in intangible assets and property, plant and equipment to be up to €120 million
- Free cash flow (before acquisitions) to be positive

Consolidated revenue below previous year

Due to strong price pressure, especially with graphite electrodes in the Business Area Performance Products and in Graphite Specialties in the Business Area Graphite Materials & Systems, consolidated revenue decreased by about 10% when adjusted for SGL Rotec, which was sold at the end of 2013. Including SGL Rotec, the decrease in revenue amounted to 8%.

Group EBITDA target strongly influenced by price pressure in significant Business Areas

Already at the beginning of the second quarter of 2013, a weaker trend could be seen than was expected when the year-end press conference was held on March 14, 2013, especially in the Business Areas Graphite Materials & Systems and Carbon Fibers & Composites. Accordingly, we felt obliged to adjust our annual forecast on April 18, 2013, facing the prospect of consolidated EBITDA that could be 20–25% below the prior-year amount of €240 million (before impairment). During the course of the following two months, the economic situation deteriorated dramatically. Based on sharp currency depreciation – in particular of the Japanese yen and the Indian rupee – price pressure set in particularly in the graphite electrode market, which would strongly influence earnings during the second half of the year. Logically, a second, more precise adjustment was made to our annual forecast on June 27, 2013 – EBITDA would now be as much as 50–60% below the prior-year amount of €240 million (before impairment). We ultimately managed to meet the lower end of that target range, with a decrease of 59% (adjusted for SGL Rotec), or a decrease of 57% (including SGL Rotec).

Result from at-equity investments improve

After a loss of €32.6 million during fiscal year 2012, we managed to significantly improve the result from investments accounted for At-Equity, as planned. Expenses amounted to €18.3 million, despite the initial consolidation of pro-rata start-up costs connected with the joint venture we founded with Lindner in January 2013. Prior-year earnings benefited from a one-off payment to SGL-ACF, but were burdened by a write-down on our investment in EPG.

Gearing ratio falls outside of target range

During the second quarter of 2013, negative non-cash non-recurring charges of €145 million were recorded in the Business Area CFC based on impairment tests on property, plant and equipment and goodwill, as well as project write-offs required by IFRS. Furthermore, restructuring expenses of €84 million were incurred during the second half of 2013 as part of our cost reduction program SGL2015. In connection with the decline in the operating result, this resulted in a gearing ratio of 0.69 as of December 31, 2013 (December 31, 2012: 0.43), which significantly exceeded the target range of +/– 0.5.

Capital expenditure lower than budgeted

At around €96 million, capital expenditure in intangible assets and property, plant and equipment was substantially lower than planned in 2013, as we severely restricted our capital expenditure due to the deteriorated earnings situation and postponed or cancelled projects as part of SGL2015.

Free cash flow decidedly more positive

Consistent control of our expenses, both in working capital and capital expenditure, more than compensated for the negative trend in EBITDA, meaning that free cash flow was decidedly more positive at €38 million.

Review of medium to long term objectives

We are convinced that the fundamental trends of our product and materials portfolio will remain intact over the long term. Nevertheless, in view of the in part serious market upheavals during the year under review, we feel obliged to review our medium to long term objectives. The new Board of Management, which has only been in office in its current composition since January 1, 2014, has committed itself to updating the strategies of both the individual Business Areas and the group as a whole, and to derive new medium to long term objectives from those strategies during the course of 2014, which we will communicate in a timely manner and present and explain in the annual report as of December 31, 2014.

Key events for the development of the business

Restructuring program: SGL2015

The SGL Group has launched a comprehensive package of measures as part of the cost savings program (SGL2015) announced during the summer of 2013. The program comprises three pillars: our global production network, our organizational structure and our group portfolio, and should allow cost savings totaling approx. €150 million per year by the end of 2015 (based on 2012 actual costs), of which €69 million were already realized in 2013. SGL2015 is our reaction to difficult economic conditions, which are particularly linked to the unfavorable development of graphite electrodes pricing and the cyclical slowdown of the graphite specialty business. The development and expansion of our growth area CFC (Business Units CF/CM and AS) are also affected by delays in the development and start-up phase.

As part of SGL2015, a number of concrete measures have now been defined to improve our operational and organizational processes and to restructure our sites – measures that are either set to be implemented or are already in progress. These include the closure of the graphite electrode production facility at our Canadian plant in Lachute, which was announced in October 2013 and is likely to occur during the first quarter of 2014. Furthermore, on February 13, 2014, we publicly announced the decision to shut down graphite electrode production at our Italian plant in Narni by the middle of the current year.

We announced the details of our organizational restructuring program on December 10, 2013. The core of the program involves streamlining our centralized and service functions and our management structures, as well as enhancing the operational role of our Business Areas. Our planned restructuring measures will affect up to 300 positions in the administration throughout the Group. In addition to intended downsizing, overhead cost should decrease by €30 million by 2015.

Issue of senior secured corporate bond

On December 12, 2013, SGL Carbon SE decided to issue a senior secured bond with a total principal amount of €250 million and a coupon of 4.875% p.a., which will mature in 2021. The proceeds were used to repay the floating rate note (that matures in May 2015) before maturity, to partially repay a bank loan at a subsidiary, and for general corporate purposes.

The issue of the bond extends the maturity profile of our financial liabilities partially up to 2021 and provides SGL Group with additional financial flexibility. At the same time it placed the senior secured bond, SGL Carbon SE signed a new syndicated loan agreement with an as yet unused credit line of €200 million, which expires at the end of 2017. The syndicated credit line is available to the Company to balance working capital fluctuations during the year and for general corporate financing purposes.

Considerable pressure from non-recurring charges in 2013

Reduced earnings forecasts led to event-driven impairment tests on property, plant and equipment and other intangible assets in all three Business Areas during the first half of 2013, as well as to an impairment test on goodwill in the Business Area Carbon Fibers & Composites (CFC). In the Business Area CFC, longer than expected ongoing project delays creating a negative impact on existing overcapacity, continued high development expenses, and especially the lower than expected new business in the Business Unit Aerostructures (AS), all led to negative budget variances. In CFC, growth prospects for the Business Units Carbon Fibers & Composite Materials (CF/CM) and Aerostructures (AS) have also been pushed further into the future since the impairment tests were carried out at the end of 2012. As a result, in accordance with IFRS the SGL Group recognized non-cash impairments on non-current assets of €120.6 million and write-downs of €22.1 million from project write-offs in fiscal year 2013, which can primarily be attributed to

CFC. No impairments were required for Business Areas PP or GMS. Further details can be found in the notes to the consolidated financial statements, under **Note 9**.

For reporting purposes, impairments, write-downs from project write-offs, and restructuring expenses are combined under the generic term non-recurring charges. During fiscal 2013 these totaled €226.9 million, which included impairments of €120.6 million, write-downs from project write-offs of €22.1 million, and restructuring expenses as part of the SGL2015 cost savings program of €84.2 million.

Extraordinary tax expenditure

Due to short and medium-term earnings adjustments, deferred taxes on loss carry-forwards have also been classified as unrecoverable. This led to a partial write-down to deferred taxes on loss carry-forwards, particularly in the US and Germany. In addition, provisions were booked in 2013 for potential business risks from tax audits. Both effects increased tax expenses during the reporting period by a total of €84 million.

Discontinued operations

At the end of fiscal year 2013, the SGL Group completed the sale of its 100% share in SGL Rotec GmbH & Co. KG (SGL Rotec) to a strategic investor. SGL Rotec is therefore shown as discontinued operation in the 2013 consolidated financial statements. Accordingly, all income and expenses of SGL Rotec are no longer shown under operating performance of continuing operations in the consolidated income statement, but rather on a separate line below the consolidated net profit/loss for the period as discontinued operations. The prior year has also been adjusted accordingly. As planned the ownership of SGL Rotec was transferred to the buyer on December 31, 2013. As a result, the assets and liabilities of SGL Rotec were deconsolidated as of the balance sheet date. The loss resulting from deconsolidation is also shown under the result from discontinued operations. For further details, please refer to the notes to the consolidated financial statements, under **Note 13**.

Financial performance of the Group

Income Statement

€m	2013	2012	Change
Sales revenue	1,477.0	1,646.0	–10.3%
Gross profit [1]	267.7	452.9	–40.9%
Operating Profit (EBIT) before non-recurring charges [1] [2]	19.5	164.4	–88.1%
Operating loss/profit (EBIT)	**–207.4**	**110.2**	**> –100%**
Results from investments accounted for At-Equity	–18.3	–32.6	43.9%
Net financing result	–50.7	–53.5	5.2%
Result before tax continuing operations	**–276.4**	**24.1**	**> –100%**
Income tax expense	–84.5	–3.7	> –100%
Non-controlling interests	–4.3	–0.3	> –100%
Consolidated net result (continuing operations)	**–365.2**	**20.1**	**> –100%**
Discontinued operations	–31.2	–14.2	> –100%
Consolidated net result (attributable to the shareholders of the parent company)	**–396.4**	**5.9**	**> –100%**
Earnings per share, basic (in €)	–5.59	0.08	> –100%
Earnings per share, diluted (in €)	–5.59	0.08	> –100%

[1] Before project write-offs of €54.2 million in 2012 and €22.1 million in 2013
[2] Before restructuring expenses and impairments of €84.2 million and €120.6 million in 2013

Sales revenue decreased by 10% to €1.5 billion

As a result of the decrease in sales revenue in the Business Areas PP and GMS, Group sales revenue decreased by 10% (currency adjusted: –8%) to €1,477.0 million. Fisipe, which was consolidated for a complete fiscal year for the first time in 2013, made an additional contribution to sales revenue year on year of €35.6 million. Without that contribution, the decrease in sales revenue would have increased to 12%. Sales revenue in the Business Area Performance Products decreased by nearly 20% in fiscal 2013, primarily due to the unsatisfactory development of graphite electrodes pricing. The Business Area Graphite Materials & Systems showed a significant decrease in sales revenue of 16%, mainly due to the decreased demand for industrial applications. In contrast, the underlying development of sales revenue in the Business Area Carbon Fibers & Composites (CFC) was encouraging. Excluding sales lost from project write-offs and the initial consolidation of Fisipe, sales revenue growth amounted to 22%.

The sales revenue of the SGL Group was negatively influenced by lower prices, particularly in the Business Area PP, to a total amount of €103 million. In addition, declining volumes, particularly in the Business Areas PP and GMS, decreased consolidated sales revenue by a total of €69 million. Currency translation losses decreased sales revenue by €33 million year on year.

Sales revenue by segment

€m	2013	% of total	2012	% of total	Change
PP	755.9	51.2%	940.7	57.2%	–19.6%
GMS	408.1	27.6%	486.2	29.5%	–16.1%
CFC	309.3	20.9%	214.1	13.0%	44.5%
Other	3.7	0.3%	5.0	0.3%	–26.0%
Total	**1,477.0**	**100%**	**1,646.0**	**100%**	**–10.3%**

Sales revenue by destination

€m	2013	% of total	2012	% of total	Change
Germany	242.2	16.4%	242.4	14.7%	–0.1%
Europe excluding Germany	368.0	24.9%	396.6	24.1%	–7.2%
North America	347.0	23.5%	400.2	24.3%	–13.3%
Asia	369.6	25.0%	471.2	28.6%	–21.6%
Rest of world [1]	150.2	10.2%	135.6	8.3%	+10.8%
Total	**1,477.0**	**100.0%**	**1,646.0**	**100.0%**	**–10.3%**

[1] Latin America, Africa, Australia

The Business Area Performance Products (PP) showed a sales revenue decrease of 20% (currency adjusted: –19%) year on year in 2013, representing the highest sales decline of all of the Group's Business Areas. The share of the Business Area PP in total Group sales revenue thus decreased to approx. 51% (2012: 57%).

The Business Area Graphite Materials & Systems (GMS) also incurred sales declines. After a good year in 2012, a decrease of 16% (currency adjusted: –12%) was caused by lower sales volumes and prices. The share of the Business Area GMS in Group sales revenue declined from 30% to 28%.

In the Business Area Carbon Fibers & Composites (CFC), sales revenue increased approximately 22% from that of the prior year after adjustments for the initial consolidation of Fisipe and project write-offs. Taking Fisipe into account, the rise in sales revenue of the Business Area CFC of 44% (currency adjusted: +47%) considerably exceeded that of the other two Business Areas. The Business Area CFC's share in Group sales revenue increased accordingly, rising significantly from 13% in 2012 to 21% in 2013.

Please see pages 85–90 for details on the financial performance of our Business Areas.

Sales revenue by region: Europe is largest sales market

SGL Group generates the largest portion of its sales revenue outside of Germany. Foreign sales totaled €1,234.8 million, or 83.6% of Group sales revenue in fiscal year 2013, down from €1,403.6 million, or 85.3%, in 2012. Europe is the Group's largest sales market, accounting for 41% of sales in fiscal year 2013 (2012: 39%). In Asia, the Group's second most important sales region, sales decreased by 22% to €369.6 million in fiscal year 2013 (2012: €471.2 million), equating to the weakest regional development in the SGL Group. The significance of sales in the North American region remained consistent with the previous year, resulting in a share in Group sales revenue of approximately 24%. As a result of Fisipe being consolidated for the entire year in 2013 and higher sales of PP in this region, the share of remaining regions, in particular Africa, in Group sales revenue increased to 10%.

Sales revenue by geographical origin

€m	2013	% of total	2012	% of total	Change
Germany	459.4	31.1%	565.6	34.4%	–18.8%
Europe excluding Germany	656.6	44.4%	689.1	41.9%	–4.7%
North America	285.8	19.4%	309.0	18.7%	–7.5%
Asia	75.2	5.1%	82.3	5.0%	–8.6%
Total	**1,477.0**	**100.0%**	**1,646.0**	**100.0%**	**–10.3%**

In terms of regional sales trends, Asia and North America saw significant decreases in absolute terms in 2013. Business in the Far East was weaker in Japan mainly due to currency-related decreases in GMS sales to the lithium ion battery industry, while GMS and CFC sales, particularly in China, were in turn considerably higher than the previous year. Lower sales in North America were mainly caused by the low price level of graphite electrodes. Sales in Germany remained stable, while business in the rest of Europe was affected by lower prices, particularly in the Business Area PP, and due to decreased activities in GMS. The decrease in North America was also impacted by currency losses of €10.2 million, as the US dollar was, on average, weaker in 2013 than in fiscal 2012. The increase in sales revenue in the rest of the world can primarily be attributed to PP sales in North Africa and to Fisipe, which was consolidated for an entire fiscal year for the first time in 2013.

In terms of sales origin, we continued to manufacture mostly in Germany (31%; 2012: 34%), the rest of Europe (45%; 2012: 42%) and North America (19%; 2012: 19%). The sales percentage growth in the rest of Europe is primarily the result of Fisipe being consolidated for the entire year for the first time. The share of North America increased because of the project write-offs in the previous year. The share of sales in Asia remained unchanged despite the expansion of our production capacities in China and Malaysia, at 5% during the year under review (2012: 5%).

Trend in new orders

The order intake situation was unsatisfactory in all Business Areas during the course of 2013. All in all, the combined value of the order backlog of the three Business Areas at year-end 2013 was below that of the prior year.

In the Business Area **Performance Products**, the order backlog for graphite electrodes was negatively impacted by the continued cautious and short-term ordering pattern of our customers. At year-end 2013, the order backlog was under the level of the prior year. The demand for cathodes from the aluminum industry is still occurring at a low price level. High inventory levels of aluminum exist throughout the world due to record-high aluminum production. This led to consistently low aluminum prices with corresponding, ongoing cost pressure for aluminum manufacturers. A large order was received for cathodes at the beginning of fiscal 2014, although at low prices. Therefore, on the whole, the Business Area PP will not be operating at full capacity in 2014, as was also the case in 2013. This particularly relates to the Business Unit GCE.

In the Business Area **Graphite Materials & Systems**, we recorded an order backlog at year-end 2013 that was on the level of the prior year. Despite continued weak demand from the solar sector, new orders in the Business Unit Graphite Specialties were above the level of the prior year, particularly for electronic applications and due

to strong volume demand for materials for lithium ion batteries. When adjusted for the one-off effect of the large order received in 2012 and completed in 2013, new orders in the Business Unit **Process Technology** continued to be encouraging. At the close of the fiscal year, the order backlog was at the level of the prior year.

The situation in the Business Area Carbon Fibers & Composites is currently slightly better than in the previous year. The Business Unit Carbon Fibers & Composite Materials had a better start into the new fiscal year than in the preceding period due to higher capacity utilization in Carbon Fibers and higher demand for materials. The Business Unit Aerostructures was also burdened by further delays in the delivery of orders for the Boeing 787 and the Joint Strike Fighter (F-35). On the whole, sales expected from new business in 2014 should improve in Aerostructures compared with 2013.

Gross margin decreases

€m	2013	2012	Change
Sales revenue	1,477.0	1,646.0	–10.3%
Cost of sales	–1,231.4	–1,247.3	–1.3%
Gross profit	**245.6**	**398.7**	**–38.4%**
Gross profit [1]	**267.7**	**452.9**	**–40.9%**
Gross margin [1]	18.1%	27.5%	

[1] Before project write-offs of €54.2 million in 2012 and €22.1 million in 2013

Due to price and volume factors, the sales revenue of the SGL Group decreased by €169.0 million, or 10.3%, compared with the prior year. Consolidated for the first time for a complete fiscal year in 2013, our Portuguese subsidiary Fisipe, which we acquired in 2012, contributed €116.7 million (2012: €81.1 million) to sales revenue in the reporting period, corresponding to 2.2%-points of reported sales. The reduction in sales during the prior year due to project write-offs in the Business Area CFC was mostly compensated by the final settlement of a long term supply contract in the low double-digit million range in the Business Area PP. In contrast to the decrease in sales revenue year on year, cost of sales almost remained on the level of the prior year. The relative cost increase was once again mainly due to the continued increase in raw material and energy prices. In contrast, personnel expenses decreased due to lower provisions for variable bonuses and management incentive plans. Depreciation on property, plant and equipment, which is mainly included in cost of sales, remained roughly at the level of the prior year, at €83.3 million (2012: €85.5 million).

Gross profit declined by 38.4% to €245.6 million in fiscal 2013 (2012: €398.7 million). Adjusted for project write-offs and the initial consolidation of Fisipe, gross profit fell by 41%. The adjusted gross margin was 18.1% in 2013, down significantly from the prior-year figure of 24.2%. This decrease was particularly due to price pressure in graphite electrodes and to a reduction in capacity utilization year on year in the Business Unit Graphite Specialties. Low capacity utilization in Carbon Fibers & Composite Materials had a similar impact on margins. In reaction to the negative development of gross profit and margins, we initiated the cost savings program SGL2015 with high priority during the summer of 2013, and are currently implementing it rigorously. SGL2015 generated savings of approx. €69 million during fiscal 2013, which included savings of approx. €27 million from our SGL Excellence Initiative. The majority of the savings related to cost of sales, although the functional costs described below were also reduced.

Other operating costs decrease by 9%

€m	2013	2012	Change
Sales revenue	1,477.0	1,646.0	–10.3%
Gross profit [1]	267.7	452.9	–40.9%
Selling expenses	–158.6	–171.5	7.5%
Research and development costs	–42.8	–46.5	8.0%
General and administrative expenses	–78.2	–89.8	12.9%
Other operating income/expenses	31.4	19.3	62.7%
Operating profit (EBIT) before non-recurring charges [1] [2]	**19.5**	**164.4**	**–88.1%**
Restructuring expenses	–84.2	–	–
Impairments and project write-offs	–142.7	–54.2	>–100%
Operating loss/profit (EBIT)	**–207.4**	**110.2**	**>–100%**

[1] Before project write-offs of €54.2 million in 2012 and €22.1 million in 2013

[2] Before restructuring expenses and impairments of €84.2 million and €120.6 million in 2013

Other functional costs (selling expenses, research and development costs, and general and administrative expenses) decreased by a total of 9.2% to €279.6 million, and therefore in a manner similar to sales revenue, compared with the prior year (2012: €307.8 million). The net amount of income and expenses not allocated to functional costs was €31.4 million in fiscal 2013 (2012: €19.3 million).

Selling costs decrease disproportionately

Selling costs decreased by 7.5% to €158.6 million in 2013 (2012: €171.5 million). The share of selling expenses (including freight costs) to sales revenue increased from 10.4% to 10.7%. Selling expenses reached €158.6 million during the year under review, down from €171.5 million in the prior year. In addition to volume-related cost reductions, we managed to keep freight costs per ton stable in comparison to the prior year.

Focus placed on research and development activities

Research and development costs were limited to €42.8 million in fiscal 2013, or 2.9% of sales revenue, compared with €46.5 million, or 2.8% of sales revenue in the prior year. Positive contributions to earnings from research projects conducted with third parties, cost savings, and an investment grant all contributed to the absolute decrease in R&D costs. R&D activities in fiscal year 2013 focused on developing components for future energy systems, the continued development of synthetic graphites, and on process optimization in the production of carbon fibers at the pilot plant for carbon fibers and composites at our Meitingen site.

First savings in general and administrative expenses

General and administrative expenses decreased by 12.9% from €89.8 million in the prior year to €78.2 million in 2013. Although project costs were again incurred in 2013 for potential acquisition projects, the first savings from SGL2015, particularly at our administrative offices in Charlotte, North Carolina (USA) and Wiesbaden (Germany), and lower expenses for variable salary components (bonus components) in our remuneration system, led to an overall reduction in general and administrative expenses. Cost savings generated as part of SGL2015 already amounted to approx. €4 million, which primarily related to lower consultancy and travel costs. During the prior year, the high amount of general and administrative expenses was also the result of project costs for acquisitions and one off costs relating to the relocation of our Wiesbaden offices to the new head office in Wiesbaden-Schierstein. In 2013, the decrease in general and administrative expenses was, therefore, stronger than the decrease in sales revenue.

Currency hedging improves net amount of other operating income and expenses

The net amount of other operating income and expenses was €31.4 million in fiscal year 2013 (2012: €19.3 million). Other income and expenses also related to currency gains and losses, with a gain of €7.1 million being generated from hedging foreign currency positions in fiscal year 2013. In

2012, currency gains and losses resulted in an expense of €2.3 million. In 2013, other operating income included cost transfers to joint ventures of €11.0 million (2012: €6.9 million), income from government grants for projects of €3.7 million (2012: €3.8 million), and income from the sale of fixed assets of €0.5 million (2012: €0.8 million). During the prior year, other operating income was positively impacted by non-recurring income of €5.0 million from an insurance claim.

Restructuring expenses for SGL2015

As part of SGL2015, a number of concrete measures have now been defined to improve our operational and organizational processes and to restructure our sites – measures that are either set to be implemented or are already in progress. Restructuring expenses totaled €84.2 million in fiscal year 2013. These include the closure of the graphite electrode production facility at our Canadian plant in Lachute, which was announced on October 18, 2013. In addition to impairment losses on non-current assets, anticipated costs for severance payments totaling €21.6 million have also been taken into account in this connection. Total restructuring expenses of €32.1 million have already been taken into account for the closure of the graphite electrode plant in Narni (Italy), which was publically announced on February 13, 2014. These costs consist of write-downs on fixed assets and inventories of €13.9 million, and severance and liquidation costs totaling €18.2 million. Additional restructuring expenses incurred as part of SGL2015 related to the measures to implement organizational restructuring that were announced in December 2013, which reviewed structures and business processes in administration and sales throughout the Group. The restructuring of our organization will also require Group-wide downsizing involving up to 300 positions. For the anticipated costs in this regard, in particular for severance payments and partialretirement measures, €5.8 million has been expended in the Business Area PP, €5.5 million in GMS, €1.4 million in CFC, and €17.8 million in corporate costs. Restructuring expenses included in corporate costs also comprise the resolution of the Supervisory Board in November 2013 to reduce the number of members on the Board of Management.

Impairments and write-offs to long term construction contracts

Impairments and write-offs include the €77.6 million impairment to goodwill at CFC and the impairment to other intangible assets and property, plant and equipment of €43.0 million. Write-offs to receivables for long term construction contracts (PoC) of €22.1 million were also recorded. All impairments and write-offs were attributable to the Business Area CFC. For more details concerning impairments and write-offs, please refer to the notes to the consolidated financial statements, under **Note 9**.

Operating profit (EBIT) decreased to €20 million

The operating profit (EBIT) before non-recurring charges fell by approx. 88% to €19.5 million (2012: €164.4 million). The corresponding EBIT margin decreased from 10.0% in 2012 to 1.3% in 2013. After taking into account non-recurring charges totaling €226.9 million in 2013 and €54.2 million in 2012, the EBIT for fiscal year 2013 amounted to minus €207.4 million, down from €110.2 million in 2012.

€m	2013	2012	Change
Operating loss/profit (EBIT)	**–207.4**	**110.2**	**> –100%**
Result from investments accounted for At-Equity partial	–18.3	–32.6	43.9%
Net financing result	–50.7	–53.5	5.2%
Result before tax	**–276.4**	**24.1**	**> –100%**
Income tax expense	–84.5	–3.7	> –100%
Non-controlling interests	–4.3	–0.3	> –100%
Net profit (continuing operations)	**–365.2**	**20.1**	> –100%
Discontinued operations	–31.2	–14.2	> –100%
Consolidated net result (attributable to shareholders of SGL Carbon SE)	**–396.4**	**5.9**	**> –100%**
Earnings per share, basic (in €)	–5.59	0.08	> –100%
Earnings per share, diluted (in €)	–5.59	0.08	> –100%

Result from investments accounted for At-Equity improves

The result from investments accounted for At-Equity method improved considerably during the reporting period, amounting to a loss of €18.3 million compared to a loss of €32.6 million in 2012. The high loss in fiscal year 2012 was burdened mainly by the non-recurring impairment of €23.2 million that was made in connection with the closure of operations at EPG. The joint venture SGL Lindner GmbH & Co. KG, which was recently founded to market energy-efficient climate control ceilings, and the new joint venture Samsung SGL Carbon Composite Materials Co. Ltd. (Korea), are both currently in the market launch phase, which required investment from the partners during the year under review. Further investment is also necessary for the development and expansion of the business in 2014. At €5.7 million, the total operating loss related to our equity investments in Benteler-SGL, SGL Tokai Carbon Ltd (STS) and Brembo SGL was on the level of the prior year (2012: loss of €5.4 million). As in the previous year, start-up costs were incurred for carbon fiber and carbon fiber fabrics production in our joint ventures with BMW Group. As capacity at ACF continues to be expanded, additional, smaller losses are expected in 2014.

€m	2013	2012	Change
Sales revenue [1]	189.5	145.1	30.5%

[1] Aggregated unconsolidated 100% sales to third parties of all At-Equity accounted investments

The Business Area Carbon Fibers & Composites accounted for the majority, or €187.2 million, of the aggregated, non-consolidated sales revenue of our investments accounted for At-Equity in fiscal year 2013 (2012: €129.9 million, adjusted for the liquidation of EPG and 100%-aggregated, non-consolidated values of each of the companies). These revenues are not included in the sales revenue of SGL Group.

Brembo SGL: capacity expansion successful

Sales at Brembo SGL increased by approx. 17% in fiscal year 2013 compared to the prior year. The volume of new orders recorded another improvement at the end of the fiscal year. Expanded capacity at production facilities in Meitingen (Germany) and Stezzano (Italy) continues to be almost fully utilized and will gradually be expanded to meet rising demand for brake discs for new vehicle models. In 2013, the earnings trend once again improved considerably with profit being generated, after having reached break-even level in fiscal year 2012.

Benteler-SGL: increased project activities and expansion of production capacities

Sales revenue increased by approx. 60% year over year in our joint venture with Benteler Automobiltechnik GmbH. However, start-up losses were incurred in the reporting year as a result of activities associated with serial production for new vehicle projects. Serial production of lightweight, fiber-reinforced leaf springs was begun in fiscal year 2013, which provide for weight reduction of up to 65% compared to steel springs. Additional serial production will be started in 2014.

SGL Automotive Carbon Fibers (joint ventures with BMW Group): expansion of production capacity

Carbon fibers are delivered from our carbon fiber manufacturing plant in Moses Lake, Washington (USA) to our joint facility in Wackersdorf (Germany) for serial production, where they are processed to form lightweight carbon fiber fabrics. Carbon fiber reinforced plastic (CFRP) parts and components are then made from these fabrics at a BMW plant in Landshut (Germany). Fabric production for the BMW i3 was successfully started in the summer of 2013 and sales revenue year over year increased by more than 300%. However, earnings were burdened by high start-up costs in fiscal year 2013. Currently capacities are increased gradually at both plants, to fulfill the increased demand.

European Precursor (EPG) closed operations at the beginning of 2013

Our EPG joint venture closed operations at the start of fiscal year 2013 after the EPG shareholders decided the closure of the company's operations. Our shares in the company were sold to our co-shareholders during fiscal year 2013.

Fisigen: development stable

The joint venture Fisigen S.A., which was acquired with Fisipe, produces steam at an energy-efficient generating station and also feeds the by-product electricity into the public power grid in Portugal. As in the previous year, the company showed a slightly negative result in 2013.

Samsung SGL: initial activities started

The marketing and sales joint venture we established in fiscal year 2013 with Samsung Petrochemical is a strategic partnership involving carbon fiber composite materials. The primary objective of our collaboration is the development of new industrial and electronic applications based on carbon fiber composite materials for Samsung and the Korean market. In the process, the use in various Samsung products and applications is being promoted, such as in consumer electronics, medical technology or in technical applications. The joint venture is operating under the name Samsung SGL Carbon Composite Materials and each partner holds a 50% share. Initial activities were begun during fiscal year 2013, but significant sales revenue has not yet been generated.

Lindner SGL: positioned for growing market

The joint venture founded under the name SGL Lindner GmbH & Co. KG, in which SGL Group holds a 51% share and the Lindner Group a 49% share, is targeted at the global growth market for energy efficient and environmentally friendly climate control in buildings, combining the material competence of SGL Group through the manufacture of the environmentally friendly graphite construction material ECOPHIT® with the expertise of the Lindner Group in the areas of general contracting, facade engineering and insulating technology.

SGL Tokai carbon (STS): decline in activities

The sales volume of the joint venture for graphite electrodes in China was reduced once again during the reporting period on account of the decrease in prices. As in previous years, significant write-downs to inventories were necessary. In light of this development, STS will in future be realigned purely as a distribution company.

Net financing costs: net interest expense improves by 8%

Net financing costs

€m	2013	2012	Change
Interest income	1.3	2.4	–45.8%
Interest expense	–17.7	–18.1	2.2%
Imputed interest on convertible bond (non-cash)	–11.4	–13.9	18.0%
Imputed interest on finance leases (non-cash)	–1.4	–1.2	–16.7%
Interest expense on pensions	–11.6	–13.7	15.3%
Interest expense, net	**–40.8**	**–44.5**	**8.3%**
Amortization of refinancing costs (non-cash)	–5.0	–2.6	–92.3%
Foreign currency valuation of Group loans (non-cash)	–2.5	–2.6	3.8%
Other financial income/expenses	–2.4	–3.8	–36.8%
Other financing result	**–9.9**	**–9.0**	**–10%**
Net financing result	**–50.7**	**–53.5**	**5.2%**

Interest income decreased in 2013 by €1.1 million to €1.3 million (2012: €2.4 million) as a result of sustained low interest rate levels for call and term deposits and lower liquidity on average during fiscal year 2013.

Interest expense fell by €0.4 million from a total of €18.1 million in 2012 to €17.7 million in 2013 due to lower interest on the floating rate note and the interest for investment projects capitalized in accordance with IFRS. Interest expense on the floating rate note decreased from €4.0 million in 2012 to €3.0 million in 2013. The interest for investment projects capitalized in accordance with IFRS reduced interest expense by €3.5 million (2012: €2.6 million). In contrast, interest expense increased in connection with the convertible bond (with a volume of €240 million) that was issued in April 2012, leading to interest expense of €6.6 million (2012: €4.5 million). The average cash interest rate was 2.6% p.a. in 2013 (2012: 2.4% p.a.).

Non-cash expense from the imputed interest cost on the convertible bonds decreased to €11.4 million (2012: €13.9 million), primarily due to the repayment of the convertible bond from 2007 in May 2013. The repayment of the convertible bond more than compensated for the higher imputed interest on the convertible bond issued in 2012 of €240 million. The total amount of the imputed interest component is equal to the hidden premium recognized in equity upon recognition of the respective convertible bond and increases the interest expense of the cash coupons of 0.75%, 3.50% and 2.75%, to a total of 5.8%, 8.4% and 4.9%, respectively. The convertible bond from 2007 that was repaid in May 2013 has led to a decrease in the non-cash imputed interest component as well as the cash interest component starting in June 2013.

The imputed interest cost for a heritable building right agreement also resulted in non-cash interest expenses, which we have reported separately under net financing costs, and increased slightly to €1.4 million (2012: €1.2 million). Because of decreasing discount rates, interest expense on pensions was below the prior-year level in the year under review at €11.6 million (2012: €13.7 million), despite the increase in the present value of defined benefit obligations. All in all, net interest expense decreased by 8.3% to €40.8 million, compared with the prior-year figure of €44.5 million.

The increase in other financing result to €9.9 million in 2013 (2012: €9.0 million) is primarily the result of amortization of refinancing costs that were still capitalized following the early repayment of the €200.0 million corporate bond from 2007, amounting to which was redeemed in December 2013 as part of issuing a new secured corporate bond of €250 million. In addition to the non-cash expense for amortization of the refinancing costs from 2007, 2009 and 2012, other financing costs include the effects of mark-to-market valuation of interest rate and currency hedges, currency translation gains and losses arising from intercompany and external local loans, and other financial income and expenses.

Foreign exchange gains and losses from financing our subsidiaries resulted in a non-cash expense of €2.5 million, compared with an expense of €2.6 million in 2012. The other financial expense of €2.4 million in 2013 (2012: expense of €3.8 million) includes currency losses of €2.1 million on our bank loans in Malaysia denominated in foreign currency (2012: gains of €1.4 million), as well as an impairment charge of €0.3 million on financial instruments held for sale based on a permanent reduction in their fair value (2012: charge of €5.5 million). The net financing result (excluding the result of investments accounted for At-Equity) thus improved by 5% in the reporting period to €50.7 million (2012: cost of €53.5 million).

Group tax expense at €84 million

The income tax expense amounted to €84.5 million in the reporting period, up significantly from the tax expense for the prior year of €3.7 million. The reduced income projections and the increasing uncertainty in using tax loss carry forwards led to a write down of capitalized deferred tax position in 2013. Furthermore, provisions were booked during the second quarter of 2013 for potential economic risk from tax audits. Both effects increased the tax expense for the period by a total of €84 million. In addition to these one-off effects, certain losses on investments accounted for At-Equity regularly cannot be deducted by the Group for tax purposes. Tax income and expenses relating to other periods also occur on a regular basis. In the year under review, cash taxes increased to €24.8 million (2012: €21.5 million).

For more information, please refer to **Note 12** of the notes to the consolidated financial statements.

Increase in non-controlling interests

Non-controlling interests (minority interests) also contain the share in the operating result (including impairment) of our minority interests in partnerships. Within our Group, minority interests relate in particular to SGL Kümpers, SGL A&R Immobiliengesellschaft in Lemwerder (Germany), and SGL Tokai Process Technology Pte.Ltd, which together contain minority interests equaling a loss of €4.3 million (2012: a gain of €0.3 million).

Discontinued operations

Because of the disposal of the majority of the Business Unit RB with the sale of SGL Rotec GmbH & Co KG at the end of fiscal year 2013 IFRS requires the presentation as discontinued operations. Consequently, all income and expenses relating to SGL Rotec are shown separately below net consolidated profit/loss, including the loss generated by the sale. The loss of €19.8 million arising from the disposal and the loss for the period of €11.4 million result in a total loss from discontinued operations of €31.2 million in 2013 (2012: loss of €14.2 million).

Consolidated net loss at €396 million due to non-recurring charges

Including non-controlling interests, the consolidated net loss for the year amounted to €396.4 million, compared to consolidated net profit of €5.9 million in 2012.

Based on the average number of shares of 70.9 million, the undiluted earnings per share decreased to a loss per share of €5.59 (2012: earnings per share of €0.08). In calculating diluted earnings per share, the shares that may potentially be issued under the 2009 and 2012 convertible bonds, as well as under the Stock Option Plan and Stock Appreciation Rights Plan, are also taken into account. The average number of shares did not increase for 2013. No diluted earnings per share were calculated due to the loss situation in fiscal year 2013. The diluted earnings per share for 2012 were €0.08 per share.

Five-year overview of Results of Operations

€m	2013	2012*	2011	2010	2009
Sales revenue	1,477.0	1,646.0	1,540.2	1,381.8	1,225.8
Operating profit (EBIT) before non-recurring charges	19.5	164.4	160.4	128.4	111.0
in % of sales revenue	1.3%	10.0%	10.4%	9.3%	9.1%
Consolidated net profit/loss for the period	–396.4	5.9	73.2	52.2	–60.8
in % of sales revenue	–26.8%	0.4%	4.8%	3.8%	–5.0%
Earnings per share, basic (in €)	–5.59	0.08	1.09	0.80	–0.93

* Adjusted according to IAS 19R

Financial performance of the Business Areas

Performance Products (PP): significant price pressure in graphite electrodes

Performance Products (PP)

€m	2013	2012	Change
Sales revenue	755.9	940.7	–19.6%
EBITDA [1]	110.2	220.4	–50.0%
Operating profit (EBIT) [1]	69.4	179.2	–61.3%
Return on sales [1]	9.2%	19.0%	–
Capital expenditure for intangible assets and property, plant and equipment	34.3	46.4	–26.1%
Cash generation [1, 2]	160.5	127.4	26.0%
Depreciation and amortization	40.8	41.1	–0.7%
Number of employees (at year-end)	2,064	2,081	–0.8%

1) Before restructuring expenses of €59.5 million in 2013
2) EBITDA less capital expenditure and change in working capital

Primarily due to the unsatisfactory development of graphite electrode pricing, sales revenue in the Business Area Performance Products decreased by 20% year over year in fiscal 2013 to €755.9 million (2012: €940.7 million). Currency losses of 1% had a slightly negative effect on sales revenue. As anticipated, business performance slowed down significantly in the second half of the year after com petition in the graphite electrode business intensified particularly during the second quarter. Overall, prices in graphite electrodes decreased by more than 10% during the course of the year. The price decrease can be attributed to several factors, the foremost of which were our Japanse and Indian competitors passing on their currency exchange advantages to customers. In addition, structural over-capacity in the global steel market, particularly in Asia and Europe, led to a decline in the demand for electrical arc furnace steel. Slight capacity expansion on the part of some graphite electrode manufacturers has also shifted the balance of supply and demand in recent years. In addition to the price decrease, the demand for graphite electrodes did not recover during the second half of the year as hoped, meaning that deliveries of graphite electrodes also decreased during the reporting period.

The slight recovery of cathode volumes that began in mid-2011 continued in fiscal year 2013, although at the anticipated lower sales prices. Overall, revenue and earnings year on year were characterized by the final settlement of a long term supply contract from the third quarter of 2012, which had supported prior year in the amount of a low double-digit million figure.

EBIT in the Business Area Performance Products decreased by 61% to €69.4 million during the reporting period due to the developments described above, compared to €179.2 million in 2012. The greater decrease in EBIT than sales revenue can mainly be attributed to price pressure in graphite electrodes, which intensified during the second half of 2013. The start-up costs for the gradual commissioning of

our new production facility in Banting (Malaysia) again weighed on the earnings of the Business Area Performance Products in fiscal year 2013. Savings from SGL2015 amounted to €28.2 million, of which €12.5 million related to the SGL Excellence Initiative.

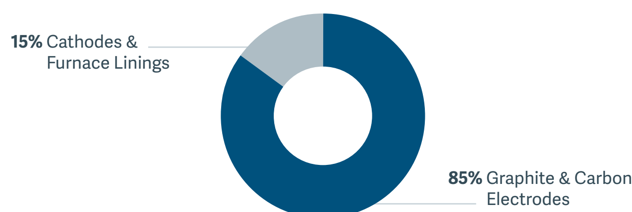
As a result of the effects described above, the return on sales before restructuring expenses decreased to 9.2% for full-year 2013 (2012: 19.0%).

On October 18, 2013, the closure of our Canadian graphite electrode plant in Lachute was announced as the first significant measure of the cost savings program SGL2015. Production was scaled down at the end of 2013 and will likely be finally stopped during the first quarter of 2014. The closure of the plant, which had a graphite electrode capacity of 30,000 tons, is a first step in the company-wide reduction of capacities to safeguard SGL Group's cost leadership. The closure of a second graphite electrode plant with a comparable production capacity, which was published on February 13, 2014, concerns our Italian site in Narni with its accompanying administrative office in Lainate. Restructuring expenses during the past fiscal year of €59.5 million mainly consist of depreciation to property, plant and equipment and costs incurred in connection with the plant closures in Italy and Canada, as well as, to a lesser extent, further restructuring measures. Accordingly, EBIT after restructuring costs amounted to €9.9 million (2012: €179.2 million).

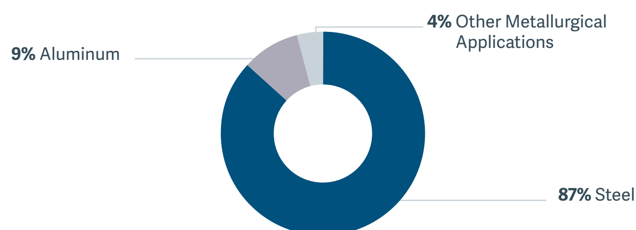
Capital expenditures declined by 26% compared with the previous year to €34.3 million, mainly due to lower spending for the construction of our plant in Malaysia, as well as the completion of projects to install environmentally friendly technologies at some of our longer existing sites, such as in Poland. Necessary expenditures were also made for replacements and environmental protection during the year under review, in particular at our sites in Ozark, Arkansas (USA) and La Coruña (Spain). The graphitization process at our site in Ozark, Arkansas (USA) was also rebuilt so that the plant can be operated in a significantly more cost-effective and environmentally friendly manner after the measures are completed there during the course of 2014. Measures at our Spanish site in La Coruña relate to the restoration of green manufacturing and the rebuilding of the first step in the production of graphite electrodes, and will lead to both quality improvements on a product level and operational savings.

After officially having opened our new fully integrated plant for graphite electrodes and cathodes in Banting (Malaysia) in September 2012, we gradually increased graphite electrode production in 2013. However, the troubled market conditions in Southeast Asia also affected our Banting site, meaning that production volumes in 2013 did not reach the targets that we originally set.

Sales revenue by Business Unit, 2013 (PP)



Sales revenue by customer industry, 2013 (PP)



Graphite Materials & Systems (GMS): cyclical decrease in graphite specialties masked very good business trend in process technology

Graphite Materials & Systems (GMS)

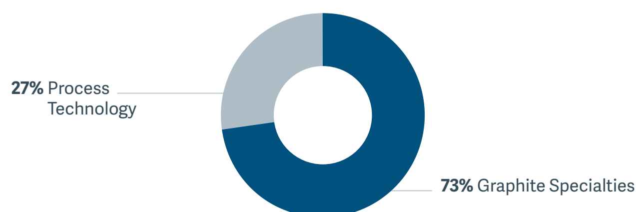
€m	2013	2012	Change
Sales revenue	408.1	486.2	–16.1%
EBITDA [1]	48.7	86.6	–43.8%
Operating profit (EBIT) [1]	30.1	67.4	–55.3%
Return on sales [1]	7.4%	13.9%	–
Capital expenditure for intangible assets and property, plant and equipment	33.1	50.1	–33.9%
Cash generation [1), 2)]	7.6	42.0	–81.9%
Depreciation and amortization	18.6	19.2	–3.1%
Number of employees (at year-end)	2,757	2,802	–1.6%

1) Before restructuring expenses amounting to €5.5 million in 2013
2) EBITDA less capital expenditure and change in working capital

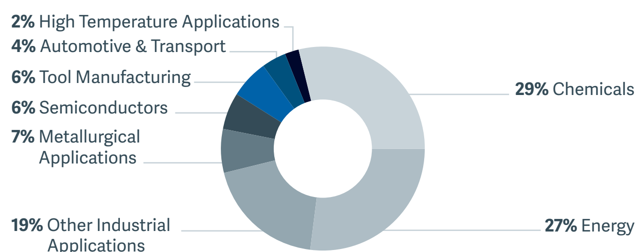
Sales revenue in the Business Area Graphite Materials & Systems fell by 16% to €408.1 million in the past fiscal year, down from €486.2 million in 2012. On a currency-adjusted basis, sales revenue decreased by 12%. However, the trends in the Business Units Graphite Specialties and Process Technology were very different. Although sales revenue in the Business Unit Process Technology remained on the same level as the record high from the previous year thanks to the influx of new orders during that period, the Business Unit Graphite Specialties recorded a marked decline in sales. Demand from the customer industry of the Business Unit Graphite Specialties, which was still very stable in 2012, was already starting to decline at the end of that year in line with macroeconomic trends. The trend did stabilize during the second half of the year, however. Demand from the solar, semiconductor, and LED industries, which had also been in decline since the end of 2011, seemed to bottom out during the past year.

Although the Business Unit Process Technology managed to repeat its record earnings from the previous year, lower utilization of the production plants in the Business Unit Graphite Specialties considerably reduced earnings in that unit. Accordingly, EBIT in the Business Area GMS fell by 55% year on year to €30.1 million before restructuring costs (2012: €67.4 million), resulting in a return on sales of 7.4% (2012: 13.9%). The deterioration in the return on sales was primarily attributable to lower fixed cost absorption. Capacity utilization in fiscal year 2013 was below the high level of the prior year, as we adapted our production to the lower order intake level in 2013. Cost savings from SGL2015 in fiscal year 2013 amounted to €13.6 million, of which €7.9 million related to the SGL Excellence Initiative.

Sales revenue by Business Unit, 2013 (GMS)



Sales revenue by customer industry, 2013 (GMS)



Restructuring costs of €5.5 million were incurred in this Business Area during the reporting period from the implementation of SGL2015. EBIT after restructuring costs thus amounted to €24.6 million in GMS (2012: €67.4 million).

Capital expenditure was reduced by 34% to €33.1 million in 2013, down from €50.1 million in 2012. This can primarily be attributed to the fact that larger capital expenditure projects from prior years were already at an advanced stage. Such projects included expanding production capacity for isostatic graphite at our site in Bonn (Germany) and several projects at sites in Asia, especially in China and India. Despite the overall decline in capital expenditure compared to the previous year, the expansion of isostatic graphite capacity remained the focus of our capital expenditure. Accordingly, the expansion of green production of isostatic graphite was completed at our Bonn site in 2013, and a second ring furnace was installed and put into service on schedule at our site in Yangquan (China).

Our graphite production center in Bonn was completed on time and was able to transition smoothly into production in January 2014. The centerpiece of the plant is the largest isostatic graphite manufacturing press in the world, which was ceremoniously presented to SGL Group by Avure Technologies in the beginning of 2014. A new, large press will enable us to meet growing demand for large molded parts of isostatic graphite. New pulverizing and mixing plants were also installed. Our product portfolio is now progressively being transferred to the new plant, and corresponding old sites are being taken out of operation.

After the SGL Lindner Ecophit joint venture was founded in January 2013, the earnings of which are consolidated with the joint ventures accounted for At-Equity, the remaining activities of the former Business Unit New Markets were integrated into the Business Unit Graphite Specialties on May 1, 2013.

Carbon Fibers & Composites (CFC): business trend still characterized by overcapacity

Carbon Fibers & Composites (CFC)

€m	**2013**	2012	Change
Sales revenue	309.3	214.1	44.5%
EBITDA [1]	–16.2	–6.8	>–100%
Operating loss (EBIT) before non-recurring charges [1]	–32.9	–23.9	–37.7%
Operating loss (EBIT)	–179.5	–78.1	>–100%
Return on sales [1]	–10.6%	–11.2%	–
Capital expenditure for intangible assets and property, plant and equipment	19.8	20.9	–5.3%
Cash generation [1), 2)]	–21.3	–53.6	60.3%
Depreciation and amortization	16.7	17.1	–2.3%
Number of employees (at year-end)	1,386	1,725	–19.7%

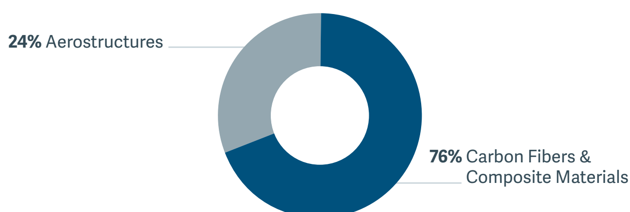
1) Project write-offs of €54.2 million in 2012 and €22.1 million in 2013 as well as impairments of €123.1 million and restructuring expenses amounting to €1.4 million in 2013:

2) EBITDA less capital expenditure and change in working capital

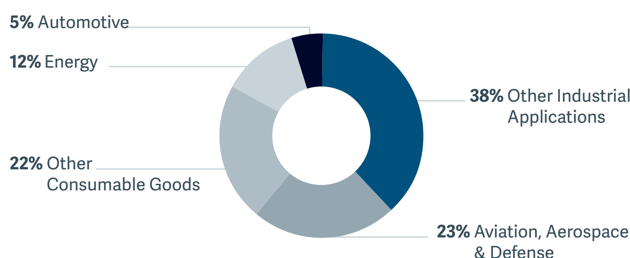
As part of the cost savings program SGL2015, we sold our rotor blade business (the former Business Unit Rotor Blades) to a strategic investor on December 31, 2013, as the first measure in optimizing our portfolio and focusing our carbon fiber activities on our core competences. As a result, rotor blade activities are classified as discontinued operations in this annual report. The key figures for the Business Area Carbon Fibers & Composites have been accordingly adjusted for rotor blade activities both in the year under review and in the previous year.

Sales revenue in the Business Area Carbon Fibers & Composites increased by 44.5% to €309.3 million during the past year. This increase can primarily be attributed to higher revenue contributions from Fisipe, the Portuguese acrylic fiber producer acquired during the second quarter of 2012. Fisipe contributed €116.7 million to sales revenue during the reporting period (2012: €81.1 million pro rata temporis). Fisipe's revenue has been allocated to the Business Unit

Sales revenue by Business Unit, 2013 (CFC)



Sales revenue by customer industry, 2013 (CFC)



Carbon Fibers & Composite Materials (CF/CM) since fiscal year 2013. The Business Unit Aerostructures (HITCO) also managed to increase its sales revenue significantly. However, it should be noted that the previous year was affected by a write-off to non-current receivables that were calculated according to the percentage of completion method, resulting in a revenue adjustment of €32.5 million.

Despite revenue growth in the Business Area CFC, EBIT before non-recurring charges deteriorated from a loss of €23.9 million in 2012 to a loss of €32.9 million during the year under review. The reasons for this were persistently insufficient price levels and low capacity utilization in carbon fiber production, which continued to be characterized by project delays and a muted demand for materials from the wind energy industry and other industrial applications. In addition, the prolonged delays in delivering the orders for the Boeing 787 and the Joint Strike Fighter once again led to unsatisfactory capacity utilization in the Business Unit Aerostructures.

Cost savings from SGL2015 during the past year amount to €9.7 million in CFC, of which €6.3 million related to the SGL Excellence Initiative.

As a result of the impairment tests carried out on property, plant and equipment and goodwill on June 30, 2013, negative non-cash non-recurring charges totaling €123.1 million were recorded in CFC's earnings in connection with impairments to non-current assets, as well as €22.1 million for project write-offs. Furthermore, restructuring expenses of €1.4 million were incurred as a result of implementing the cost savings program SGL2015, meaning that EBIT after one-off effects amounted to a loss of €179.5 million in the Business Area CFC (2012: a loss of €78.1 million).

Capital expenditure was reduced slightly from €20.9 million in 2012 to €19.8 million in 2013. The focus of capital expenditure was the transformation of a former textile fiber production lines for future precursor production at Fisipe in Portugal. At our site in Muir of Ord (Scotland), we also invested in a machine to manufacture stretch-broken carbon fiber yarn to expand our product portfolio, as well as in an exhaust gas purification plant. Further infrastructure improvements at our US subsidiary HITCO, which were made in connection with higher delivery figures concerning its major client Boeing, also led to additional capital expenditure, although to a significantly smaller extent than in the previous year.

Central T&I spending and corporate costs: first measures from SGL2015 take effect

€m	2013	2012	Change
Sales revenue/other revenue	3.7	5.0	–26.0%
Operating loss (EBIT) [1]			
Central T&I costs	–11.5	–11.5	0.0%
Corporate costs	–35.6	–46.9	24.1%
Number of employees (T&I) [2]	147	153	–3.9%
Number of employees (at year-end)	78	78	0.0%

[1] Before restructuring expenses of €17.8 million in 2013
[2] At year-end

Central T&I spending relates to those research and development initiatives that are not allocated to the Business Areas and Business Units due to their long term, fundamental nature. At €11.5 million, central T&I spending remained at the same level during the period under review as in the previous year.

At €35.6 million, corporate costs were lowered by 24% compared to the prior year (2012: €46.9 million). The lower costs were primarily the result of lower expenses for variable salary components. Approx. €4.1 million was also saved as part of SGL2015, which primarily relates to lower consultancy and travel costs.

Restructuring expenses under Corporate Costs totaling €17.8 million also include the measures relating to the resolution of the Supervisory Board in November 2013 to reduce the number of members on the Board of Management.

Financial position

Principles and objectives of financial management

The primary objective of financial management at SGL Group is to maintain the Group's financial strength and to ensure solvency at all times. In the past fiscal year, SGL Group financed all of its business operations from internal sources and used the operating cash flow generated to finance all investments. Our internal financing was thus again of great significance in fiscal year 2013.

SGL Group's financial management is conducted centrally in order to hedge 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 extend to cash and liquidity management, Group financing via bank and capital market products, financing activities and money supply for Group companies, customer credit management and the management of interest rate and currency risk.

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 regional financial centers in Charlotte, North Carolina (USA) and Shanghai (China) as well as by employees at our local subsidiaries.

Liquidity management

Operational liquidity management is centrally coordinated and undertaken in 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 2013, 32 Group companies took part in the central in-house cash center (2012: 19). To the extent permissible, the weekly settlement of supplier invoices is also handled through the global in-house cash center, thus allowing central management of a large portion of the Group's global cash outflows. In fiscal year 2013, on average approx. 80% of global supplier payments were handled centrally (2012: 80%). 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 secure on a permanent basis the standards we have attained, we work with monthly KPIs (key performance indicators), which allow us to constantly measure the degree of payment transaction standardization we have achieved and the related average costs, as well as to continuously improve our system further.

In addition to annual finance planning, which generally covers a period of five years, current liquidity planning is undertaken for short intervals of one day to one year. By combining finance and liquidity planning, and by using available liquidity, credit lines and other measures, SGL Group ensures that it has adequate liquidity reserves at all times. These reserves allow SGL Group to respond to cash flow fluctuations during the year in a flexible manner and to meet all payment obligations on time at all times. In fiscal year 2013, fluctuations in working capital were also managed in this manner.

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

Group financing

Group financing is geared to the strategic business plans of the operating Business Units as well as to central Group planning. Since the start of the global financial crisis, SGL Group has been paying very close attention to the financing opportunities presenting themselves on the financial markets and to trends in the availability of funds and the cost of procuring them. For this reason, 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. As a result, in fiscal year 2013 we decided to optimize the maturity profiles of our financial liabilities and to carry out refinancing on the capital market at attractive conditions. We are covering our anticipated operational financing requirements for fiscal year 2014 by issuing a senior secured euro bond in a principal amount of €250 million with a fixed coupon rate of 4.875% p.a., which falls due in 2021, in combination with the renewal of committed credit facilities and the resulting liquidity reserve.

In past years, selected properties, IT equipment and vehicles have been financed in part via operating leases. Further details can be found in **Note 30** 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 cash flows, as well as on currency risks that result from the internal financing of local subsidiaries in foreign currencies. In doing so, we consider the following major risk positions:

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

Currency forwards are the primary instrument used by the Group to hedge currency risk. To manage interest rates, SGL Group generally uses interest-rate cap transactions as hedging instruments. No new interest rate hedges were taken out in fiscal year 2013. The anticipated risk from currency fluctuations has been adequately covered for fiscal year 2014. 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 32** of the notes to the consolidated financial statements.

Financing analysis

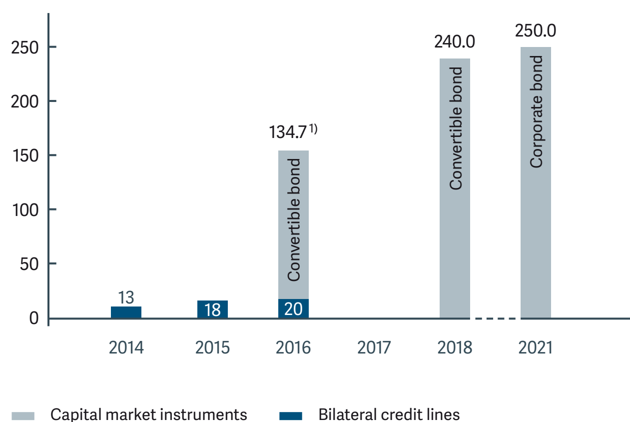
SGL Group's financing is primarily composed of a new corporate bond in the amount of €250 million (coupon = 4.875%, maturing in 2021), a convertible bond in the initial amount of €190 million (€134.7 million after conversion; coupon of 3.50%, maturing in 2016, bondholder put option in June 2014) and a convertible bond issued in fiscal year 2012 in the amount of €240 million (coupon of 2.75%, maturing in 2018). In connection with the new corporate bond, SGL Carbon SE signed an agreement for a new credit facility in the amount of €200 million in December 2013 to replace the existing facility in the amount of €200 million. The new credit facility runs until the end of 2017.

In addition, to finance our investments in Malaysia, local credit lines have been taken out in Malaysian ringgits; these facilities were fully drawn down as of the balance sheet date. All in all, undrawn credit facilities amounting to €207.8 million (2012: €207.8 million) were available to SGL Group at year-end 2013, similar to the previous year, to cover working capital and investments. Cash funds amounted to €227.8 million as of December 31, 2013 (December 31, 2012: €355.9 million).

Since 2004, SGL Group has commissioned rating agencies Moody's and Standard & Poor's (S&P) to prepare issuer ratings, which supports both private and institutional investors in evaluating the Group's credit quality. At present, SGL Group has ratings of B1 (Moody's) and BB– (Standard & Poor's), both with a negative outlook.

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

Debt profile in €m



1) Convertible bond put option in 2014

The corporate bond issued by SGL Group was awarded a rating of BB+ by S&P due to its top-ranking collateral structure (2012: BBB–). S&P gave a BB– rating to the unsecured convertible bonds that are subordinate to the corporate bond (2012: BB). Moody's gives the corporate bond a Ba3 rating (2012: Ba1).

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

Rating agency	Rating	Date of rating
Moody's	**B1** (Outlook: negative)	December 2013
Standard & Poor's	**BB–** (Outlook: negative)	July 2013

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

Corporate bond

Rating agency	Rating	Date of rating
Moody's	**Ba3**	December 2013
Standard & Poor's	**BB+**	December 2013

Convertible bonds

Rating agency	Rating	Date of rating
Standard & Poor's	**BB–**	July 2013

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

Positive free cash flow

To fund completion of isostatic graphite capacity expansion at our sites in Bonn and China and for targeted replacement and expansion investments we again undertook capital spending in excess of the depreciation and amortization charge in 2013. In doing so, we were able to fully finance capital expenditure on property, plant and equipment with operating cash flow in order to counteract the increase in net debt. Free cash flow was distinctly positive and reached €38.2 million, putting it well into the black. This is an improvement of €104.4 million on the prior-year figure of €–66.2 million. The reported fiscal year also saw cash used for payments to investments accounted for At-Equity in the amount of €26.2 million (2012: €33.0 million).

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. 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 (2013: €0.0 million; 2012: €130.0 million). The cash flow statements for the reporting period and the previous year were adjusted to reflect the discontinued operations of SGL Rotec.

Liquidity and capital resources

€m	2013	2012	Change
Cash flow from operating activities			
Result from continuing operations before tax	**–276.4**	**24.1**	**> –100%**
Depreciation/amortization expense	82.6	84.5	–2.2%
Non-recurring charges	226.9	54.2	> 100%
Changes in working capital	103.6	–67.8	> 100%
Miscellaneous items	14.4	33.4	–56.9%
Net cash provided by operating activities from continuing operations	**151.1**	**128.4**	**17.7%**
Cash flow from investing activities			
Payments to purchase intangible assets and property, plant and equipment	–95.5	–131.8	27.5%
Capital injections concerning At-Equity-accounted investments and other financial assets	–26.2	–33.0	20.6%
Payments for the acquisition of companies, net of cash acquired	0.0	–30.7	–
Proceeds from sale of non current assets	8.8	0.9	> 100%
Net cash used in investing activities from continuing operations	**–112.9**	**–194.6**	**42.0%**
Free cash flow [1]	**38.2**	**–66.2**	**> 100%**
Net cash provided by/used in time deposits	130.0	–50.0	> 100%
Net cash used in/provided by financing activities from continuing operations	–160.2	202.3	> –100%
Effect of foreign exchange rate changes and other changes	–6.1	–21.9	72.1%
Cash and cash equivalents at beginning of year	225.9	161.7	39.7%
Cash and cash equivalents at end of year	**227.8**	**225.9**	**0.8%**
Time deposits at end of year	0.0	130.0	–
Total liquidity	**227.8**	**355.9**	**–36.0%**
Net change in liquidity	**–128.1**	**114.2**	**> –100%**

[1] Defined as cash provided by operating activities less cash used in investing activities before time deposits.

Net cash provided by continuing operations improves by 18%

Our active working capital management succeeded in counteracting the effects of the decrease in operating profit before non-recurring charges to €19.5 million, the increase in tax payments to €24.8 million (2012: €21.5 million) and higher interest payments of €21.2 million (2012: €13.6 million). Working capital was thus reduced by €103.6 million in the reporting year (2012: increase of €67.8 million). Depreciation and amortization were largely unchanged at €82.6 million (2012: €84.5 million). All in all, this led to an increase in net cash provided by operating activities of 18% to €151.1 million in the fiscal year (2012: €128.4 million).

Working capital recognized on the balance sheet decreased by 23%, or €160.1 million, to €541.0 million as of December 31, 2013 (December 31, 2012: €701.1 million), primarily due to a 29% decrease in trade receivables and a 12% reduction in inventories. Taking the changes recognized on the balance sheet as a basis, non-cash effects led to a decrease in working capital. These include write-offs relating to project accounting, which contributed to the decrease in receivables from long term construction contracts of €21.0 million (2012: €52.6 million.). In addition, the deconsolidation of SGL Rotec at year-end 2013 led to a decrease in the carrying amount of inventories and trade receivables in a total amount of €22.3 million compared with the previous year.

The operational reduction in working capital amounted to €103.6 million (2012: increase of €67.8 million) was initiated due to the decline in demand in various Business Units. The reduction was implemented successfully in 2013 thanks to our systematic adjustment of production capacity.

Net cash used in (continuing) investment activities reduced by 42%

Net cash used in investing activities decreased by €81.7 million year over year to €112.9 million. This item contains payments for intangible assets and property, plant and equipment, investments accounted for At-Equity and the acquisition of Fisipe in 2012. We limited payments for capital expenditure on intangible assets and property, plant and equipment to €95.5 million in the reporting year (2012: €131.8 million).

Capital expenditure remains higher than depreciation/amortization

Capital expenditure on intangible assets and property, plant and equipment in fiscal year 2013 was distributed as follows: 36% for PP (€34.3 million; 2012: €46.4 million), 34% for GMS (€33.1 million; 2012: €50.1 million), 21% for CFC (€19.8 million; 2012: €20.9 million) and 9% for central projects (€8.3 million; 2012: €14.4 million). The comparative figures for the previous year were 35% for PP, 38% for GMS, 16% for CFC and 11% for central projects.

Capital expenditure in the Business Area PP covered additional improvements in production processes at our plant in Banting (Malaysia) in 2013. Necessary replacement and environmental protection investments were also made, in particular for efficient, more environmentally friendly graphitization at the Ozark, Arkansas (USA) location and for new, environmentally friendly green production in La Coruña, Spain.

In the Business Area GMS, capital expenditure in the reporting year primarily related to completion of the expansion of our isostatic graphite capacities at our site in Bonn (Germany) as well as in Yangquan (China) and Nowy Sącz (Poland). We also made a number of environmental protection investments in Chedde (France) and Morganton, North Carolina (USA).

In the Business Area CFC, investment activity focused on development of a new polymerization facility at our Lavradio (Portugal) location and the start of work to convert a spinning line to production of PAN precursor used for carbon fiber manufacturing. In addition, expansion and environmental protection investments were made in our carbon fiber facilities in Scotland. At SGL Kümpers in Lathen (Germany), investments were made in expanding automation technologies and at HITCO, capital spending concerned infrastructure investments.

Central capital expenditure in the reporting year primarily focused on acquisition of a production and administrative building in Shanghai as well as projects to improve IT systems.

Other intangible assets and property, plant and equipment thus decreased to €845.5 million as of December 31, 2013 (December 31, 2012: €960.3 million). Since depreciation/amortization and capital expenditure were nearly balanced, the decline was primarily attributable to the impairment losses recognized on goodwill and property, plant and equipment in the Business Area CFC.

Investments in our companies accounted for At-Equity and in other financial assets decreased to €26.2 million (2012: €33.0 million). In the year under review, this figure related primarily to the scheduled capital increase of €14.8 million (2012: €7.8 million) at our joint ventures with BMW Group and to payments made in 2013 to support the joint ventures with Benteler-SGL and SGL-Lindner as well as for the liquidation of EPG in a total amount of €10.3 million (2012: €21.1 million). Investments in other financial assets in 2012 comprised the acquisition of securities (€4.1 million), some of which were sold in 2013 for net cash proceeds of €3.6 million.

Payments for business combinations in 2012 included payment of the purchase price for the acquisition of the initial 86.2% share in Fisipe Fibras Sintéticas de Portugal S.A. in Lavradio (Portugal) totaling €30.7 million. In accordance with IAS 7, payments for Group companies already consolidated – in this case for acquisition of the remaining 13.8% in Fisipe – were reported as cash used in financing activities.

Proceeds from the sale of intangible assets and property, plant and equipment in the reporting year mainly related to the sale of a piece of land in Germany no longer necessary for operations and the disposal of property, plant and equipment in China. In the previous year, this item primarily included proceeds of €1.2 million from the sale of a parcel of land and a building in Lemwerder (Germany).

Net cash used in/provided by continuing financing activities

In the year under review, net cash used in financing activities from continuing operations amounted to €160.2 million, as opposed to the net cash provided by financing activities of €202.3 million in 2012. Fiscal year 2013 saw a net liquidity outflow for financial liabilities of €133.6 million, predominantly as a result of the cash of €145.5 million used for the repayment of the convertible bond from 2007 and the cash of €200 million used in connection with the early repayment of the corporate bond from 2007. Additional effects related to cash used for local credit facilities in the amount of €38.1 million as well as cash provided by the new corporate bond in the amount of €250 million. In 2013, net cash used in financing activities included the dividend payment of €14.2 million and costs of €10.8 million in conjunction with the refinancing.

In the previous year, cash of €237.0 million was provided by the convertible bond issued in April 2012 (after taking into account financing costs), cash of €16.1 million was used in the reduction of Fisipe's debt and cash of €14.2 million in the payment of dividends. Payments for the acquisition of shares in subsidiaries that are already consolidated are also shown under this item. In the previous year, these included a final installment of €4.3 million for the acquisition of the remaining 13.8% of the shares in Fisipe.

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

€m	2013	2012	2011	2010	2009
Capital expenditure	96	132	139	137	154
Depreciation and amortization	83	84	71	66	61

Liquidity decreases to €228 million

Available cash funds decreased from €355.9 million in 2012 to €227.8 million at the end of fiscal year 2013, mainly due to the cash used in the repayment of the 2007 convertible bond. This was partially offset by positive free cash flow of €38.2 million. At the end of the fiscal year, there were no short-term time deposits (2012: €130.0 million).

Contractual payment obligations

The most significant contractual payment obligations comprise the repayment of debt, purchasing obligations and obligations under operating leases. The total principal amount of debt repayment obligations was €675.5 million in 2013 (2012: €815.2 million). The credit lines drawn upon locally in Malaysia are to be repaid in installments. The outstanding principal of €134.7 million at year-end 2013 from the convertible bond issued in fiscal year 2009 in an initial principal amount of €190 million is due for repayment in cash in 2016 unless the bondholders exercise their conversion rights before maturity, in which case up to 4.6 million new bearer shares will be created (2012: 4.6 million). The bondholders may also return their convertible bonds prior to maturity in June 2014 (put option). The convertible bond issued in fiscal year 2012 in a principal amount of €240 million is due for repayment in cash in 2018 unless the bondholders exercise their conversion rights before maturity, in which case up to 5.4 million new bearer shares will be created. The new corporate bond in the amount of €250 million falls due in 2021.

As of December 31, 2013, trade payables, derivative financial instruments and other financial liabilities totaled €194.8 million (December 31, 2012: €207.6 million). Of that amount, liabilities totaling €36.9 million were due after one year (December 31, 2012: €33.0 million). Income tax liabilities and other liabilities – the vast majority of which were current – amounted to an additional €42.9 million at the end of 2013 (December 31, 2012: €49.1 million). Further details can be found in **Note 30** of the notes to the consolidated financial statements.

Net result of SGL Carbon SE

The dividend distribution is calculated in accordance with the net retained result reported by SGL Carbon SE in its annual financial statements prepared pursuant to the provisions of the German Commercial Code. In May 2013, SGL Carbon SE distributed dividends of €14.2 million, or €0.20 per share, for fiscal year 2012.

After deducting taxes, SGL Carbon SE had a net loss of €76.1 million for fiscal year 2013. Adding the profit brought forward of €11.6 million reduced the accumulated loss to a total of €64.5 million.

Net assets

Five-year overview of net assets

€m	Dec. 31, 2013	Dec. 31, 2012*	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2009
Total assets	2,009.2	2,559.7	2,271.3	2,113.3	1,891.0
Equity attributable to the shareholders of the parent company	650.8	1,067.0	1,041.1	864.4	749.4
Equity ratio	32.4%	41.7%	45.8%	40.9%	39.6%
Working capital [1]	541.0	701.1	673.9	605.6	545.3
Capital employed [2]	1,436.9	1,791.5	1,677.9	1,516.4	1,338.5
Return on capital employed (ROCE) [3]	1.2%	9.5%	10.0%	9.0%	8.2%
Net debt [4]	447.7	459.3	343.3	410.5	367.9
Gearing [5]	0.69	0.43	0.33	0.47	0.49

* Adjusted in accordance with IAS 19R
1) Working capital: defined as sum of inventories, trade receivables and receivables from long term construction contracts less trade payables
2) Capital employed: defined as the sum of goodwill, intangible assets, property, plant and equipment and working capital
3) Ratio of operating profit/loss before non-recurring charges to average capital employed
4) Interest bearing loans at nominal value less cash and cash equivalents and time deposits
5) Net debt to equity attributable to the shareholders

Equity base significantly reduced due to non-recurring charges

As of December 31, 2013, total assets had decreased by €550.5 million, or 21.5%, to €2,009.2 million (2012: €2,559.7 million). Of the reduction in total assets of €550.5 million, as of December 31, 2013, a total of €158.0 million related to the impairment losses that had to be recognized on fixed assets, €128.1 million to reduced liquidity due to scheduled repayment of the 2007 convertible bond and €32.6 million to the deconsolidation of SGL Rotec. Currency losses, particularly against the US dollar, led to a reduction of €81.1 million in total assets (2012: €3 million). Equity attributable to the shareholders of the parent company was reduced due to the high consolidated net loss of €396.4 million (2012: net profit of €5.9 million), currency losses of €30.2 million (2012: €10.7 million) and the dividend payment of €14.2 million. Recognition of the lower pension component in equity as a result of higher actuarial interest (actuarial gains) had a counteracting effect of €15.5 million (2012: losses of €39.9 million). In total, these effects led to a sharp decrease in the equity ratio to 32.4% year over year (2012: 41.7%).

As a result of the investor put option in the 2009/2016 convertible bond in June 2014, an amount of €128.5 million was reclassified from non-current to current liabilities. This reclassification of the 2009 convertible bond was a key reason for the decrease in non-current liabilities.

Gearing – the ratio of net debt to shareholders' equity – increased to 0.69 in 2013 (2012: 0.43) due to the reduction in equity. As a manufacturing company, SGL Group has a high proportion of non-current assets due to its production equipment, which is largely financed by equity (64%; 2012: 83%). The return on capital employed (ROCE) – defined as the ratio of operating profit before non-recurring charges to average capital employed – decreased to 1.2% before project write-offs in the year under review. The previous year's value was 9.5% before reversal of impairment losses and impairment losses.

Balance sheet structure

€m	**Dec. 31, 2013**	Dec. 31, 2012	Change
ASSETS			
Non-current assets	1,018.3	1,292.5	–21.2%
Current assets	984.5	1,259.5	–21.8%
Assets held for sale	6.4	7.7	–16.9%
Total assets	**2,009.2**	**2,559.7**	**–21.5%**
EQUITY and LIABILITIES			
Equity attributable to the shareholders of the parent company	650.8	1,067.0	–39.0%
Non-controlling interests	16.2	15.3	5.9%
Non-current liabilities	896.8	1,017.5	–11.9%
Current liabilities	445.4	458.8	–2.9%
Liabilities held for sale	0.0	1.1	–
Total equity and liabilities	**2,009.2**	**2,559.7**	**–21.5%**

Assets

Non-current assets fell by a total of €274.2 million to €1,018.3 million in the reporting year (December 31, 2012: €1,292.5 million). The reduction resulted primarily from the impairment losses on fixed assets of €158.0 million, currency effects of €38.5 million, the decrease in non-current receivables from construction contracts by €19.8 million and the deconsolidation of SGL Rotec (€10.4 million). This was partially offset by the year-on-year increase of €12.9 million in non-current assets (2012: €47.3 million) due to the fact that capital expenditure was higher than depreciation/amortization.

Current assets decreased by €275.0 million to €984.5 million (December 31, 2012: €1,259.5 million). In addition to the decrease in inventories and trade receivables, the reduction was mainly attributable to the €128.1 million decrease in cash funds resulting from repayment of the 2007 convertible bond. Inventories were scaled back by 12% to €470.7 million due to the decrease in business operations (2012: €532.1 million). The decline of €93.4 million, or 29.3%, in trade receivables exceeded the decrease of 10.3% in sales revenue.

Assets held for sale decreased from €7.7 million in 2012 to €6.4 million in 2013. This item includes one parcel of land in the US as well as two production machines. The assets of NINGBO SSG Co. Ltd., Ningbo (China) and a parcel of land in Germany, which were included in this item in the previous year, were sold in fiscal 2013.

Equity and liabilities

Equity decreased by €415.3 million to €667.0 million (December 31, 2012: €1,082.3 million). Equity ratio (excluding non-controlling interests) mainly decreased because of the net results of minus €396.4 million and because of currency translation impacts of minus €30.2 million to 32.4% at the end of the reporting period (2012: 41.7%).

As a result of the investor put option in the 2009/2016 convertible bond in June 2014, an amount of €128.5 million was reclassified from non-current to current liabilities. In addition to the reclassification, the adjustment to the provisions for pensions due to higher discount rates in the USA were another cause for the decrease in **non-current liabilities** of €120.7 million to €896.8 million (December 31, 2012: €1,017.5 million). The reduction was partially offset by the recognition of a provision for risks arising from tax audits, which led to an increase in non-current provisions.

At €445.4 million as of December 31, 2013, **current liabilities** were slightly below the €458.8 million reported in the previous year. The increase due to reclassification of the 2009 convertible bond (nominal amount: €134.7 million) from non-current liabilities was more than compensated by repayment of the 2007 convertible bond that fell due in May 2013 in the amount of €145.5 million. However, other provisions rose by €11.7 million, particularly provisions for restructuring and expected settlement costs. Trade payables were reduced by €14.5 million year over year to €155.1 million.

Net debt

€m	Dec. 31, 2013	Dec. 31, 2012	Change
Current and non-current financial liabilities	640.8	776.0	–17.4%
Remaining interest component for the convertible bonds	20.9	32.5	–35.7%
Refinancing costs included	13.8	6.7	> 100%
Total debt	**675.5**	**815.2**	**–17.1%**
Time deposits	0.0	130.0	–100.0%
Cash and cash equivalents	227.8	225.9	0.8%
Total liquidity	**227.8**	**355.9**	**–36.0%**
Net debt	**447.7**	**459.3**	**–2.5%**

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

As of December 31, 2013, cash funds had decreased by €128.1 million to €227.8 million, compared to €355.9 million at the end of the previous year, primarily as a result of the repayment of the 2007 convertible bond in the amount of €145.5 million in May 2013. The reduction in inventories and trade receivables contributed to the decrease in cash funds and on the whole more than compensated for the capital expenditure for property, plant and equipment. Net debt of SGL Group amounted to €447.7 million at year end (December 31, 2012: €459.3 million). This figure included cash and time deposits in the amount of €227.8 million (December 31, 2012: €355.9 million), current and non-current financial liabilities of €640.8 million (December 31, 2012: €776.0 million), the remaining interest cost components of the convertible bonds in the amount of €20.9 million (December 31, 2012: €32.5 million) and the remaining refinancing costs of €13.8 million (December 31, 2012: €6.7 million). Net debt thus decreased by €11.6 million compared to December 31, 2012.

Consolidated Statement of Changes in Equity

€m	Shareholders Equity	Non-controlling interest	Total equity
Balance as of Jan. 1, 2013	1,067.0	15.3	1,082.3
Net result	–396.4	4.3	–392.1
Other comprehensive income	–18.2	–0.5	–18.7
Comprehensive income	**–414.6**	**3.8**	**–410.8**
Capital increases from share-based payment programs	15.9	0.0	15.9
Dividends	–14.2	–0.3	–14.5
Other changes in equity [1]	–3.3	–2.6	–5.9
Balance as of Dec. 31, 2013	**650.8**	**16.2**	**667.0**

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

Equity attributable to the shareholders of the parent company decreased to a total of €650.8 million as of December 31, 2013 (December 31, 2012: €1,067.0 million). The equity ratio thus decreased from 41.7% to 32.4% year on year. In addition to the net loss for the period of €396.4 million, the primary factors that influenced the change in equity attributable to the shareholders in fiscal 2013 were currency translation losses of €30.2 million (December 31, 2012: gain of €10.7 million) and dividend payments of €14.2 million (for fiscal year 2012) as well as the loss of €1.6 million from cash flow hedges (December 31, 2012: gain of €8.4 million) recognized in equity. These factors were only partially offset by actuarial gains from pensions of €15.5 million due to higher discount rates (December 31, 2012: loss of €39.9 million) and the capital increases and allocations to the capital reserve from share-based payment plans of €15.9 million (December 31, 2012: €24.5 million).

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

Non-financial performance indicators

Assets not recognized and off-balance sheet financial instruments

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

The total value of these off-balance sheet items and financing instruments has had no major effect on the presentation of the financial position, financial performance and cash flows of the Group. Further details can be found in **Note 32** of the notes to the consolidated financial statements.

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

Employees

As of December 31, 2013, SGL Group had a total of 6,284 employees, down 402 or 6.0% compared with the end of the previous year. This downturn is mostly due to the sale of SGL Rotec with 339 employees. The further downturn in staff numbers is due to initial activities from implementing the cost-savings program SGL2015. Another 801 employees work at our equity-accounted investments (2012: 696). The increase in the number of employees at equity-accounted investments is due, in particular, to the two joint venture companies with the BMW Group and the joint venture Benteler-SGL.

By Business Area, the number of employees fell at PP by 17, GMS by 45 and CFC substantially by 339, in particular as a result of the sale of SGL Rotec. Regional staff growth shows a slight downturn in Asia from the sale of NINGBO, a moderate increase in both locations in Grenoble and Chedde (France) as well as a slight increase in staff in St. Marys, Pennsylvania (USA) and Morganton, North Carolina (USA).

While the percentage of German employees fell from 39% to approx. 36% in the year under review due to the sale of SGL Rotec, the relative European staff level (without Germany) remained practically stable at almost 32%. The share of the Group's workforce in Asia remained constant at 11%, despite the sale of NINGBO, while the share in North America increased to 22% (2012: 20%).

The share of women in executive positions was 19% as of the end of the year, an increase of three percentage points above the previous year. The share of women at year end 2013 was 15%, unchanged to the previous year.

Employees by Business Area

	Dec. 31, 2013	%	Dec. 31, 2012	%	Change
PP	2,064	32.8	2,081	31.1	–0.8%
GMS	2,757	43.9	2,802	41.9	–1.6%
CFC	1,386	22.1	1,725	25.8	–19.7%
Corporate	77	1.2	78	1.2	–1.3%
Total	**6,284**	**100.0**	**6,686**	**100.0**	**–6.0%**

Employees by region

	Dec. 31, 2013	%	Dec. 31, 2012	%	Change
Germany	2,249	35.8	2,585	38.7	–13.0%
Europe excluding Germany	1,988	31.6	2,056	30.7	–3.3%
North America	1,352	21.5	1,318	19.7	2.6%
Asia	695	11.1	727	10.9	–4.4%
Total	**6,284**	**100.0**	**6,686**	**100.0**	**–6.0%**

SGL Group continued to attach great importance to training young people during the economic crisis. The Group had a total of 125 trainees in 2013 at seven sites in Germany (2012: 142). The majority were at our Meitingen site with 78 apprentices (2012: 75 apprentices) and Bonn with 39 apprentices (2012: 39 apprentices). In total, SGL Group offers 11 professions for apprenticeships and 3 dual courses of study.

Environmental protection and occupational and process safety

Conscious use of resources, environmental protection and upholding high standards in health and safety at work are fundamental prerequisites for SGL Group's responsible and sustainable growth. The organizational foundation for monitoring and continuously developing all environmental protection, and health and safety activities are formed by the central function Corporate EHSA (Environment, Health & Safety Affairs), which coordinates all Group-wide activities, sets uniform standards and routinely audits developments in cooperation with local EHSA representatives.

Ethical principles

Acting responsibly and in line with the law is anchored in SGL Group's corporate philosophy. Our Code of Business Conduct and Ethics sets binding standards for how we behave in our day-to-day business. The code defines that SGL Group, as a company, meets its legal and ethical responsibilities while taking the respective societal, social and cultural standards into account, and it reflects our Common Values. We act fairly and honestly vis-a-vis our business partners, shareholders, the authorities and the general public. Our employees treat each other with courtesy and respect and we deal responsibly with the environment – these are all key principles of the SGL Group. The Code plays an important role in building and maintaining trust and supports the personal integrity of our employees.

Health and safety at work are a top priority

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. SGL Group uses high standards, permanent safety precaution improvements and a large number of targeted training sessions and activities to prevent workplace accidents.

As a result of our activities, we continue to see a positive development in the frequency rate of accident related work absences compared to the number of hours worked. Based on 1 million hours worked, the index has fallen substantially from 10.5 in 2003 to 3.2 in 2013.

Additionally, in order to further reinforce awareness of occupational health and safety at our sites, we issue the "SGL Safety Award – an Award for Health and Safety at Work". This award honors sites that have remained accident-free for a pre-defined period. In 2013 a total of 26 sites had no accident-related downtime, of which 16 sites received the "SGL Safety Award" as they had remained accident-free over the required period.

Process safety reduces risk

Risk management within SGL Group, which we established years ago as part of our environmental protection and occupational and process safety, helps identify and assess potential environmental and process risks at an early stage and take appropriate action to minimize them.

In cooperation with the insurance company FM Global, SGL Group performs annual reviews. All of our processes and systems are subject to a safety analysis. Stress scenarios are also simulated. The results are discussed with the plant management and, if necessary, an action catalog to minimize risk is prepared. Our facilities can obtain the status of Highly Protected Risk (HPR) during this process – this is the highest safety level. This also saves insurance premiums. In the year 2013, 23 locations were audited. A total of 18 plants in SGL Group now have HPR status.

Energy efficiency as a fundamental principle

Industrial production processes have a general level of energy consumption. The high-temperature technologies used to produce carbon products are energy-intensive, however 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. In the individual process stages, temperatures of up to 3,000° Celsius are required.

That means that it makes even more sense that one of SGL Group's fundamental principles is resource conservation – in both economic and ecological terms. When planning new plants and buildings as well as operating existing facilities, we make sure that we further improve energy efficiency.

Carbon for environmental conservation

In addition, SGL Group's products also make an indirect contribution to protecting the environment and climate as they allow customers to implement global trends and produce their goods while conserving resources and reducing CO_2 emissions. Carbon materials exhibit extraordinary properties, making them uniquely suitable for a wide variety of applications and solutions.

When it comes to waste, SGL Group aims to avoid waste in preference to recycling or disposing of it. Here, it is an advantage that carbon, our material, and most of the residual materials incurred in the production process are highly recyclable. If it is not possible to avoid waste, it can often be reused in other products. Examples are recycling tar from graphite production as an energy source, or using recycled carbon fibers in fleece textiles or secondary components for automotive production.

Handling emissions and chemical substances responsibly is a key aspect of environmental protection at SGL Group. In this context, SGL Group has invested in equipment with Best Available Techniques (BAT) for environmental protection. These investments focused on methods to clean production exhaust fumes, such as regenerative thermic oxidation (RTO) in which exhaust gases undergo thermic cleaning for contaminants, with the bulk of the heat being regained. Better heat recuperation is thus combined with high cleaning performance.

SGL Group uses a variety of tools to minimize risk. In this regard, there is a group-wide approach to recording, analyzing and evaluating risk, which is expanded regularly. This not only deals with potential work accidents, but also the consequences of fire or natural catastrophes. In so doing, the economic consequences of crises, such as dealing with environmental damage or damage from interruptions to production are analyzed.

Implementation of REACH

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

General statement on the current financial situation

Business Overview

SGL Group did not succeed in meeting the objectives set for 2013. All three Business Areas of SGL Group performed less well than expected in fiscal year 2013. Our core PP and GMS businesses suffered severely from price erosion and increased competition in their key markets. The CFC business was impacted by longer-than-expected project and development postponements and unplanned, high advance development costs, which led to high impairment losses. The decrease in operating income and the impairment of non-current CFC assets as well as deferred taxes contributed to the unusually high net loss for the year. Key figures such as gearing (0.7) and the equity ratio (32%) were at considerably lower levels than in the prior year. In response to the negative developments, we initiated an emergency cost savings plan ("SGL2015") in the summer of 2013 that we are now implementing systematically. This includes the disposal of SGL Rotec in particular as well as plant closures in Canada and Italy, which led to additional charges in the reporting year. Our rigorous implementation of SGL2015 is already reflected in the positive free cash flow trend, which was accompanied by a reduction in net debt from €459.3 million to €447.7 million at the end of fiscal year 2013.

Assessment of the financial situation by company management

The businesses of SGL Group had a heterogenous start into fiscal 2014. Sales invoiced in the initial weeks of 2013 were below prior year level. Although graphite electrode deliveries in the reporting segment PP in the first quarter of 2014 is expected to be lower than in the same quarter of the previous year, our cathode business is above the prior-year level. Despite initial positive signals from the market, our business in Graphite Specialties continues to suffer from the low order intake in 2013. By contrast, Process Technology is benefiting from a strong order backlog at the end of 2013. In the Business Unit Aerostructures, deliveries to the aviation industry are expected to be higher than in the previous year. The Business Unit Carbon Fibers & Composite Materials is showing initial operational improvements in certain areas.

Accounting principles used and significant estimates made

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

Additional information on accounting principles involving estimates and assumptions can be found in **Note 4** of the notes to the consolidated financial statements.

Risk Report

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

Risk policy

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

Risk Management System (RMS)

Our risk management system (RMS) is a global management instrument that ensures the implementation of SGL Group's risk policy. This is achieved through the early identification, analysis and assessment of risks and the immediate introduction and tracking of response measures. The RMS comprises a number of networked 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 company processes and business risks as well as the integration of RMS into our strategy and planning process. 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.

In recent years, SGL Group's RMS has been continuously enhanced in accordance with international standards. In 2010, apart from a revision of our Group-wide risk management guidelines, we produced a manual for all organizational units that includes the principles, definitions of terms, concepts, reporting channels and responsibilities in the RMS. Specific individual risks in operational units and corporate functions are recorded and monitored on an ongoing basis. Any core risks and their financial impact are reviewed quarterly on the basis of the probability of occurrence, and suitable response measures are defined. This allows us to identify potential risks early, particularly any that may jeopardize the Company's existence as a going concern, and implement response measures. Furthermore, any potential new risks or the occurrence of existing risks are reported immediately to the Board of Management, independent of the normal reporting intervals.

Our corporate function, Internal Audit, is responsible for monitoring the functionality of the RMS. The Supervisory Board carries out its control function routinely at all meetings, receiving a risk report from the Board of Management in which the risk situation and response measures are compiled. This risk report covers the current year and includes a summary for the complete planning horizon of five years. The risk management system only includes risks and excludes opportunities.

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 standardized Group-wide documentation of the risks and controls for existing process structures. More than 470 business processes worldwide are covered by approximately

1,450 controls. A large number of these controls are performed automatically or with IT support. In addition to the process-related controls that are documented for all material subsidiaries of SGL Group, process-independent controls and measures at management level form the infrastructure and basic prerequisite for a functional ICS. The management controls are assessed annually by conducting structured, written surveys of the management of all material and a select number of smaller companies, our Business Areas and Business Units as well as the heads of our corporate functions. All ICS documents are stored in an intranet-based database, for which access authorizations (read and write permissions) have been established. The materiality of our companies is assessed annually on the basis of quantitative factors (company's contribution to net sales, total assets or net gains/losses) as well as qualitative risk indicators.

To further optimize the process, we decided to replace the existing ICS solution (MS Excel) with a suitable IT software solution. The software tool was developed in 2012/2013 and was implemented in the second quarter of 2013 in our pilot company SGL Carbon GmbH in Meitingen, Germany. The next step will be the worldwide rollout in our ICS companies in Europe, Asia and North America.

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

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

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

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

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

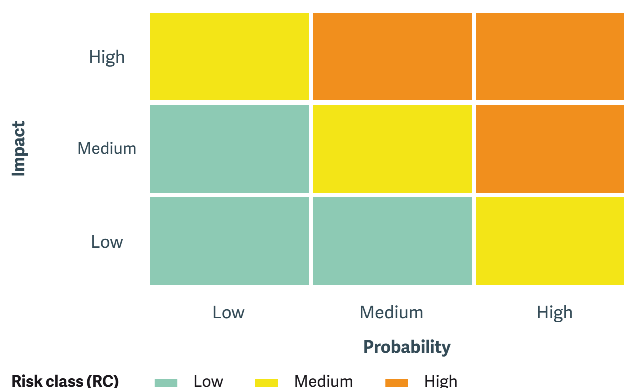
The responsibilities and functions within the accounting process (e.g. local Accounting, Controlling and Treasury departments as well as Group Accounting) are established and strictly separated. Together with a consistent dual control procedure, this contributes to the early detection of errors and the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

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

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

The identified risks and any implemented response measures are updated in the quarterly reporting and reported to the Board of Management. Our internal accounting controls are also assessed for effectiveness by Internal Audit 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 auditing system and the audit of the financial statements.

Risk classification chart



Risk areas

The risk factors that impact our Group activities are reflected in the risk areas outlined below. The order in which the strategic, operational and compliance risks appear represents our current estimate with regard to the risk potential for SGL Group. It should be noted that risks currently assessed to have a low risk potential could potentially cause greater losses to SGL Group then risks currently assessed to have a higher risk potential. Additional risks of which we are currently unaware or which we currently consider immaterial could also have an adverse effect on our business activities. Unless explicitly indicated, the risks described below relate to all of our segments.

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

Our reporting segment Performance Products and in particular, our Business Unit Graphite & Carbon Electrodes, supply graphite electrodes whose demand relies heavily on electric arc furnace steel production. Recent years have seen a significant decline in the steel price as a result of the massive expansion of blast furnace capacities for primary steel production, particularly in China. This situation makes it nearly impossible for electric arc furnace steel manufacturers to be cost competitive. Consequently, electric arc furnace steel capacities were idled and increased price pressure was also placed on graphite electrodes suppliers. The decline in Chinese demand for local primary

steel as a result of slowing economic growth in China also increased the risk. In addition, new production capacities were constructed in the Performance Products area, especially in India and China, partially from new competitors with aggressive pricing strategies. Competition in Asia, could prevent future price recovery. In the medium term, the World Steel Association expects a return to sustained positive global growth. However, in the short term, investment in electric arc furnace steel production or a significant price increase for graphite electrodes is not likely. Further expansion of furnace capacities combined with sustained weak growth in the Western industrial countries as well as lower growth rates in emerging markets could have a continued negative impact on our results of operations, financial position and net assets.

The Business Unit Graphite Specialties produces, among other things, isostatically pressed graphite, which is used in a variety of customer industries. The expansion of production capacities in recent years was driven especially by strong growth in the solar industry in 2010 and 2011. The collapse in the solar industry in the past two years has resulted in over capacities, which, in turn, led to a significant drop in price. The weak yen, which has given Japanese manufacturers a strategic competitive advantage, has supported this downward price trend. Sustained weakness in the yen and the inability of the solar industry to recover after consolidation could have adverse effects on our business situation.

Our Business Unit Carbon Fibers & Composite Materials supplies a wide spectrum of customer industries with carbon fibers. As a result of the anticipated increase of demand for lightweight materials that offer high stiffness, high investment in the expansion of carbon fiber capacities was seen worldwide before the 2008 financial crisis. However, in many markets the use of carbon fibers in place of other materials is still relatively new and the competitiveness of carbon fiber products has, in part, not yet been fully realized. Following the financial crisis, many products experienced development and production delays, which resulted in a significant decline in the price of and demand for carbon fibers. Despite the price stabilization that has occurred recently, the current demand for carbon fibers is at a low level. As a result, significant impairments were necessary in 2013. Should the more widespread use of carbon fibers be further delayed (due to a lack of competitiveness with other materials) or more capacity be built up, our earnings could be negatively affected.

Development of growth markets (RC: Medium)

Our strategy in the Business Units Graphite Specialties and Carbon Fibers & Composite Materials is based on the increased use of carbon fibers and graphite products in growth markets such as the automotive industry, renewable energies, energy storage and other industrial applications. Acquiring new customers and establishing new materials and products requires considerable technical, operational and financial effort. Programs delayed by the customer and changes to customer specifications for our products play a significant role in this. Future market developments could also be influenced by developments in state aid through subsidies or tax benefits as well as other state regulatory measures. Should performance in these markets not meet our forecast, our business situation would be adversely affected.

Global market and business environment risks (RC: Medium)

As a global company, the worldwide economic trend has a significant influence on our results of operations, financial position and net assets. The macroeconomic environment is characterized by a high level of uncertainty with regard to the fragile economic recovery as well as the risk of a resurgence in the financial market crisis and the global economic downturn that could result. Major risk factors include the sovereign debt crisis in Europe, the USA and Japan and the resulting consolidation efforts caused by increases in taxes and decreases in public spending. Uncertainties in the political environment in North Africa and the Middle East could also have a significant impact on

business in the countries in these regions. Furthermore, the looming economic downturn in some emerging markets due to currency devaluation against the U.S. dollar presents a risk to future business development. Moreover, the economic as well as domestic and foreign policy developments in China could significantly influence the success of our business. By closely observing the market and economy, we are able to take the necessary steps in the short term and minimize – at least temporarily – the risks that could potentially have an impact on our business. When necessary we respond in a timely manner by adjusting our production accordingly. This also comprises all possible workforce management measures (including short-time working hours, severance packages, etc.). In addition, sales risks are partly offset by the wide diversification of our product range, our global presence and the numerous customer industries we supply. However, drops in demand, sluggish growth in individual customer industries or cyclical market fluctuations could have a negative impact on our business.

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

In the past two years extensive investments were made in the former Business Area Carbon Fiber & Composites. Despite sustained growth potential, the Business Area achieved operating losses, which required impairment losses on goodwill and property, plant and equipment in fiscal year 2013. Continued unsatisfactory growth in the Business Units Carbon Fibers & Composite Materials (CF/CM) and Aerostructures (AS) could trigger further impairment risks in the future with regard to the units' disclosed assets as well as to goodwill.

Country-specific risks (RC: Low)

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

Financial risks (RC: Low)

The financing agreements of SGL Group contain contractually agreed financial covenants that regulate specific procedural obligations of SGL Group regarding compliance with certain financial performance indicators during the terms of the agreements. Compliance with the covenants of the financing agreements is centrally monitored and controlled by Group Treasury along with other financial risks. If some of the business risks described above materialize in fiscal year 2014, the ability of SGL Group to fulfill its obligations arising from the financing agreements could be limited.

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

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

In consideration of the covenants in our financing agreements, we allocate investments in cash and cash equivalents predominantly to institutions in our circle of core banks. In this context, our investment decisions are guided by a number of factors, in particular a balanced distribution of funds to avoid the risk of clumping and the systematic importance of the individual counterparties. Above all since the beginning of the global financial crisis, SGL Group has been monitoring counterparty risks in financial assets and derivative financial instruments very closely. This has been accomplished by regularly monitoring the credit default swaps of the core banks.

Currency risks (RC: Low)

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

Start-up and production problems (RC: Low)

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

Long term construction contracts (RC: Low)

Our Business Unit Aerostructures is a supplier for the civil and military aviation industry. Contracts received by this Business Unit are treated as long term construction contracts. The estimated profit margins to be generated could vary from the original estimates as a result of changes in estimated proceeds and costs or by failure to achieve the targeted learning curve effects during the terms of the contracts. Our U.S. subsidiary (HITCO) was also subject to project write-offs in the previous fiscal year due to ongoing project delays and significant reductions in production volumes in the Boeing 787 program (Dreamliner) compared to original expectations. Further delays in Dreamliner deliveries by Boeing, politically motivated delays in the military aviation industry and the lack of learning curve improvements may lead to further project write-offs.

Obligations for pensions and health benefits (RC: Low)

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

IT risks (RC: Low)

Industrial IT risks are becoming increasingly important. They are diverse and the attack scenarios vary. To ensure that all business processes are handled securely, the information technology used by the Group is checked and modified on an ongoing basis. SGL Group has an integrated and standard Group-wide IT infrastructure. Global multilevel security systems, replicated databases, virus protection and encryption systems, together with comprehensive access authorization structures – all based on the available technological standards – protect us against the loss or manipulation of data. As part of our IT control systems, established control processes are updated on a regular basis in order to effectively prevent unauthorized access to systems and data. In order to appropriately account for the growing importance of IT security, we began to put together a Security and Response Team in 2012, which focuses exclusively on the prevention of unauthorized access. At the same time we are currently negotiating an appropriate insurance solution with several insurers to cover cyber risks.

Material and energy risks (RC: Low)

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

Tax and legal risks (RC: Low)

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. A weaker than expected trend in our tax income could negatively impact the capitalized of deferred tax assets. 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.

Technology risks (RC: Low)

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

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

Compliance and regulatory risks (RC: Low)

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

Regulatory risks also result from potential changes to the legal environment in countries in which we do business or have customers. Examples include new or more stringent import and export restrictions, a tightening of price controls, exchange restrictions, customs regulations, and protectionist trade restrictions. In addition to sales revenue and profitability risks, we may also be subject to penalties, sanctions, and damage to our reputation. We take precautions with established export control policies and, if applicable, obtain appropriate export permits. SGL Group is subject to risks from the audit of its financial statements by regulatory authorities. Should the regulatory authorities not share our opinion regarding the accounting method used for long term construction contracts and the goodwill impairment test, SGL Group may be required to adjust its accounting policies.

The German Financial Reporting Enforcement Panel (Deutsche Prüfstelle für Rechnungslegung e. V.; DPR) notified us in August that, in their view, certain assumptions on which the goodwill impairment test as of December 31, 2011 was based as well as the application of the percentage-of-completion (PoC) method for recognition of sales revenue from long term construction contracts were incorrect (see Annual Report 2011, pages 138 – 140 and page 143). We have filed an objection against the findings of the examination. Accordingly, the procedure is transferred to the second phase of examination by the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht; BaFin). If we are not successful in this context, SGL Group may be required to adjust the specific balance sheet items identified by the BaFin. Such an adjustment would have negative effects on the financial performance reported for 2011. On the other hand, this would have a positive effect on the financial performance reported for the subsequent periods to the extent that impairment losses were already recognized for PoC receivables in 2012 and 2013 and for goodwill in 2013.

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

Due to our status as an energy-intensive enterprise, in the past our sites in Meitingen, Bonn and Griesheim (Germany) have been partially exempt from the Renewable Energies Sources Act (EEG) surcharge. Should the exemption from the EEG surcharge be lifted in the future, or should we be required to repay the EEG surcharges retroactively, our business situation could be negatively affected.

Risk transfer via insurance protection (RC: Low)

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

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

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

Personnel risks (RC: Low)

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

Risks arising from SGL2015 (RC: Low)

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

Overall risk assessment of SGL Group

An overall assessment of the above risks primarily reveals market and competition risks in connection with price and volume trends for both sales and procurement. In extreme cases, these risks could also adversely affect the value of our balance sheet assets and may require related write-offs. In contrast, internal production processes are much less subject to risk. Presently, we see no substantial financial risks that impact SGL Group as a whole. On the basis of information currently available, in our opinion 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.

Opportunity Report

Opportunity management

SGL Group has an opportunity management system that incorporates all areas of the Company, allowing us to identify opportunities that help us to conduct our business successfully over the long term. Moreover, variable salary components motivate our managers at all levels to identify and take advantage of potential opportunities.

We also continuously monitor global trends in order to identify opportunities for our Company. In general, SGL Group is reaping the benefits of two current trends. First, industrialization in the emerging markets in Asia and Eastern Europe is a strong driver of global growth. Second, the global acceleration of substitution and innovation processes – such as in the areas of alternative energies and environmentally friendly materials and technologies – represents a major challenge for the whole world. We are in an excellent position thanks to our products and solutions both for basic materials, such as steel and aluminum, as well as for new environmentally friendly technologies. In addition, the Business Units and centralized functions monitor the market on an ongoing basis in order to identify potential targets for acquisitions.

Below we describe the significant opportunities open to SGL Group. The order in which the opportunities are presented reflects the current estimation of their potential realization for the Group. It should be noted that opportunities that are currently estimated to have a low potential for realization could have greater positive impact on SGL Group than those opportunities that are currently estimated to have a higher potential for realization. The opportunities described are not necessarily the only opportunities that are open to us. Unless explicitly stated, the opportunities described below refer to all of our reporting segments.

Opportunities from market trends

The Business Unit Graphite & Carbon Electrodes (GCE) is benefiting from the demand for steel products, especially in the BRIC countries (Brazil, Russia, India and China), and the economic recovery in the Western industrial countries. The long term trend continues toward electric arc furnace technology in steel production. The reduction in capacities for graphite electrode production is likely to lead to a reduction in supply and, as a result, may contribute to a recovery in prices.

The anticipated return to dynamic demand growth in the primary aluminum industry will lead to increasing demand for cathodes. Furthermore, the modernization of existing aluminum capacity will be associated with a shift in demand to higher quality graphitized cathodes, which is likely to benefit our Business Unit Cathodes & Furnace Linings (CFL).

The Business Unit Graphite Specialties is well-positioned in the area of low CO_2 power generation and more efficient energy utilization, and we intend to take advantage of our situation to benefit from the latest market trends, exploiting our opportunities as materials specialist in the global market. SGL Group already has a broad portfolio of high quality products and solutions for the solar and nuclear industries as well as for the LED industries. We are involved in the market launch of electric cars as suppliers of graphite materials for lithium ion batteries to a number of manufacturers. Furthermore, SGL Group is benefiting from the trend to promote and process shale gas with our innovative solutions for the chemical industry.

We see strong potential for growth in the Business Unit Carbon Fibers & Composite Materials. The rising demand for carbon fibers for the aerospace, automotive, electronics and manufacturing industries may contribute to a recovery in prices. In particular, we see major growth potential in the automotive industry as a result of greater use of carbon fibers and composite materials. We have positioned ourselves very well in this area through our joint ventures with the BMW Group and Benteler.

The significant increase in the use of carbon fiber composites in the aerospace industry represents an especially important opportunity for our Business Unit Aerostructures (AS). Our carbon fiber business is nonetheless in the initial stages of its product life cycle, meaning that significant investment and development work is still required.

Global market and business environment opportunities

Global economic developments harbor many uncertainties. Higher raw material and energy costs may accelerate the process of substituting traditional materials with graphite and carbon fiber products. Our Company could also see additional sales revenue and earnings potential from further energy saving measures stipulated by law as well as the continued promotion of alternative energies.

Opportunities from SGL2015

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

Opportunities from innovations

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

For example, the innovative strength of SGL Group was featured in an industry-wide comparative study recognizing it as one of the "TOP 100" most innovative German mid sized companies, once again placing us among the echelons of the 10 best innovators.

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

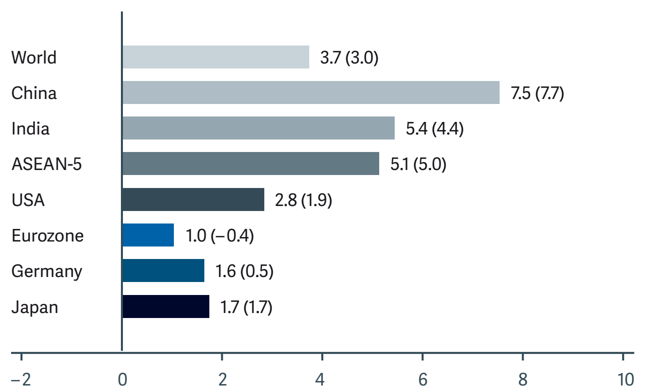
Innovations also offer a variety of opportunities with respect to our graphite-based products. Our particular focus in this regard is on optimizing processes and using more cost-effective manufacturing procedures in order to further strengthen SGL Group's competitiveness.

Outlook

Macroeconomic trend

Since the economy has been gaining momentum recently, in January 2014 the International Monetary Fund (IMF) slightly raised its forecast for global growth for 2014 from 3.6% to 3.7%. The established economies are predicted to grow at a rate of 2.2% in 2014 and the emerging and developing nations at 5.1%. In general, economists expect that in the medium term the economy in the established countries will strengthen while the dynamics in the emerging and developing markets will tend to weaken.

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



Source: IMF, World Economic Outlook from January 2014

Industrialized nations drive the world economy in 2014

The highly developed economic regions are benefiting from progress made in the consolidation of budgets. The EU crisis countries have become more competitive in pricing. The eurozone will see moderate growth again in 2014. In Germany, private consumption, active construction investments, and a turnaround in investments in equipment will lead to a 1.6% rise in GDP. For the USA the IMF anticipates growth to pick up to 2.8%. Conversely, capital outflows and structural weaknesses are impacting the emerging economies. In addition, a slowdown in China (2014: 7.5%) will have a negative effect on growth in the entire region. The ASEAN-5 countries will grow only slightly faster than in the prior year at a rate of 5.1%. In South Korea and India, on the other hand, the economy is gaining momentum in 2014.

Industry trend

Only moderate growth for global steel consumption; surplus capacities remain

In line with the development of the global economy in 2014, the World Steel Association (WSA) has forecast a return to rising demand for steel in most regions, with a slowdown in growth in China to 3.0% (2013: 6.0%). The WSA anticipates a 5.6% jump in consumption in India and a 4.6% increase in Russia. Japan's steel consumption will drop by 1.6% while the WSA forecast for the USA predicts a rise by 3.0%. Demand in the eurozone will grow only moderately by 2.1%, measured against existing surplus capacities. For the established economies, a rise in demand by 1.7% is anticipated after a 1.6% decline in the prior year, while for the emerging and developing economies a gain of 3.8% is predicted (2013: +4.9%). This means the WSA expects global steel total consumption to grow by only 3.3% in 2014 to 1,523 billion tons (2013: +3.1%). According to the economic research institute RWI, this moderate rise will barely have an effect on the utilization of capacities, which will continue to remain below the long term average. In the established economies, crude steel production is still below the level prior to the financial and economic crisis.

Aluminum industry under pressure despite better prospects

The aluminum industry is still facing great challenges in 2014. The production cutbacks and closures of facilities in the prior year, in many instances only temporary, prevented an excess in demand for the first time in several years. But additional permanent closures of inefficient facilities are required to bring about a sustainable balance in the market. Many manufacturers are producing at a loss. In light of the revival of the world economy and the long term trend to reduce weight and cut CO_2 emissions, demand will continue to grow. But for the time being, aluminum prices are expected to recover only slightly in 2014. This means producers are still under pressure on the earnings side. In this environment it is likely that new investment programs will be introduced only in the medium term.

Chemical production on the rise worldwide

In the wake of the recovery of the economy and rising industrial production, the German Chemical Industry Association (VCI) forecasts that production volumes will rise. Global chemical production is predicted to increase by 4.5%. Asia's markets will continue their dynamic growth, but at slightly lower rates than before. The VCI expects production to rise by 10.0% in China. The chemical industry in the USA will see a 2.0% gain in production. The VCI predicts a 1.5% increase in the EU. German producers are expected to boost their production of chemicals by 2.0%.

Solar Industry bottoms out, market for pv equipment to follow in 2015

The market researchers at IHS and NPD Solarbuzz believe that the photovoltaics (PV) industry has bottomed out after the phase of consolidation and will start picking up again in 2014. Worldwide growth in new installations is forecast to move well into the double digits. IHS is predicting an addition of new capacity in the range of 40–45 GW, or in other words growth by as much as 15%. NPD Solarbuzz anticipates an even higher jump by more than 30% to 49 GW. Europe will continue to stagnate, but the most important markets (USA, China, and Japan) are set for a strong growth spurt. In addition, new markets are emerging in South America, the Middle East, and Africa. Leading PV producers will successively establish local production facilities in these markets. As a consequence, investments are expected to see a slight pickup again. IHS projects growth in worldwide investments in the PV value chain of 42% to USD 3.3 billion. But NPD Solarbuzz predicts that positive effects will be delayed to 2015 for manufacturers of PV equipment.

Semiconductor industry expands, equipment manufacturers poised for strong recovery

The market research institute Gartner anticipates that total sales of the semiconductor industry will rise by 5.4% to USD 332 billion in 2014. The industrial association WSTS (World Semiconductor Trade Statistics) predicts a 4.1% increase to USD 317 billion. Mobile devices are still the driver of this growth, in particular tablets. WSTS expects that in 2014 all regions will contribute to the growth of the semiconductor industry. The strongest dynamics are forecast to be focused in North and Central America (+6.5%) and the weakest in Europe (+1.8%). According to Gartner, capacity utilization of semiconductor producers will be approx. 85% in early 2014, and in some instances well over 90%, which will lead to a pickup in the investment activities of leading manufacturers. Gartner therefore forecasts the market for semiconductor equipment to grow by at least 14% in 2014. The industry association SEMI anticipates that after two weak years, total sales for semiconductor equipment will jump by as much as 23% to USD 39.5 billion.

Revival of wind industry, pressure on producers declines only slightly

The international wind energy industrial associations World Wind Energy Association (WWEA) and Global Wind Energy Council (GWEC) expect the market to recover in 2014. The near halt in development activity in the USA in 2013 was brought about by changes in economic policy and also had anticipatory effects in 2012; in that respect it was an exceptional situation. The US market will recover. China in particular will see dynamic growth in the years until 2020 on the strength of ambitious expansion targets. The GWEC expects approximately 45 GW of newly installed capacities for 2014 on a global scale, accompanied by further increases in the addition of new capacity in the coming years. As a consequence, the situation will successively ease for manufacturers and suppliers. However, the existing surplus capacities will not be absorbed until the medium-term future.

Automotive industry expanding, tremendous growth prospects for lightweight construction

The German Association of the Automotive Industry (VDA) anticipates new car registrations to rise by at least 3% in 2014 to 74.7 million passenger cars and light vehicles. Except for Japan, all regional markets will grow, including Western Europe with a moderate rise by 2%. China is forecast to continue its dynamic trend with a growth rate of 7%. Stricter legislation on the reduction of CO_2 emissions and fuel consumption are boosting the trend toward electric and hybrid engines and lightweight construction. According to the VDA, German automakers will be investing €12 billion in the development of alternative, low-emission engines. Lightweight construction is an important lever since as much as 20% to 25% of a vehicle's weight is made up of the body. The automotive consultant Berylls predicts that the worldwide market volume for lightweight body construction will quintuple by 2025 to €98.7 billion. In addition to high-tensile steel (in place of conventional sheet steel), aluminum, and plastics, carbon fiber reinforced plastic (CFRP) will benefit from this trend. Berylls projects a market volume for CFRP bodies of €1.9 billion in 2025.

Air travel picking up, moderate growth on high level for aircraft construction

The International Air Transport Association (IATA) projects a worldwide rise in total sales of airlines of 4.9% to USD 743 billion in 2014, driven by passenger transport. At the turn of the year 2013/14, aircraft manufacturers had extremely high orders for civilian aircraft (Airbus 5,559, Boeing 5,080). Altogether, the order backlog was at least 17% higher than a year earlier. However, Airbus is planning deliveries to remain at the level of the prior year in 2014. As a consequence, worldwide aircraft production and deliveries will rise only slightly on the whole. However, production and delivery figures for the Boeing 787 (Dreamliner) will rise. This is of tremendous importance for our aircraft components company HITCO. In the military sector, defense budgets are expected to decline in the core markets. In the medium term, the new F-35 (Joint Strike Fighter) could provide some momentum.

SGL Group

We are basing the Group outlook and the outlook for the most important segments on the above-described expectations for the general economic and industry trends. Our planning is also based on certain exchange rates, of which the following are significant to our Group: EUR/USD: 1.30; GBP/USD: 1.56; EUR/JPY: 130.00; EUR/PLN: 4.25.

Sales trend

We expect Group sales 2014 – adjusted for currency and possible portfolio effects and including the proportional consolidation of our two joint ventures with BMW – to remain unchanged compared to the previous year. In the Business Units Graphite Specialties (GS), Carbon Fibers & Composite Materials (CF/CM) und Aerostructures (AS) we anticipate to some extent significantly higher demand.

The Business Unit GS will generally benefit from a slight improvement in demand in several customer industries, in particular due to the high capital expenditure needs of a customer for a new development in the microelectronics sector. The Business Unit CF/CM is expecting higher sales volume in both joint ventures with BMW Group (SGL-ACF, USA and Germany), above all as a consequence of the recent launch and increasing sales figures of the new BMW i3. Due to a change in accounting standards (IFRS 11), since January 1, 2014, SGL-ACF is proportionally consolidated and now included in the results of the Business Unit CF/CM. Up to and including fiscal year 2013, SGL-ACF was allocated to investments accounted for at equity. The Business Unit AS, which in California, USA, makes composites aircraft components for the civilian and military aviation industry, should be able to increase its sales due to expected higher production volumes for the Boeing 787 in particular.

For the Business Unit Process Technology (PT), we expect stable sales comparable to the prior year level.

In contrast, we expect sales to decline significantly in the Performance Products reporting segment, mainly because of the likely continuation of the negative price trend for graphic electrodes in the Business Unit Graphite & Carbon Electrodes (GCE). Additionally, we anticipate lower sales volumes for graphite electrodes than in the prior year.

Earnings trend

Particularly due to the continued negative price development in graphite electrodes in the first months 2014, we expect Group EBIT before restructuring expenses to be significantly below the level of the previous year. The trend varies considerably among the individual Business Units: in the reporting segment PP the graphite electrode price development will lead to a significant reduction in EBIT before restructuring expenses. The Business Unit PT is also expecting a reduced operating profit albeit at nearly double digit margins. In contrast, higher sales and capacity utilization in the Business Units GS, CF/CM, and AS are expected to have a positive effect on earnings. But this will not be sufficient to compensate for the declining development in the reporting segment PP.

We are rigorously pursuing our cost savings program SGL2015 with highest priority. After already achieving savings of €69 million and hence significantly more than the projected €50 million in the past fiscal year, it should be possible to again achieve savings in the mid to high double-digit million € amount in 2014, depending on the personnel measures implemented. In connection with SGL2015, restructuring expenses of a low double-digit million € amount will be incurred in 2014.

Expected financial position

Financing requirements for 2014

The Group's financing requirements are determined by the strategic business plans of the operational Business Units. These are reviewed annually based on new plans. The issue of our new corporate bond of €250 million in December 2013, the convertible bonds issued in 2009 and 2012, the committed credit lines and our own liquidity of €228 million as of December 31, 2013, allow us to cover the operational financial requirements anticipated for fiscal 2014. We have substantially prolonged our maturity profile with the refinancing in December 2013. Accordingly, a first maturity of one of our financial instruments is in July 2016 relating to the convertible bond issued in 2009. This convertible bond has an outstanding amount of €135 million as of December 2013, an investor put option on June 30, 2014 and is due at the end of its term in June 2016.

Based on a net debt of approx. €450 million as per year-end of 2013 (approx. €490 million including debt of our proportionally consolidated joint ventures with BMW Group beginning in 2014) we expect a significant increase in 2014.

Investments higher in 2014 due only to capacity expansions in joint ventures with BMW

Since we were largely able to conclude a number of long term expansion projects in all established Business Units, investment requirements have declined compared to prior years since 2013. Given the continued weak earnings situation, we will additionally curtail our expenses further. Accordingly, we expect capital expenditure in 2014 for the fully consolidated Group companies to be slightly lower again than in the prior year. Only the proportionally consolidated joint ventures with BMW Group will significantly increase their capital expenditure in 2014, since additional capacities will be built up due to the strong demand for carbon fibers and composite materials.

Depreciation increases compared to the previous year mainly due to the proportional consolidation of the joint ventures with the BMW Group.

Dividend development

Due to the significant net loss and the resulting deterioration of key balance sheet KPIs, the Board of Management and the Supervisory Board will not propose a dividend to the Annual General Meeting on April 30, 2014. We feel committed to our shareholders to distribute a continued, earnings-related dividend when we have sustainably returned to profitability.

General statement on anticipated developments

Compared to the previous year we expect like-for-like Group sales to remain stable in 2014. However, Group EBIT before restructuring expenses will decline significantly, as the lower graphite electrode prices will more than offset the improvement in the other Business Units. Even though a large portion of the expenses relating to the cost savings program SGL2015 have been incurred in fiscal 2013, further measures will be expensed this year. The new Group financing, which was secured in December 2013 and offers the Company a solid, long term financing basis, will have an impact on net financing costs due to the significantly higher interest rate of the new corporate bond. On the whole, we are anticipating another net loss for the Group, both before and after taxes, but depending on the scope of further restructuring expenditures it should be significantly lower than in fiscal 2013.

The earnings development as well as the high investment into our joint ventures with the BMW Group leads us to anticipate a significantly negative free cash flow after a positive free cash flow of €38 million in the reporting year.

Events after the reporting period

On February 13, 2014, we publically announced the closure of the graphite electrode plant in Narni and the administrative facility in Lainate, both in Italy. The shutdown is part of our SGL2015 cost savings program and entails the elimination of about 120 jobs.

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:

289 (4) p. 1 No. 1/315 (4) p. 1 No. 1

Composition of subscribed capital

As of December 31, 2013, the issued capital of the Company was €181,801,454.08, divided into 71,016,193 no-par-value bearer shares, each with an imputed share of the issued capital of €2.56 (see **Note 23** of the notes to the consolidated financial statements).

289 (4) p. 1 No. 2/315 (4) p. 1 No. 2

Restrictions on voting rights or the transfer of shares

No restrictions exist with respect to voting rights or the transfer of shares.

289 (4) p. 1 No. 3/315 (4) p. 1 No. 3

Direct or indirect shares in capital

The Company was informed of the following holdings of direct or indirect shares in capital exceeding ten percent of voting rights: (i) SKion GmbH, Bad Homburg, last reported a holding of approx. 27.62% at year-end 2013 by way of voting rights notifications in accordance with Sections 21 et seq. of the German Securities Trading Act (WpHG) or directors' dealings notifications and (ii) Bayrische Motorenwerke Aktiengesellschaft (BMW AG), Munich, last reported a holding of 15.72% in December 2011 by way of voting rights notifications submitted at that time.

289 (4) p. 1 No. 4/315 (4) p. 1 No. 4

Holders of shares with special rights

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

289 (4) p. 1 No. 5/315 (4) p. 1 No. 5

Type of voting rights control in the case of employee shareholders

No special rights of shareholders exist that confer control authority over the Company. There are no provisions for employees to exercise control over voting rights.

289 (4) p. 1 No. 6/315 (4) p. 1 No. 6

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 apply to the appointment and dismissal of members of the Board of Management. The members of the Board of Management are accordingly appointed and dismissed by the Supervisory Board. Board of Management members can be appointed for a maximum term of five years, with reappointment permitted. The Supervisory Board can dismiss a Board of Management member if good cause exists. Good cause includes, but is not limited to, gross negligence of Board of Management duties and a vote of no confidence by the Annual General Meeting. The Supervisory Board decides on appointments and dismissals at its own due discretion.

Changes to the Articles of Incorporation are decided by adoption of a resolution by the Annual General Meeting. Under Section 17 (4) of the Articles of Incorporation, such decisions require a simple majority of the issued capital represented at the vote 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.

289 (4) p. 1 No. 7/315 (4) p. 1 No. 7

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 (10) and Section 3 (12) to Section 3 (14) of the Articles of Incorporation as well as **Note 23** of the notes to the consolidated financial statements). Subject to the consent of the Supervisory Board, the Board of Management has also been authorized by the Annual General Meeting to buy back the Company's own shares pursuant to Section 71 (8) of the German Stock Corporation Act (AktG) during the period up to April 29, 2015 in an amount of up to 10% of the issued capital existing on the date of adoption of the resolution. The share repurchase may occur via the stock exchange or by way of a public purchase offer addressed to all shareholders at the discretion of the Board of Management. The Board of Management is authorized to sell the repurchased shares either (a) via the stock exchange, (b) by way of a public purchase offer addressed to all shareholders, (c) subject to the consent of the Supervisory Board, to third parties in return for cash payment, provided the price of an SGL share does not fall significantly below the stock exchange price at the time of sale or (d) subject to the consent of the Supervisory Board, to third parties, provided the transaction is made for the purpose of acquiring companies, parts of companies or shares in companies or to service option and/or convertible bond issues. The shares may also be offered for purchase to employees of the Company or its Group companies, and up to a maximum of 300,000 shares may be transferred to Board of Management members as part of the Matching Share Plan. The Board of Management is further authorized to retire the purchased shares and to reduce the issued capital by the share in the issued capital attributable to the retired shares.

289 (4) p. 1 No. 8/315 (4) p. 1 No. 8

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

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

Each of the convertible bonds issued by the Company (due in 2016 and 2018) entitles the bondholders to repayment of their outstanding notes at the principal amount in the event of a change in control, provided the bondholders declare such intention 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.

289 (4) p. 1 No. 9/315 (4) p. 1 No. 9

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

The Company has entered into compensation agreements with the members of the Board of Management and senior managers that will be triggered in the event of a change in control (see **Note 36** of the notes to the consolidated financial statements).

Declaration pursant 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.sglgroup.com.

Remuneration report

The main features of the remuneration system for members of the Board of Management are presented in the Corporate Governance and Compliance Report (see page 30 ff), which forms part of the Management Report. Please refer to the appropriate sections of that report for more information ("Remuneration of the Board of Management in fiscal year 2013", "Further development of remuneration for the Board of Management from 2014", and "Supervisory Board remuneration regulated by the Articles of Incorporation".

SGL Carbon SE (parent company): disclosures on the basis of the German Commercial Code (HGB)

The Management Report of SGL Carbon SE and the Group Management Report for fiscal year 2013 have been combined in accordance with Section 315 (3) of the HGB in conjunction with Section 298 (3) of the HGB. The annual financial statements of SGL Carbon SE pursuant to the german commercial code (HGB) and the combined Management Report are published concurrently in the electronic Federal Gazette (Bundesanzeiger).

In contrast with the consolidated financial statements, the annual financial statements of SGL Carbon SE are prepared in accordance with the regulations of the German Commercial Code (HGB) rather than pursuant to International Financial Reporting Standards (IFRS).

Business and general conditions

SGL Carbon SE, with registered offices in Wiesbaden, is the parent company of SGL Group. As such, SGL Carbon SE acts primarily as a holding company and undertakes cash management for the Group companies. SGL Carbon SE is responsible for the strategic orientation and management of the Group, which involves the central functions for corporate development, management accounting, investor relations, public affairs, group accounting, treasury, personnel, legal affairs and compliance. The majority of the Company's assets consists of shares in and receivables from affiliated companies. Profit or loss transfer agreements and control agreements have been entered into with some of these companies. The Company's earnings are significantly impacted by those profit or loss transfer agreements, particularly the agreements with the following subsidiaries: SGL Carbon GmbH, SGL Technologies GmbH, SGL Carbon Beteiligung GmbH and SGL Technologies Beteiligung GmbH. SGL Carbon SE has both direct and indirect stakes in 69 companies, including minority shareholdings.

As of December 31, 2013, SGL Carbon SE employed a total of 77 persons, down from 78 as of December 31, 2012. The Company had an average of 76 employees in fiscal year 2013.

The economic framework of SGL Carbon SE corresponds in essence with that of the Group and has been described in detail in the section entitled "Business Areas and Organizational Structure" on page 57.

Results of operations

Income Statement

T€	**2013**	2012
Result from equity investments	305	90,559
Reversal of write-downs (–)/impairment losses (+) on financial assets	–857	–4,120
Interest income, net	952	15,298
Other operating income	43,158	55,086
General and administrative expenses	–39,208	–33,074
Other operating expenses	–44,609	–78,096
Result from ordinary activities	**–40,259**	**45,653**
Extraordinary result	–38,212	0
Income tax expense and other taxes	2,363	–6,003
Net loss/profit for the year	**–76,108**	**39,650**
Profit carried forward	11,581	5,941
Transfers to (–)/withdrawals from (+) other revenue reserves	0	–19,825
Accumulated net loss/gain	**–64,527**	**25,766**

The results of operations of affiliated companies also impacted the results of operations of SGL Carbon SE in the year under review. The result from long term equity investments decreased from €90.6 million in the previous year to €0.3 million in fiscal year 2013. This item is made up of the sum of expenses from transferred losses, income from profit transfer agreements and income from other long term equity investments. This significant change is primarily the result of an overall decrease of approximately 56% in income from profit or loss transfer agreements with subsidiaries SGL Carbon GmbH and SGL Carbon Beteiligung GmbH, as well as an approximately doubling of expenses resulting from losses transferred from SGL Technologies GmbH. At €0.5 million,

income from equity investments declined significantly from the prior-year level (€2.3 million), since unlike in the previous year, no profit was distributed from subsidiary SGL Canada Inc.

In the reporting year, the Company assumed a loss of €51.0 million from SGL Technologies GmbH (2012: loss of €26.5 million), and the profit transferred by SGL Carbon GmbH was only €22.6 million (2012: €87.3 million). The profit transferred by SGL Carbon Beteiligung GmbH was close to the prior-year level at €28.2 million (2012: €27.4 million).

The significant increase in expenses for loss transfer from SGL Technologies GmbH resulted from the €26.2 million decrease in that company's result from equity investments, from a loss of €12.6 million to a loss of €38.8 million. SGL Technologies GmbH's result from equity investments was shaped in particular by the existing profit or loss transfer agreement between it and SGL Technologies Zweite Beteiligung GmbH. In the past fiscal year, €34.1 million was burdend from the profit or loss transferred to SGL Technologies GmbH due to the sale of the investment in subsidiary SGL Rotec GmbH & Co. KG. In the previous year, the result of SGL Technologies Zweite Beteiligung had only made an insignificant contribution of €0.1 million to SGL Technologies GmbH's result from equity investments.

Furthermore, SGL Technologies GmbH's result from equity investments also includes expenses for losses transferred from SGL epo GmbH, which decreased by €1.2 million to €4.7 million. In the previous year, the result from equity investments was negatively affected by a write-down (€6.6 million) as a result of the closure of a joint venture.

The €64.7 million decrease in income from SGL Carbon GmbH's profit or loss transfer agreements was based firstly, on income from the final settlement of a supply contract in the low double-digit million range recognized in the previous year. In addition, the lower price levels for graphite electrodes negatively impacted the company's operating business given the simultaneous decrease in deliveries.

The income reported from the profit or loss transfer agreement with SGL Carbon Beteiligung GmbH related primarily to dividend payments from SGL CARBON Polska S.A., a Polish Group company (2013: €35.2 million; 2012: €34.7 million).

The earnings of SGL Carbon SE were also negatively impacted by **write-downs of financial assets** totaling €0.9 million. This amount was composed of write-downs of equity investments and securities classified as non-current assets totaling €0.9 million (2012: €4.1 million). In the previous year, the write-up of the investment in SGL Carbon Holding S.A.S. of €2.9 million had the opposite effect.

Net interest income decreased by €14.3 million in the year under review to €1.0 million (2012: €15.3 million). The main reason for the decrease was the decline in the liquidity requirements of subsidiaries and second-tier subsidiaries, which caused a drop in interest income of €3.7 million to €33.7 million (2012: €37.4 million). Income from non-current loans also continued to decrease. The non-current loans extended in the previous year in a total amount of €270.0 million to SGL Carbon Beteiligung GmbH and SGL Technologies GmbH – both affiliated companies – and upon which this income was based both expired at the start of fiscal year 2013. When the loans were renewed, the interest rates were adjusted to reflect the lower prevailing interest rate and now carry a variable interest rate. Interest income decreased by 27% to €9.6 million (2012: €13.1 million) due to the renewed fall in interest levels during the reporting year. Furthermore, interest and similar expenses increased year on year by €7.2 million due to the transaction costs related to the refinancing of the corporate bond (€7.7 million) and the syndicated credit line (€3.9 million) that was carried out during the reporting year. A counteracting effect resulted from the decrease in interest expense for the hidden premium on the convertible bond reported under prepaid expenses, which declined by €2.7 million to €11.4 million.

Other operating income decreased by €11.9 million in 2013 to €43.2 million. The change can be attributed to the decrease in realized and unrealized gains from foreign currency loans and currency forwards (2013: €12.7 million; 2012: €24.8 million). At €16.5 million, the charges to group companies also shown under other operating income remained at the level of the previous year. Other operating expenses declined significantly with a decrease of €33.5 million to €44.6 million (2012: €78.1 million), which is largely attributable to reduced losses from the measurement of foreign currency loans as well as from the measurement of foreign currency transactions.

Other operating expenses continue to include other expenses related to charges to group companies shown under other operating income, such as write-downs, repairs and external services. This includes losses from foreign currency loans and currency forwards of €13.4 million (2012: €26.4 million). In the previous year, other operating expenses were negatively influenced by write-downs on loans to subsidiaries and joint ventures in a total €22.8 million.

General and administrative expenses rose by €6.1 million to €39.2 million, above all due to restructuring expenses of €11.6 million. This amount mainly refers to expenses incurred for the termination of the membership on the Board of Management in the case of two Board members. In contrast, expenses for management and employee participation schemes declined by €6.3 million due to the more intense and more difficult market and competitive environment compared to the previous year.

The above factors led to a €86.0 million decrease in the **result from ordinary activities** in the reporting year to a loss of €40.3 million (2012: profit of €45.7 million).

Fiscal year 2013 shows a tax income of €2.7 million resulting from the conclusion of a tax audit (2012: tax expense of €5.7 million). The tax income relates primarily to the German trade tax and corporate income tax. Expenses for other taxes amounted to €0.4 million (2012: €0.3 million).

Extraordinary expenses were incurred in fiscal year 2013 in the amount of €38.2 million, in particular for loan waivers for the benefit of two subsidiaries.

After deducting taxes, the **net loss for the year** was €76.1 million (2012: net profit of €39.7 million). After adding the profit brought forward of €11.6 million, the accumulated net loss totaled €64.5 million (2012: net retained profits of €25.8 million).

With the consent of the Supervisory Board, the Board of Management will propose to the Annual General Meeting that the net profit be carried forward to new account.

Net assets

Net assets during the 2013 fiscal year were characterized by the repayment of the 2007/2013 convertible bond in the amount of €145.5 million and repayment of the 2007 corporate bond in the amount of €200.0 million, the latter of which was redeemed by a new corporate bond in the amount of €250.0 million. Long term bond liabilities thus decreased to a total of €624.7 (December 31, 2012: €720.2 million). The level of cash and cash equivalents decreased accordingly. When the bond was issued in the previous year, a prepaid expense item of €25.0 million was recognized along with an equivalent increase in the Company's capital reserve. In financial terms, "prepaid expenses" represent a hidden premium on the low interest rate of the convertible bonds compared to a market interest rate. This item is amortized as interest expense over the term of the convertible bonds.

Total assets of SGL Carbon SE decreased on the prior year by €141.7 million, or 8%, to €1,702.7 million as a result of the full redemption of the 2007 convertible bond in May 2013.

Fixed assets increased by €13.3 million to €715.0 million (December 31, 2012: €701.7 million). This increase is mainly attributable to the increase in shares in affiliated companies as a result of capital increases. In fiscal 2013, capital expenditure and depreciation more or less balanced each other out, whereas in the previous year, net capital expenditure of €11.4 million (after taking write-downs into account) for the expansion of isostatic graphite capacities at the Bonn site and for leasehold improvements at the Wiesbaden headquarters increased fixed assets significantly. The share of fixed assets to total assets increased to 42% (December 31, 2012: 38%) due to the drop in total assets.

As a holding company, SGL Carbon SE's **current assets** are heavily impacted by changes in receivables from affiliated companies. Current assets decreased mainly due to the waiving of debt relating to three subsidiaries totaling €38.2 million, as well as due to the €19.0 million decrease in receivables from SGL Technologies GmbH. This was counteracted by increases in receivables from SGL Carbon Holding S.L. (Spain) of €40.2 million, and from SGL Carbon LLC (USA) of €16.8 million. Overall, receivables from affiliated companies decreased by €4.6 million to €765.6 million (2012: €770.2 million).

The decrease in cash on hand was caused by the net cash used as a result of the change in the aforementioned financial instruments, which reduced cash and cash equivalents by €140.5 million to €190.9 million.

Prepaid expenses and deferred income primarily contain the hidden premiums for the two convertible bonds from the previous years, which are amorized over the relevant term.

Shareholders' equity decreased by €78.8 million to €957.0 million as of December 31, 2013 (December 31, 2012: €1,035.8 million). The sharp decrease in shareholders' equity resulted from the net loss of €76.1 million for fiscal 2013 as well as the dividend payment in the amount of €14.2 million (2012: €14.1 million). However, shareholders' equity was boosted by capital increases resulting from share-based payments of €11.4 million (2012: €18.7 million). As of December 31, 2013, the Company's issued capital amounted to €181,801,454.08 (December 31, 2012: €180,829,537.28) and was divided into 71,016,193 (December 31, 2012: 70,636,538) no-par-value ordinary bearer shares, each with a notional value of €2.56. The largest shareholder of our company, with approx. 28% stake, is still Skion GmbH, the investment Company of Susanne Klatten. To our knowledge, the following additional companies domiciled in Germany own shareholdings that are subject to disclosure requirements:

Volkswagen AG	9.98%
Voith AG	9.14%
BMW AG	15.72%

Balance Sheet

€ thousand	Dec. 31, 2013	Dec. 31, 2012
ASSETS		
Intangible assets	8,937	9,531
Tangible assets	49,768	53,130
Shares in affiliated companies and long term equity investments	379,191	356,129
Loans to affiliated companies	270,000	270,000
Long term securities	7,147	12,916
Non-current assets	**715,043**	**701,706**
Receivables from affiliated companies and from other long term investments	765,614	770,176
Other assets	10,028	8,651
Cash on hand and bank balances	190,932	331,394
Current assets	**966,574**	**1,110,221**
Prepaid expenses	21,112	32,545
Total assets	**1,702,729**	**1,844,472**

€ thousand	Dec. 31, 2013	Dec. 31, 2012
EQUITY AND LIABILITIES		
Share capital	181,802	180,830
Treasury shares (nominal value)	–54	–76
Issued capital	181,748	180,754
Conditional capital €71,839 thousand (2012: €72,009 thousand)		
Capital reserves	695,555	685,094
Revenue reserves	144,224	144,224
Accumulated net result	–64,527	25,766
Equity	**957,000**	**1,035,838**
Provisions for pensions and similar employee benefits	27,839	25,716
Provisions for taxes	1,685	4,887
Other provisions	20,498	12,147
Provisions	**50,022**	**42,750**
Bonds (of which convertible €374,700 thousand, 2012: €520,200 thousand)	630,602	728,180
Trade payables	1,092	1,159
Liabilities to affiliated companies	55,408	34,417
Other liabilities	8,605	2,128
Liabilities	**695,707**	**765,884**
Total equity and liabilities	**1,702,729**	**1,844,472**

Provisions increased slightly, rising by €7.3 million to €50.0 million as a result of provisions for severance payments recognized in the fiscal year (€11.4 million) as well as the increase in the tax provisions recognized in the previous year (December 31, 2012: €4.9 million).

Liabilities declined by €70.2 million to €695.7 million (December 31, 2012: €765.9 million). The decrease of 9% was mainly due to the €97.6 million reduction in bond liabilities as a result of repayment of the 2007 convertible bond in the amount of €145.5 million. In addition to the increase in liabilities to affiliated companies by €21.0 million to €55.4 million, other liabilities increased by €6.5 million to €8.6 million due to a liability to SGL Rotec, which was sold at the end of fiscal 2013.

The financing instruments of SGL Carbon SE include the new corporate bond in the amount of €250 million (coupon = 4.875%, maturing in 2021), which replaced the previous corporate bond of €200.0 million, as well as a convertible bond in the initial amount of €190 million (€134.7 million after conversion; coupon of 3.50%, maturing in 2016, bondholder put options in June 2014) and a convertible bond issued in fiscal year 2012 in the amount of €240 million (coupon of 2.75%, maturing in 2018). In connection with the new corporate bond, SGL Carbon SE signed an agreement for a new credit facility in the amount of €200 million in December 2013 to replace the existing facility in the amount of €200 million. The new credit facility runs until the end of 2017, and was not drawn down in fiscal year 2013.

Financial position

Cash flows from operating activities improved to €–0.5 million, down from €–48.9 million in the previous year. This was mainly the result of costs for the administration of the Company, which could not be compensated for in fiscal year 2013 by income from equity investments, as well as due to higher liabilities to affiliated companies. In the previous year, the cash outflow was caused primarily by higher receivables from affiliated companies due to intercompany financing.

Cash flows from investing activities changed from €–42.5 million in 2012 to €–19.6 million, mainly due to . While investments in shares in affiliated companies were made in fiscal year 2013, the previous year's investments focused on capacity expansion for isostatic graphite in Bonn.

Net cash flows, i.e. net cash used in operating activities less net cash used in investing activities, amounted to €–20.1 million (December 31, 2012: €–91.4 million).

Cash flows from financing activities during the year under review were impacted by the redemption of the 2007/2013 convertible bond in the amount of €145.5 million and of the 2007 corporate bond in the amount of €200 million. This was offset by cash inflows of €250.0 million from the issuance of the new corporate bond of SGL CARBON SE. In fiscal year 2012, the 2012/2018 convertible bond was issued in a principal amount of €240.0 million. As a result, net cash used in financing activities amounted to €120.4 million, after net cash provided by financing activities of €223.1 million. Apart from dividends of €14.2 million (2012: €14.1 million), this figure includes the exercise of stock options (2013: €0.1 million; 2012: €0.2 million), and a payment of €10.8 million (2013: €–3.1 million) related to refinancing.

Liquidity – defined as cash on hand and bank balances – increased from €331.4 million at the start of 2013 to €190.9 million as of December 31, 2013. As of year-end 2013, there were no time deposits with an original term of more than three months. In 2012, €130.0 million was invested in time deposits.

Risks and opportunities

Via its subsidiaries, SGL Carbon SE is subject to essentially the same risks and opportunities as SGL Group with respect to its business trend. SGL Carbon SE shares in the risk of its long term investments and subsidiaries in accordance with its interest in the respective company.

SGL Carbon SE has concluded profit and loss transfer and control agreements with some of its subsidiaries. Therefore, in order to generate income, the Company is reliant upon the operating companies of SGL Group turning a profit and transferring such profit to it. By the same token, the Company is obligated to compensate any losses incurred by the long term investments with which it has concluded profit and loss transfer and control agreements. This can lead to a significant negative impact on the results of operations, financial position and net assets of the Company.

To avoid or minimize this risk, SGL Carbon SE, as the parent of SGL Group, operates the Group-wide risk management system, in which all subsidiaries are included.

Additional risk is posed by the statutory and contractual liabilities (particularly financing) to which we are subject based on our relationships with our long term investments and subsidiaries. Such liabilities are described in the notes to the financial statements of SGL Carbon SE.

Two income components play a particular role in the results of operations of SGL Carbon SE. The first is income from long term investments. The risk of fluctuation in this item is high due to the dependence of investment income on the business development of the subsidiaries and the resulting income from profit transfers or dividend payments. The second component is a high number of loans to affiliated companies and bank balances. The resulting income from interest and investment funds serves to reduce the dependency of SGL Carbon SE's business development on the financial success of the subsidiaries. It is assumed that SGL Carbon SE will continue to post definite positive net income in 2014.

Please refer to the section entitled "Risk Report" on page 106 for a description of the internal control system of SGL Carbon SE as required pursuant to Section 289 (5) of the HGB.

Outlook

The outlook with respect to the business development of SGL Carbon SE, the parent company, for the next years is generally identical with the outlook for SGL Group, which is described in detail in the Group's outlook report.

Wiesbaden, March 7, 2014

SGL Carbon SE

The Board of Management

Consolidated Financial Statements

134 Consolidated Income Statement

135 Consolidated Statement of Comprehensive Income

136 Consolidated Balance Sheet

138 Consolidated Cash Flow Statement

140 Consolidated Statement of Changes in Equity

142 Notes to the Consolidated Financial Statements
142 General Disclosures
161 Consolidated Income Statement Disclosures
172 Consolidated Balance Sheet Disclosures
199 Consolidated Cash Flow Statement Disclosures
201 Other Disclosures

Consolidated Income Statement

for the period from January 1 to December 31

€m	Notes	2013	2012*
Sales revenue	6, 18, 33	**1,477.0**	**1,646.0**
Cost of sales		–1,231.4	–1,247.3
Gross profit		**245.6**	**398.7**
Selling expenses		–158.6	–171.5
Research and development costs	6	–42.8	–46.5
General and administrative expenses	6	–78.2	–89.8
Other operating income	7	41.9	36.2
Other operating expenses	7	–10.5	–16.9
Restructuring expenses	8	–84.2	–
Impairment losses	9	–120.6	–
Operating loss/profit		**–207.4**	**110.2**
Result from investments accounted for At-Equity	10	–18.3	–32.6
Interest income	11	1.3	2.4
Interest expense	11	–42.1	–46.9
Other financing result	11	–9.9	–9.0
Result from continuing operations before income taxes		**–276.4**	**24.1**
Income tax expense	12	–84.5	–3.7
Result from continuing operations		**–360.9**	**20.4**
Result from discontinued operations, net of tax	13	**–31.2**	**–14.2**
Net result for the year		**–392.1**	**6.2**
Attributable to:			
Non-controlling interests		4.3	0.3
Consolidated net result (attributable to shareholders of the parent company)		**–396.4**	**5.9**
Earnings per share (€)			
– Basic earnings per share (EPS)	14	–5.59	0.08
– Diluted earnings per share (EPS)	14	–5.59	0.08
Earnings per share for continuing operations (€)			
– Basic earnings per share (EPS)	14	–5.15	0.29
– Diluted earnings per share (EPS)	14	–5.15	0.28

* Adjusted for effects of adopting IAS 19R; see **Notes**

Consolidated Statement of Comprehensive Income

for the period from January 1 to December 31

€m	Notes	2013	2012*
Net result for the year		**–392.1**	**6.2**
Items that may be reclassified subsequently to profit or loss			
Changes in the fair value of securities available for sale [1]		–1.9	0.9
Cash flow hedges [2]		–1.6	8.4
Currency translation		–30.7	10.2
Items that will not be reclassified to profit or loss			
Actuarial gains/losses on pensions and similar obligations [3]	26	15.5	–39.9
Other comprehensive income		**–18.7**	**–20.4**
Comprehensive income		**–410.8**	**–14.2**
Of which attributable to shareholders of the parent company		*–414.6*	*–14.0*
Of which attributable to non-controlling interests		*3.8*	*–0.2*

* Adjusted for effects of adopting IAS 19R; see **Notes**
[1] Includes tax effects of €–0.1 million (2012: €0.1 million)
[2] Includes tax effects of €0.4 million (2012: €–3.6 million)
[3] Includes tax effects of €–15.3 million (2012: €18.0 million)

Consolidated Balance Sheet

as of December 31

ASSETS €m	Notes	Dec. 31, 2013	Dec. 31, 2012*
Non-current assets			
Goodwill	15	50.4	130.1
Other intangible assets	15	26.0	29.0
Property, plant and equipment	16	819.5	931.3
Investments accounted for At-Equity	17	49.0	43.9
Receivables from long term construction contracts	18	0.0	19.8
Other non-current assets	19	19.8	24.9
Deferred tax assets	24	53.6	113.5
		1,018.3	**1,292.5**
Current assets			
Inventories	20	470.7	532.1
Trade receivables	21	225.4	318.8
Other receivables and other assets	22	60.6	52.7
Liquidity	23	227.8	355.9
Time deposits		*0.0*	*130.0*
Cash and cash equivalents		*227.8*	*225.9*
		984.5	**1,259.5**
Assets held for sale	22	**6.4**	**7.7**
Total assets		**2,009.2**	**2,559.7**

* Adjusted for effects of adopting IAS 19R; see **Notes**

EQUITY AND LIABILITIES €m	Notes	Dec. 31, 2013	Dec. 31, 2012*
Equity			
Issued capital	25	181.7	180.8
Capital reserves	25	695.0	680.0
Retained earnings		– 225.9	206.2
Equity attributable to the shareholders of the parent company		**650.8**	**1,067.0**
Non-controlling interests		16.2	15.3
Total equity		**667.0**	**1,082.3**
Non-current liabilities			
Provisions for pensions and similar employee benefits	26	298.6	329.8
Other provisions	27	56.2	12.0
Interest-bearing loans	28	500.9	633.9
Other liabilities	28	41.1	41.8
		896.8	**1,017.5**
Current liabilities			
Other provisions	27	106.0	94.3
Current portion of interest-bearing loans	28	139.9	142.1
Trade payables	28	155.1	169.6
Other liabilities	28	44.4	52.8
		445.4	**458.8**
Liabilities in connection with assets held for sale	22	**0.0**	**1.1**
Total equity and liabilities		**2,009.2**	**2,559.7**

* Adjusted for effects of adopting IAS 19R; see **Notes**

Consolidated Cash Flow Statement

for the period from January 1 to December 31

€m	Notes	2013	2012*
Cash flow from operating activities			
Result before tax from continuing operations		–276.4	24.1
Adjustments to reconcile net profit/loss from continuing operations to net cash provided by operating activities:			
Interest expense (net)		40.8	44.6
Gain/loss on sale of property, plant and equipment		0.3	–0.4
Depreciation/amortization expense		82.6	84.5
Impairment losses	9	120.6	–
Restructuring expenses	8	84.2	–
Project write offs	5	22.1	54.2
Result from investments accounted for At-Equity-		18.3	32.6
Amortization of refinancing costs		5.0	2.6
Interest received		2.0	0.5
Interest paid		–21.2	–13.6
Income taxes paid	12	–24.8	–21.5
Changes in provisions, net		21.3	–4.1
Changes in working capital			
Inventories		37.7	–13.8
Trade receivables		70.8	–13.7
Trade payables		–4.9	–40.3
Other operating assets/liabilities		–27.3	–7.3
Cash flow from operating activities – continuing operations		**151.1**	**128.4**
Cash flow from operating activities – discontinued operations		2.2	–13.4
Cash flow from operating activities – continuing and discontinued operations		**153.3**	**115.0**

* Adjusted for effects of adopting IAS 19R; see **Notes**

€m	Notes	2013	2012*
Cash flow from investing activities			
Payments to purchase intangible assets and property, plant and equipment	15, 16	–95.5	–131.8
Proceeds from sale of intangible assets and property, plant and equipment		5.2	0.9
Proceeds from sale of financial assets (2012: Payments for the acquisition of subsidiaries)		3.6	–30.7
Payments for capital contributions concerning investments accounted for At-Equity and payments for other financial assets		–26.2	–33.0
Cash flow from investing activities – continuing operations		**–112.9**	**–194.6**
Cash inflows/outflows from term deposits		130.0	–50.0
Cash flow from investing activities and cash management activities – continuing operations		**17.1**	**–244.6**
Cash flow from investing activities – discontinued operations		–5.8	–0.4
Cash flow from investing activities and cash management activities – continuing and discontinued operations		**11.3**	**–245.0**
Cash flow from financing activities			
Proceeds from issuance of financial liabilities		250.3	247.4
Repayment of financial liabilities		–383.9	–16.1
Payments in connection with refinancing		–10.8	–3.1
Dividend payments for the prior year		–14.2	–14.1
Changes in ownership interests in subsidiaries		0.0	–11.5
Proceeds from capital increase		0.0	0.2
Other financing activities		–1.6	–0.5
Cash flow from financing activities – continuing operations		**–160.2**	**202.3**
Cash flow from financing activities – discontinued operations		0.0	–7.3
Cash flow from financing activities – continuing and discontinued operations		**–160.2**	**195.0**
Effect of foreign exchange rate changes		–2.5	–0.8
Net change in cash and cash equivalents		**1.9**	**64.2**
Cash and cash equivalents at beginning of year		225.9	161.7
Cash and cash equivalents at end of year		**227.8**	**225.9**
Time deposits		0.0	130.0
Total liquidity	23	**227.8**	**355.9**

* Adjusted for effects of adopting IAS 19R; see **Notes**

Consolidated Statement of Changes in Equity

for the period from January 1 to December 31

			Equity attributable	
€m	Issued capital	Capital reserves	Accumulated profit/loss	Consolidated net result
Balance as of January 1, 2012 – as previously reported	179.4	630.1	177.1	73.2
Effects from retrospectively adopting IAS 19R				1.0
Balance as of January 1, 2012 [1]	179.4	630.1	177.1	74.2
Net result for the year [1]				5.9
Other comprehensive income [1]			–39.9	
Comprehensive income [1]			**–39.9**	**5.9**
Dividends			–14.1	
Equity component of the convertible bonds [2]		24.6		
Capital increase from share-based payment plans and partial conversion of convertible bonds	1.4	25.3		
Appropriation of consolidated net result 2011			74.2	–74.2
Transactions with non-controlling interests			3.0	
Other changes in equity [3]			–1.3	
Balance as of December 31, 2012	**180.8**	**680.0**	**199.0**	**5.9**
Balance as of January 1, 2013 – as previously reported	180.8	680.0	196.8	7.2
Effects from retrospectively adopting IAS 19R			2.2	–1.3
Balance as of January 1, 2013 [1]	180.8	680.0	199.0	5.9
Net result for the year				–396.4
Comprehensive income			15.5	
Comprehensive income			**15.5**	**–396.4**
Dividends			–14.2	
Capital increase from share-based payment plans	0.9	15.0		
Appropriation of consolidated net result 2012			5.9	–5.9
Other changes in equity [3]			–3.3	
Balance as of December 31, 2013	**181.7**	**695.0**	**202.9**	**–396.4**

1) Adjusted for effects of adopting IAS 19R. Please refer to **Note 3** "Accounting Policies"

2) After deduction of transaction costs of €0.3 million

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

to the shareholders of the parent company						
Retained earnings						
Accumulated other comprehensive income						
Currency translation	Cash flow hedges (net)	Results from the mark-to-market valuation of securities	Total retained earnings	Equity attributable to the shareholders of the parent company	Non-controlling interests	**Total equity**
–15.4	–4.3	1.0	231.6	1,041.1	14.0	1,055.1
			1.0	1.0		1.0
–15.4	–4.3	1.0	232.6	1,042.1	14.0	1,056.1
			5.9	5.9	0.3	6.2
10.7	8.4	0.9	–19.9	–19.9	–0.5	–20.4
10.7	**8.4**	**0.9**	**–14.0**	**–14.0**	**–0.2**	**–14.2**
			–14.1	–14.1	–0.4	–14.5
			0.0	24.6		24.6
			0.0	26.7		26.7
			0.0	0.0		0.0
			3.0	3.0	–2.0	1.0
			–1.3	–1.3	3.9	2.6
–4.7	**4.1**	**1.9**	**206.2**	**1,067.0**	**15.3**	**1,082.3**
–4.7	4.1	1.9	205.3	1,066.1	15.3	1,081.4
			0.9	0.9		0.9
–4.7	4.1	1.9	206.2	1,067.0	15.3	1,082.3
			–396.4	–396.4	4.3	–392.1
–30.2	–1.6	–1.9	–18.2	–18.2	–0.5	–18.7
–30.2	**–1.6**	**–1.9**	**–414.6**	**–414.6**	**3.8**	**–410.8**
			–14.2	–14.2	–0.3	–14.5
			0.0	15.9		15.9
			0.0	0.0		0.0
			–3.3	–3.3	–2.6	–5.9
–34.9	**2.5**	**0.0**	**–225.9**	**650.8**	**16.2**	**667.0**

Notes to the Consolidated Financial Statements

General Disclosures

1. Basis

Description of business activities

SGL Carbon SE (SGL Carbon), with registered offices at Söhnleinstrasse 8, Wiesbaden (Germany), together with its subsidiaries (SGL Group), is a global manufacturer of carbon and graphite products. For further information on the business activities of the Group, please refer to **Note 33** and the Combined Management Report.

Basis of presentation

The accompanying consolidated financial statements of SGL Carbon SE and its subsidiaries (hereinafter referred to as SGL Group, SGL, the Group, or the Company) for the year ended December 31, 2013 have been prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), London, as adopted by the European Union (EU), and the additional requirements of German commercial law set out in Section 315a of the German Commercial Code (Handelsgesetzbuch, HGB).

The consolidated financial statements are prepared on the basis of historical cost, except for certain financial instruments accounted for at fair value. 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 Board of Management prepared the consolidated financial statements on March 7, 2014 and submitted them to the Supervisory Board for approval. It is planned for the consolidated financial statements and the Combined Management Report for fiscal year 2013 to be approved at the meeting of the Supervisory Board on March 7, 2014.

2. Consolidation

The consolidated financial statements are prepared for a twelve-month period ending December 31 and include the accounts of SGL Carbon SE and its subsidiaries, which are fully consolidated from the date on which SGL Group is able to exercise control over the entity. Control normally exists when the parent entity holds more than half of the voting rights. In addition, special-purpose entities are consolidated when the Company determines that it exercises control over the special-purpose entity, taking into account the substance of the relationship with SGL Group. In order to determine whether SGL Group has to consolidate a special-purpose entity as a result of the substance of the relationship, the Company considers the circumstance set out in SIC-12 as indicators whether a relationship exists where SGL Group controls a special-purpose entity. Consolidation ends as soon as the parent effectively loses control. Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions and recognized directly in equity. As of December 31, 2013, the scope of consolidation included 14 German (2012: 18) and 45 (2012: 45) foreign subsidiaries in addition to SGL Carbon SE. Eight (2012: eight) jointly controlled companies and two associates (2012: one) were accounted for using the equity method. The subsidiaries included in the consolidated financial statements are listed in **Note 39**.

The financial statements of the entities included in the consolidated financial statements were prepared in accordance with uniform accounting policies.

In accordance with IAS 27, SGL Group consolidates its subsidiaries by offsetting the carrying amount of its investment in each subsidiary against the portion of equity it holds in the subsidiary concerned. The equity of the acquired subsidiary is determined as of the date of acquisition, taking into account the fair value of the assets, liabilities,

contingent liabilities, deferred taxes and any goodwill on that date. Initial consolidation includes recognizing any intangible assets that had not previously been reported in the separate financial statements of the acquired company at their fair value.

Intangible assets identified in a business combination such as technologies, customer relationships, and existing orders are only recognized separately if the requirements of IAS 38 for the capitalization of intangible assets are met.

Intercompany receivables and payables, intercompany gains and losses and intercompany sales revenues, expenses and other income are all eliminated as part of the consolidation process. In accordance with IAS 12, deferred taxes are recognized with respect to timing differences arising from consolidation.

Any change in ownership interest that does not result in a change of control is accounted for as an equity transaction with owners, with the impact of the transaction between the owners of the parent and the non-controlling interest being recognized directly in equity in accordance with IAS 27 (2008).

Joint ventures and companies where SGL Group has a significant influence on business and financial decisions – mainly by way of direct or indirect voting rights of 20% to 50% (associates) – are accounted for using the equity method. Any resulting unrealized gains or losses from transactions SGL Group enters into with jointly controlled entities are eliminated to the extent of the Group's share in the relevant jointly controlled entity.

3. Accounting policies

The following accounting principles were applied consistently for all periods presented in these consolidated financial statements:

Foreign currency translation

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

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, except for two (2012: two) insignificant holding companies. As a consequence, balance sheet items are translated at the year-end closing rate and income statement items at average rates for the year.

Currency translation differences are reported as a separate item of equity. Translation differences on non-current intercompany receivables are treated as net investments in foreign operations and recognized directly in equity. No standalone financial statements from companies in hyperinflationary economies are included in the consolidated financial statements.

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, 2013	Dec. 31, 2012	**2013**	2012
US dollar	USD	1.3791	1.3194	1.3282	1.2848
Pound sterling	GBP	0.8337	0.8161	0.8493	0.8109
Canadian dollar	CAD	1.4671	1.3137	1.3685	1.2842
Polish zloty	PLN	4.1472	4.0882	4.1969	4.1852
Chinese yuan	CNY	8.4189	8.3176	8.1655	8.1052
Malaysian ringgit	MYR	4.5221	4.0347	4.1855	3.9672
Japanese yen	JPY	144.72	113.61	129.66	102.49

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. Revenue from construction contracts is recognized on the basis of the percentage-of-completion (PoC) method when the result of a construction contract can be reliably estimated. The percentage of completion is determined on the basis of the proportion of contract costs incurred to the estimated total contract costs (cost-to-cost method), i.e. on the basis of comparing services performed (units) with total services to be performed (units-of-delivery method). An expected loss on the construction contract is recognized as an expense immediately. Insofar as the aggregated capitalized contract revenues exceed the advance payments received, the gross amount due from customers is presented as trade receivables or in a separate line item as non-current assets in the case of multi-year construction contracts, where contract revenues will remain non-current due to the maturity stipulated in the agreement. If there is a negative balance after deduction of the advance payments, the gross amount due to customers is presented as a trade payable. Variations in orders requested by the customer during the term of a project affecting the agreed scope of contract work may lead to an increase or decrease in contract revenues. Examples of variations are changes in the specifications or design of contract work and changes in the duration of the contract.

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. The interest portion of long term construction contracts is reported as sales revenue. 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 is calculated by dividing result from continuing operations, result from discontinued operations and net result for the year after tax, each of which attributable to the shareholders of the parent company, by the weighted average number of shares outstanding during the fiscal year. Diluted earnings per share takes into account all potentially dilutive convertible bonds and share-based payment plans, assuming conversion or exercise.

Goodwill

Goodwill resulting from business combinations is defined by IFRS 3 as the excess of the cost of the business combination over the Groups' interest in the fair value of the identifiable assets and liabilities. Goodwill is measured at cost upon first-time recognition and is not amortized. However, IAS 36 specifies that following initial recognition, goodwill must be tested for impairment annually, or on such occasions that events or changes in circumstances indicate that it might be impaired. The impairment test involves allocating the goodwill acquired as of the acquisition date to the group of cash generating units, which represent the lowest level within the organization at which goodwill is monitored for the purposes of internal management and control. For SGL Group, these are the Business Areas Performance Products (PP), Graphite Materials & Systems (GMS), and Carbon Fibers & Composites (CFC). At CFC, the joint ventures in the automotive sector – SGL Automotive Carbon Fibers Germany and SGL Automotive Carbon Fibers USA, Benteler-SGL, and Brembo-SGL Carbon Ceramic Brakes – are included in the group of cash-generating units based on the respective equity interests held by SGL Group. Business activities in carbon fiber growth markets, particularly in the automotive sector, are assessed across the boundaries of the fully consolidated division in order to reflect the value chain from the producer of special raw materials to the ultimate supplier to the automotive industry. Today, the value creation process is primarily dominated by these four joint ventures. The associated synergies generate large mutual benefits for both these joint ventures and the Business Area CFC. The inclusion of the joint ventures became necessary after the acquisition of Fisipe, the increased integration of the joint ventures into the strategic value chain through the realization of individual joint projects and the associated increase in the importance of synergies in fiscal year 2012. Therefore, in the context of the allocation of the CFC goodwill, these joint ventures are regarded as an integral part of the group of cash-generating units that benefit from these synergies. The amount of the impairment, if any, is defined as the difference between the carrying amount and the recoverable amount of the group of cash-generating units to which the goodwill has been allocated. At SGL Group, impairment tests are performed in accordance with the procedure described in the section entitled "Impairment of Property, Plant and Equipment and Other Intangible Assets (Impairment Test)."

Other intangible assets

On initial recognition, intangible assets acquired for a consideration are measured at cost. If a substantial period of time (generally more than six months) is necessary for acquisition or production in order to bring the asset to its intended working condition, directly attributable borrowing costs incurred until such working condition is achieved are capitalized as part of the cost of the asset.

Intangible assets with a finite useful life are generally amortized on a straight-line basis over their useful lives. Impairment losses are recognized in accordance with the impairment test provisions included in IAS 36.

The amortization period for intangible assets with a finite useful life is up to ten years. Customer relationships are amortized over their expected useful life of 20 years. The expected useful life of a customer relationship acquired for a consideration is measured in accordance with the term limit of the respective agreement or the observable customer behavior. The amortization expense on intangible assets is reported under various items in the income statement depending on the function of the expense. SGL Group does not amortize intangible assets with an indefinite useful life, but conducts impairment tests at least once a year.

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

Property, plant and equipment used in the business operations for more than one year is measured at cost less straight-line depreciation and any impairment losses. The same applies to investment properties which comprise properties held by the Company to earn rentals and/or for capital appreciation and which are not used in production or for administrative purposes. The reported fair values for investment properties are determined using various data sources which are based on sales in the past, standard land values or the discounted cash flow method. The cost of internally developed assets includes a proportion of material and production overheads in addition to direct costs. If a substantial period of time (generally more than six months) is required for the acquisition or production of an asset in order to bring the asset to its intended working condition, directly attributable borrowing costs incurred until such working condition is achieved are capitalized as part of the cost of the asset. Repair and maintenance costs that do not extend useful life are expensed directly as incurred. The costs of any improvements that prolong the useful life or increase the opportunities for future utilization of an asset are generally capitalized. If items of depreciable property, plant and equipment comprise significant identifiable components, each with a different useful life, these components are treated as separate assets and depreciated over their respective useful lives. If an asset is sold or scrapped, the asset is derecognized from property, plant and equipment and any resulting gain or loss is recognized in the income statement. Carrying amounts, useful lives, and depreciation methods are reviewed each fiscal year and adjusted where required. Investment grants for the purchase or construction of items of property, plant and equipment result in a decrease of the recognized cost of the respective assets. Other grants or subsidies received are recognized over the contractual life or the foreseeable useful life of the asset.

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

Property, plant and equipment – useful lives

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

Leases

Leases are classified either as finance leases or as operating leases. Leases in which substantially all the risks and rewards associated with the use of the leased asset for a consideration are transferred to SGL Group as the lessee are classified as finance leases. In such cases, SGL Group recognizes the leased asset on its balance sheet at the lower of fair value and the present value of the minimum lease payments and then depreciates the asset over the shorter of the asset's estimated useful life or the lease term (if there is no reasonable certainty that SGL will obtain ownership by the end of the lease term). At the same time, SGL recognizes a corresponding liability, which is measured at amortized cost using the effective interest method. In the case of leases in which SGL Group is the lessee and the lessor retains the risks and rewards with respect to the leased asset (operating leases), SGL Group does not recognize the asset on its balance sheet, but allocates the lease payments as an expense on a straight-line basis over the lease term. Moreover, SGL Group assesses whether, based on their economic substance, certain contractual agreements constitute or contain a lease, even though these might not be classified as lease agreements. Wherever SGL Group identified contracts containing a lease agreement, these are disclosed as either a finance lease or an operating lease in accordance with the accounting regulations relating to leases. Lease income generally includes a purchase option at market prices at the end of the lease term.

Impairment tests of property, plant and equipment and other intangible assets (Impairment Test)

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

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

Discontinued operations and non-current assets held for sale

Discontinued operations are reported as soon as a component of an entity comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the entity, is classified as held for sale or has been disposed of and (1) represents a separate major line of business or geographical area of operations and (2) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or (3) is a subsidiary acquired exclusively with a view to resale.

Any profit or loss from discontinued operations is presented in the consolidated income statement separately from expenses and income from continuing operations; 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 like-for-like basis. In order to present the financial effects of discontinued operations, sales revenue and expenses from intercompany transactions are eliminated, with the exception of sales revenue and expenses that are expected to occur even after the sale of the discontinued operations.

SGL Group classifies a non-current asset (or a disposal group) as held for sale when the related carrying amount is recovered principally from disposal rather than continuing use. For this to be the case, the asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups) and its sale must be highly probable. Assets held for sale and disposal groups are measured at the lower of their carrying amounts and fair values less costs to sell. Items of property, plant and equipment held for sale are no longer depreciated. The classification of non-current assets (and disposal groups) as held for sale does not result in an adjustment of comparative figures.

Joint ventures and associates

Interests in joint ventures and associates, i.e. investments in companies over which SGL Group has significant influence with respect to business and financial decisions (usually by way of direct or indirect voting rights of 20% to 50%), are accounted for using the equity method and initially recognized at cost. Companies in which SGL Group holds the majority of the voting rights, but where the minority shareholders have significant participation rights enabling them to block significant business or financial decisions of the majority shareholders in the ordinary course of the operating business, are classified as jointly controlled entities (joint ventures). The difference between the cost of the acquisition and the share of SGL Group in the net assets of these companies is initially allocated to the acquirer's share in the acquired identifiable assets and liabilities. Any excess is considered goodwill. Any goodwill resulting from the acquisition of the associate or the joint venture is included in the carrying amount of the investment and is not amortized. After the purchase date, the carrying amounts of the investment in the associate or joint venture are increased or decreased based on the pro-rata results, dividends paid and other changes in equity. The share of SGL Group in the profit or loss of the associate or joint venture is recognized in the 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.

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.

Primary financial instruments

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

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

- *Loans and trade receivables* are measured at amortized cost less impairment losses. Impairment losses on trade receivables are recognized in allowance accounts, while allowances on other assets are deducted directly from the assets' carrying amount. Receivables are derecognized if they are uncollectible. Notes receivable and interest-free or low-interest-bearing receivables due after more than one year are discounted.
- *Available-for-sale financial assets* are those non-derivative financial assets which are not allocated to one of the other categories. They are recognized at fair value. Unrealized gains or losses are recorded in equity outside profit or loss until the asset is derecognized. Impairment losses are recognized in profit or loss as incurred in case of a significant or sustained decrease of the fair value below cost
- *Financial liabilities measured at amortized cost*

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

There were no reclassifications between these categories.

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

The subsequent measurement of financial assets and liabilities depends on the category of the instrument concerned. Please refer to the following sections related to the relevant categories and **Note 32** 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 and measured separately as dictated by those components. Convertible bonds are examples of instruments treated as such. The fair value of the share conversion rights is recognized separately in capital reserves at the date the bond is issued and therefore deducted from the bond liability. The fair values of conversion rights from bonds with below-market interest rates are calculated based on the present value of the difference between the coupon rate and the market interest rate. The interest expense for the debt component is calculated over the term of the bond based on the market interest rate at the date of the issue for a comparable bond without a conversion right. The difference between the deemed interest and the coupon rate accrued over the term increases the carrying amount of the bond liability. The issuing costs of the convertible bond are deducted directly from the carrying amount of the debt component and the equity component in the same proportion.

Derivative financial instruments

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

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

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

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

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

The settlement date is used as the date for first-time recognition if the trade date and the settlement date are not the same. See **Note 32** for further information on financial instruments.

Inventories

Inventories include spare parts, raw materials, supplies, work in progress and finished goods as well as merchandise purchased for resale and advance payments made to suppliers. 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 on hand, checks and bank balances as well as fund shares that may be sold on a short-term basis. Bank balances with an original maturity of more than three months are reported as time deposits. Liquidity with an original maturity of less than three months is considered cash and cash equivalents.

Deferred tax assets and deferred tax liabilities

In accordance with IAS 12, deferred tax assets and liabilities are recognized for temporary differences between the carrying amount in the IFRS consolidated balance sheet and the tax base as well as for tax loss carryforwards. Deferred tax assets are taken into account only in the amount at which they will probably be utilized. Calculation is based on those tax rates applicable as of the balance sheet date and expected to be applicable as of the date on which the temporary differences are reversed or the loss carry-forwards are utilized. 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.

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 defined benefit obligation 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 defined benefit obligation as of last year's balance sheet date apply for the determination of current service cost as well as the interest income and interest expenses in the following fiscal year. Net interest income or expense for a fiscal year are calculated by multiplying the discount rate applicable for the relevant fiscal year with the net asset or the net liability as of last

year's balance sheet date and is recognized in net financing costs. Actuarial gains and losses arising from experience adjustments and changes to actuarial assumptions are recognized in other comprehensive income (accumulated profit/loss) in the period in which they occur, together with related deferred taxes. Payments made under defined contribution plans are expensed as incurred.

Other provisions

Under IAS 37, other provisions should be recognized if an entity has a present obligation to third parties as a result of a past event, 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. The accounting treatment and recognition of provisions for obligations in connection with incentive plans for management and employees is described in **Note 34**.

SGL Group recognizes provisions for environmental protection obligations as soon as such an obligation is deemed to be probable and the amount of the obligation can be reasonably estimated. Potential insurance recovery payments are not deducted from these estimated liabilities, but are reported as a separate asset up to the amount of the recognized provision, providing reimbursement is virtually certain. 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.

Share-based payments

SGL Group operates a number of equity-settled share-based payment models (Matching Share Plan, Stock Option Plan, Stock Appreciation Rights Plan, and Bonus Program for Employees). SGL Group does not maintain any cash-settled share-based payment plans.

The obligation arising from equity-settled share-based payment transactions is measured at fair value on the grant date and the fair value of the obligation is recognized as a personnel expense over the vesting period.

In the case of the Bonus Share Plan, the fair value of the services received is equivalent to the bonus claim of the plan participants measured in cash plus a 20% share premium. Payments under the Stock Option Plan and the Stock Appreciation Rights (SAR) Plan are measured indirectly, taking into account the fair value of the equity instruments granted. The fair value is determined using recognized valuation methods (e.g. the Monte Carlo model). Further information on the individual share-based payment plans can be found in **Note 34**.

Financial liabilities

SGL Group initially recognizes financial liabilities at their fair value including transaction costs. In subsequent periods, financial liabilities (with the exception of derivative financial instruments) are measured at amortized cost using the effective interest method. For further information on the presentation of the convertible bond, please refer to **Note 28**.

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

Shares in subsidiaries held by non-Group shareholders that may be returned to the Company in return for payment of the market price (minority interests in partnerships) represent puttable instruments in accordance with IAS 32 and are therefore classified by the Group as debt and are also reported as financial liabilities. In the context of accounting for non-controlling interests, SGL Group assumes that as a result of specific arrangements, the repayment of the financial instrument cannot be influenced by the Group, for which reason the financial instrument must be classified as a financial liability (IAS 32). The fair value of the non-controlling interest is derived from the cost of the majority interest as of the date of acquisition. This corresponds to the value at which a non-controlling shareholder may redeem its shareholding in return for cash in the amount of its relevant share in equity. The changes in the value of financial liabilities resulting from remeasurement at fair value are recognized directly in equity as an equity transaction in accordance with IAS 27.30 (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.

Recently adopted accounting pronouncements

In relation to the first-time adoption of standards and interpretations, the amendments to IAS 19 as well as the new IFRS 13 are of significance for SGL Group. As a result of the also amended IAS 1, the items reported as other comprehensive income are separated into items that may be reclassified subsequently to profit or loss and those that are not reclassified to profit or loss. Since January 1, 2013, SGL Group has adopted IAS 19 Employee Benefits (revised 2011; IAS 19R). The amended IAS 19 replaces the concepts of expected return on plan assets and interest cost on the pension obligation with a uniform net interest component. The new rules introduced by the revised IAS 19R also affect provisions recognized for partial retirement (“Altersteilzeit”) in Germany. Previously, the bonus amounts (Aufstockungsbetrag) had been fully recognized as termination benefit expense upon the inception of the agreement. Since January 1, 2013, under the block model, the bonus amounts are increased on a straight-line, pro-rata basis over the vesting period until the end of the employment phase (Aktivphase) and utilized during the retirement phase (*Freistellungsphase*). SGL Group retrospectively adjusted the comparative figures for the prior reporting period as if the new accounting policy had always been applied. The following tables show the impacts of the changes in accounting policy. Impacts to the opening balance sheet as of January 1, 2012 as well as the impacts on the presented prior-year period are as follows:

Consolidated income statement

€m	Jan. 1 to Dec. 31, 2012 before adjustment	adjustment	after adjustment
Operating profit	**116.3**	**–6.1**[1]	**110.2**
thereof cost of sales	*–1,242.9*	*–4.4*	*–1,247.3*
thereof selling expenses, general and administrative expenses, research and development costs, and other operating expenses/income	*–286.8*	*–1.7*	*–288.5*
Interest expense	–51.0	4.1	–46.9
Income tax expense	–4.4	0.7	–3.7
Result from continuing operations	**21.7**	**–1.3**	**20.4**
Net result for the year	**7.5**	**–1.3**	**6.2**
Earnings per share, basic (in €)	0.10	–0.02	0.08
Earnings per share, diluted (in €)	0.10	–0.02	0.08

[1] Of which PP: €–2.5 million; GMS: €–1.9 million, corporate costs: €–1.7 million

Consolidated balance sheet

€m	Dec. 31, 2012			Jan. 1, 2012		
	before adjustment	adjustment	after adjustment	before adjustment	adjustment	after adjustment
Total assets	**2,560.0**	**–0.3**	**2,559.7**	**2,271.3**	**–0.4**	**2,270.9**
thereof deferred taxes	*113.8*	*–0.3*	*113.5*	*67.8*	*–0.4*	*67.4*
Current liabilities	460.0	–1.2	458.8	335.2	–1.4	333.8
thereof other provisions	*95.5*	*–1.2*	*94.3*	*76.8*	*–1.4*	*75.4*
Total equity	**1,081.4**	**0.9**	**1,082.3**	**1,055.1**	**1.0**	**1,056.1**
thereof retained earnings	*205.3*	*0.9*	*206.2*	*231.6*	*1.0*	*232.6*

Consolidated statement of comprehensive income

€m	Jan. 1 to Dec. 31, 2012 before adjustment	adjustment	after adjustment
Net result for the year	**7.5**	**–1.3**	**6.2**
Other comprehensive income	**–21.6**	**1.2**	**–20.4**
thereof actuarial gains/losses on defined benefit plans and similar obligations	*0.0*	*1.2*	*1.2*
Comprehensive income	**–14.1**	**–0.1**	**–14.2**

If SGL Group had not applied IAS 19R as of January 1, 2013, the operating profit and the interest expenses reported in last year's consolidated income statement would have been €6.9 million and €4.1 million higher, respectively – based on the expected return on plan assets recognized for the prior year. Accordingly, the line item "Actuarial gains/losses for pensions and similar obligations" reported in the consolidated statement of comprehensive income would have been €1.7 million lower (net of tax). Earnings per share (continuing operations) would have been €–5.55 (€–5.15).

As of January 1, 2013, the Group adopted IFRS 13 Fair Value Measurement. Assets and liabilities measured or disclosed at fair value in the consolidated financial statements are measured and classified in accordance with the fair value hierarchy in IFRAS13, which consists of 3 levels based on the observability of inputs within the corresponding valuation techniques used. The 3 levels are: Active markets – quoted market prices – Fair Value level 1; no active markets – valuation techniques mainly based on market observable inputs – Fair Value level 2; no active markets – valuation techniques using non-market observable inputs – Fair Value level 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.

In May 2011, the IASB issued the following three new standards relating to accounting for business combinations: IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, and IFRS 12 Disclosure of Interests in Other Entities. At the same time, the IASB issued amended versions of IAS 27 Separate Financial Statements (as amended in 2011) and IAS 28 Investments in Associates and joint ventures (as amended in 2011).

IFRS 10 provides a uniform definition of the concept of control and a uniform basis for determining whether a parent-subsidiary relationship exists and the associated definition of the consolidated companies. The standard includes comprehensive application guidance for determining the control relationship. The new standard replaces in full SIC 12 Consolidation – Special Purpose Entities and replaces parts of IAS 27 Consolidated and Separate Financial Statements.

IFRS 11 governs the accounting for situations where a company exercises joint control over a joint venture or carries out joint operations. The new standard replaces IAS 31 Interests in joint ventures and SIC 13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers.

IFRS 12 summarizes all disclosures within a single standard that are required to be made by a company holding interests or other investments in other entities. This includes interests in subsidiaries, associates, joint arrangements, and structured entities. The new standard replaces the previous disclosure requirements set out in IAS 27 Consolidated and Separate Financial Statements, IAS 28 Investments in Associates, IAS 31 Interests in joint ventures and SIC 12 Consolidation – Special Purpose Entities.

The amended IAS 27 now only contains rules related to accounting for and disclosures on subsidiaries, joint ventures and associates that are relevant to separate financial statements prepared in accordance with IFRS.

The amended IAS 28 governs the accounting for interests in associates and the requirements for applying the equity method to interests in associates and joint ventures.

The new or amended standards may be applied early, provided that all are applied as of the same date. The pronouncements apply retrospectively. While IFRS 10, 11 and 12 as well as the follow-up amendments of IAS 27 and IAS 28 have been endorsed by the EU, they are required to be applied only for fiscal years beginning on or after January 1, 2014. SGL Group will apply all amended standards from fiscal year 2014. Overall, the changes are expected to lead to an increase in sales revenue by a mid double-digit € million figure and to an increase in financial liabilities by a high double-digit € million figure, and will probably not have a significant impact on the operating profit.

The IASB has issued a number of other pronouncements. These additional pronouncements will have no significant influence on the presentation of the consolidated financial statements of SGL Group.

4. Significant accounting judgements, 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. Actual amounts may differ from these estimates. Assumptions and estimates made within SGL Group refer to the measurement of pension obligations and pension plan assets, the measurement of provisions, impairment losses for intangible assets and property, plant and equipment and the establishment of uniform useful economic lives throughout the Group as well as the assessment with respect to the realizability of future tax credits. Estimates with regard to the percentage of completion are of particular significance for companies that have entered into construction contracts with customers where revenue recognition is based on the percentage-of-completion method. This may also include estimates with regard to the volume of contract work required to fulfill the contractual obligations. In particular, estimates are required with regard to total contract costs, the costs necessary to complete the contract, the total contract revenue, the contract risks and other relevant parameters that may have a significant impact on the presentation of the Group's financial position and performance, depending on the percentage-of-completion method used and the underlying contract. Changes in estimates regarding contract costs and contract revenue may result in cumulative "catch-up effects" in sales revenue and cost of sales.

In addition, assumptions and estimates refer to share-based payments, the determination of fair values for financial derivatives not traded on the stock exchange, the evaluation of companies using cash flow forecasts and the classification of leases. Furthermore, estimates are made for allowances for doubtful trade receivables and other receivables. For further information on assumptions used in accounting for pensions, please refer to **Note 26**. 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 and personnel measures. Please refer to **Note 27** ("Other Provisions") for further clarification. Assumptions used as the basis for testing the impairment of intangible assets (including goodwill) and property, plant and equipment are described in detail in **Note 3** in the section entitled "Accounting Policies" as well as in **Note 9** ("Impairment Losses") and in **Note 15** ("Intangible Assets"). Assessments related to the realizability of future tax credits are explained

in **Note 24** ("Deferred Taxes"). Please refer to the section "Property, Plant and Equipment" included in **Note 3** for explanations related to the useful life of property, plant and equipment. The assumptions for the classification of finance leases and operating leases are set out in "Accounting Policies" as well as in **Note 30** ("Contingent Liabilities and Other Financial Obligations"). **Note 34** ("Management and Employee Stock Option Plans") includes a detailed description on the terms and conditions of share-based payments. Finally, the assumptions relating to financial derivatives not traded on a stock exchange and mark-to-market valuation can be found in the section entitled "Derivative Financial Instruments" in **Note 32** ("Additional Disclosures on Financial Instruments"). Estimates and underlying assumptions are continuously reviewed. Adjustments to estimates are generally taken into account in the period in which they are changed and in subsequent periods.

5. Events of particular importance

Issue of Senior Secured Notes ("Corporate Bond") and agreement on a new syndicated credit facility

In December 2013, SGL Group issued Senior Secured Notes ("Corporate Bond") due in 2021 in a total volume of €250 million. SGL Group used the proceeds to refinance its existing Floating Rate Notes as well as for partial repayment of a subsidiary's bank loan and general corporate purposes. Concurrent with the placement of the Senior Secured Notes, SGL Carbon SE signed a new €200 million credit facility to be used for general corporate purposes replacing the existing €200 million credit facility. The new credit facility will mature at the end of 2017. This syndicated credit facility, which was not utilized as of the balance sheet date, may also be used to repay of maturing financing instruments if necessary. Please refer to **Note 28** for further details.

Impairment of assets and write-downs of receivables from construction contracts

In the Business Area Carbon Fibers & Composites, SGL Group reduced their expectations with regard to the development of profitability and sales revenue of the Business Units Carbon Fibers & Composite Materials (CF/CM) and Aerostructures (AS) compared to the impairment tests conducted at the end of 2012 as a result of recent events. Within the Business Unit CF/CM, overcapacities in the carbon fiber markets had a negative effect on utilization rates and margins, and thus on earnings. Within the Business Unit AS, the effects arising from project delays, continued high development costs, and particularly the lower than expected volume of new business led to negative plan deviations. On the whole, the short and mid-term expectations related to earnings contributions from these Business Units deteriorated. Therefore, SGL Group performed event-driven impairment tests for property, plant and equipment and for other intangible assets. As a result of the updated analysis, impairment losses for intangible assets and property, plant and equipment had to be recorded in a total amount of €43.0 million, while write-offs of receivables from construction contracts (so-called project write-offs) amounted to €22.1 million. The update of the projected cash flows of all Business Units within the Business Area CFC triggered an impairment test of the goodwill that is allocated to CFC. As a result of the impairment test, a goodwill impairment in a total of €77.6 million was necessary. The project write-offs led to a reduction of gross profit, while impairment losses on intangible assets (including goodwill) and property, plant and equipment are reported separately in the consolidated income statement as impairment losses (see **Note 9**).

Restructuring and cost savings program SGL2015

In order to ensure sustainable competitiveness and profitability, even against the background of the increasingly tough market and competitive environment, we initiated the restructuring and cost savings program SGL2015 in summer 2013. This program is based on three pillars: review of organizational structure, restructuring of production sites (relocation, closure or sale of production sites), and portfolio optimization (spin-off of non-core activities, transfer of activities into partnerships). All the expenses, which comply with the Group's accounting principles relating to restructuring measures, are presented as restructuring expenses in the consolidated income statement (see **Note 8**), unless the relevant measure meets the criteria of a discontinued operation. Restructuring expenses incurred in the year under review amounted to €84.2 million. These include severance payments due to termination of employment as well as impairment losses resulting from closures of production sites and measures initiated to streamline the Group's Board of Management.

Acquisitions, disposals and discontinued operations

There were no acquisitions in fiscal year 2013.

In the reporting year, SGL Group decided through the sale of SGL Rotec GmbH und Co. KG (SGL Rotec) to dispose of the Business Unit Rotorblades (RB). RB had been allocated to the Business Area CFC. The criteria for classifying RB as held for sale and as a discontinued operation were met at the end of fiscal year 2013. Accordingly, any income and expenses of RB included in the consolidated income statement was reported under discontinued operations for all the periods presented. The transfer of ownership of Rotec to the acquirers was performed as planned on December 31, 2013. This led to the deconsolidation of Rotec's assets and liabilities as of the balance sheet date. The loss from deconsolidation is also included in the result from discontinued operations. For further information, see **Note 13**.

Extraordinary tax expenses

Due to the lowered outlook for the year issued in June 2013 as well as short- and mid-term earnings adjustments, the deferred tax assets on loss carryforwards were deemed to be no longer recoverable. This resulted in a partial write-down of deferred tax assets from tax loss carryforwards, particularly relating to the US and Germany in the second quarter of 2013. In addition, provisions for potential economic risks from tax audits were also recorded in the second quarter of 2013. Both effects led to an increase in tax expense in the year under review by a total of €83.6 million.

Acquisitions in fiscal year 2012

In mid-April of fiscal year 2012, SGL Group completed the acquisition of a 86.2% stake in Fibras Sintéticas de Portugal S.A. (Fisipe), a Portuguese manufacturer of acrylic fibers, with its registered office in Lavradio (Portugal). With the acquisition of Fisipe, SGL Group gains an additional raw materials source for the production of further precursor types. The local textile fiber production lines will be successively converted to precursor production lines and further expanded. Fisipe was integrated into the Business Area CFC. The purchase price for this acquisition amounted to €24.9 million (including cash acquired) for the initial 86.2% interest in the share capital, plus €9.5 million for the purchase of inventories. An amount of €2.4 million of the total purchase price was deferred, and €30.7 million (less cash acquired) was paid in 2012. The following disclosures show the purchase price allocation for all major groups

of assets and liabilities acquired: other intangible assets €3.4 million, property, plant and equipment €24.6 million, other non-current assets €3.1 million, inventories €12.8 million, trade receivables €26.1 million, other assets €3.2 million, cash €1.3 million, provisions €1.7 million, interest-bearing loans €16.1 million, trade payables €22.8 million, other liabilities €6.8 million and deferred tax liabilities €3.3 million. The goodwill in the amount of €12.6 million included non-separable intangible assets such as special expertise of the employees and expected synergy effects. At the end of fiscal year 2012, SGL Group had completed the purchase of the additional 13.8% of the shares in Fisipe, holding 100% of the shares in the company at that date. This increase in the shareholding by 13.8% represents a transfer between equity attributable to the shareholders of the parent company and non-controlling interests in the amount of €–2.3 million, which was recognized directly in equity as an equity transaction.

In September 2012, SGL Group acquired the remaining 25.1% of the shares in SGL Rotec GmbH & Co KG, Lemwerder (Rotec) and, as a result, held 100% of the shares in that company as of that date. In connection with this share purchase, the seller waived an outstanding loan receivable to Rotec and SGL Group derecognized the non-controlling interests in this subsidiary partnership (which were previously reported under liabilities). Both transactions in a total amount of €5.3 million were recognized directly in equity as transactions with owners.

As these additional share purchases (not affecting the majority shareholding) at Fisipe and Rotec represent transactions with owners and therefore are merely equity transactions between shareholders and non-controlling interests, the related payments are reported as financing activities.

In December 2012, SGL Group had classified the assets and liabilities of its subsidiary NINGBO SSG Co. Ltd, Ningbo, China, as held for sale and sold the assets as planned in 2013.

Changes in estimates

Considerable delays in projects as well as a significant reduction in production volumes compared to original expectations have led to a change in estimates regarding contract revenue and contract costs and changes in the estimates of the results generated from some of the long term supplier contracts of our U.S. subsidiary HITCO (Business Unit Aerostructures) in 2012 and 2013, which are accounted for using the PoC method. Therefore, SGL Group took into account incurred and expected losses in a total amount of €22.1 million (2012: €54.2 million) (hereinafter referred to as “project write-offs”). This total amount comprised write-offs of receivables from long term construction contracts €22.1 million (2012: €47.3 million) and write-offs of inventories of €0.0 million (2012: €6.9 million). This had an equivalent negative effect on the Group’s gross profit. The overall effect is attributed to the Business Unit Aerostructures (AS) of the Business Area CFC.

Consolidated Income Statement disclosures

6. Sales revenue, functional costs

The breakdown of sales revenue by Business Area and intersegment revenue, as well as the regional distribution of sales revenue, is presented in **Note 33** of the segment report.

In the fiscal year 2013, sales revenue included a interest portion of long term construction contracts of €0.3 million. In the previous year, the interest portion amounted to €0.5 million.

The future competitiveness of SGL Group is safeguarded through sustained development of new products, applications, and processes. This is also reflected in the Group's research and development costs, which remained high at €42.8 million (2012: €46.5 million). Broken down by business segment, research and development costs were as follows: €9.8 million (2012: €13.6 million) in the Business Area PP, €11.1 million (2012: €11.7 million) in the Business Area GMS, and €7.9 million (2012: €7.4 million) in the Business Area CFC. In addition, research and development costs on a corporate level amounted to €14.0 million (2012: €13.8 million).

General and administrative expenses declined by 12.9% compared to the prior year. The decline resulted from initial savings related to SGL2015, above all at the administrative offices in Wiesbaden (Germany) and Charlotte, North Carolina (USA) as well as from lower expenses for variable salary components (bonus components) under the Group's remuneration system.

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

Personnel expenses

€m	2013	2012
Wages and salaries (including bonus)	354.8	339.4
Social security contributions, post-employment and other employee benefit costs (thereof for pensions: 2013: €29.6 million; 2012: €21.7 million)	85.0	74.6
Total	**439.8**	**414.0**

The item "wages and salaries" includes personnel measures initiated under the SGL2015 program in a total amount of €36.0 million. Please refer to **Note 8** for detailed information on restructuring expenses.

Depreciation and amortization

Amortization and depreciation on intangible assets and property, plant and equipment was roughly on par with the prior-year level at €83.3 million (2012: €85.5 million). Amortization of intangible assets amounted to €4.9 million (2012: €6.3 million) and related primarily to capitalized development costs in the amount of €1.0 million for SAP software specifically customized to SGL Group requirements (2012: €2.4 million). Depreciation of property, plant and equipment totaled €78.4 million in 2013 (2012: €79.2 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 the fiscal year 2013, the Group employed 6,284 people, representing a decrease of 402 employees, or 6.0%, compared to the end of 2012. The reduction in the number of employees is mainly attributable to the sale of SGL Rotec, which caused the number of employees in the Business Area Carbon Fibers & Composites (CFC) to decrease by a total of 339 people year over year. The number of employees in the Business Areas Performance Products (PP) and Graphite Materials & Systems (GMS) declined slightly in the fiscal year ended December 31, 2013 compared to the previous year. A total of 2,064 people were employed in PP (2012: 2,081) and 2,757 people in GMS (2012: 2,802).

The table below provides an overview of the number of employees by region at year-end:

Number	**2013**	2012
Germany	2,249	2,585
Europe excluding Germany	1,988	2,056
North America	1,352	1,318
Asia	695	727
Total	**6,284**	**6,686**

The average number of employees in the individual functional areas was as follows:

Number	**2013**	2012
Production and auxiliary plants	5,159	5,173
Sales and marketing	392	396
Research	150	173
Administration, other functions	866	879
Total	**6,567**	**6,621**

7. Other operating income and expenses

Other operating income

€m	**2013**	2012
Currency hedges, exchange-rate gains	12.2	8.0
Costs allocated to equity-accounted investments	11.0	6.9
Grants received	3.7	3.8
Income from the reversal of other provisions	1.1	1.3
Gains on the sale of intangible assets and property, plant and equipment	0.5	0.8
Insurance compensation	0.4	5.0
Miscellaneous other operating income	13.0	10.4
Total	**41.9**	**36.2**

Cost allocation refers to services provided at various locations.

Other operating expenses

€m	2013	2012
Currency hedges, exchange-rate losses	5.1	10.3
Losses on the sale of non-current assets	0.8	0.5
Additions to provisions	0.0	1.8
Miscellaneous other operating expenses	4.6	4.3
Total	**10.5**	**16.9**

Currency translation gains and losses arising from the measurement of receivables and liabilities denominated in a currency other than the functional currency of the reporting entity at the closing rate are presented in their gross amounts under other income or other expense, as are allocated gains and losses from derivative currency hedges. Income from exchange rate differences comprise realized gains from currency hedges in the amount of €10.0 million (2012: €3.3 million).

In addition, miscellaneous other operating income and miscellaneous other operating expenses included a number of insignificant individual transactions carried out by the 60 (2012: 64) consolidated companies.

8. Restructuring expenses

€m	2013	2012
Expenses for initiated restructuring measures	84.2	–
Total	**84.2**	**–**

The restructuring expenses incurred in 2013 are the result of the restructuring plan SGL2015 and refer to cost saving measures as well as measures to increase the efficiency in production, sales and administration.

On the one hand, this item includes impairment losses on assets mainly related to the planned closure of the Canadian site in Lachute as well as the planned discontinuation of the graphite electrodes production in Narni (Italy). This resulted in expenses in a total amount €48.2 million, including any costs incurred for removal, asset retirement and environmental protection measures.

On the other hand, restructuring expenses include personnel measures in the amount of €36.0 million. These personnel measures comprise agreements on severance payments, termination of employment contracts and early retirement schemes.

9. Impairment losses

€m	2013	2012
Impairment losses on		
– goodwill	77.6	–
– other intangible assets	2.1	–
– property, plant and equipment [1)]	40.9	–
Total	**120.6**	**–**

1) Including a reversal of an impairment loss in the amount of €5.0 million, see **Note 16**.

The event-driven impairment test for goodwill, property, plant and equipment, and other intangible assets was conducted as described in the section entitled "Impairment of Property, Plant and Equipment and Other Intangible Assets (Impairment Test)" in **Note 3** using the following procedure.

As a result of the fact that the expected recovery in the graphite electrodes business in the Business Area PP (Business Unit GCE) and in the graphite specialties in the Business Area GMS (Business Unit GS) did not materialize in 2013 and the resulting adjustment of the outlook for 2013 and of the mid-term planning, SGL Group conducted event-driven impairment tests of property, plant and equipment, and other intangible assets of the Business Units GCE and GS. The relevant recoverable amount of the Business Units GCE and GS was calculated using after-tax discount factors of 8.9% and 9.3%, respectively. No impairment loss was identified in either case.

Since the last overall valuation in connection with property, plant and equipment and other intangible assets, which was performed at the end of fiscal year 2012, the assumptions regarding the short- and medium-term development of sales revenue and profitability in both Business Units within the Business Area CFC had to be reviewed and adjusted. Within the Business Unit CF/CM, the slower than expected economic recovery together with overcapacities in the carbon fiber markets had a negative effect on utilization rates and margins, and thus on earnings. Within the Business Unit AS, the effects arising from project delays as well as continued high development costs, particularly the lower than expected volume of new business led to negative plan deviations. On the whole, the short and mid-term expectations related to earnings contributions from these Business Units deteriorated. Therefore, SGL Group performed impairment tests for property, plant and equipment, and for other intangible assets as of June 30, 2013 for both Business Units (the cash-generating units).

The projected cash flows were adjusted and after-tax discount rates of 9.0% for CF/CM and 7.4% for AS were applied. The updated 5-year period 2013–2017 was based on a gradual increase in return on sales of 6.8% and 8.6% for CF/CM and AS, respectively, in the last year of the planning period. The growth rate assumed for CF/CM and AS was 3% and 2%, respectively. As a result of the updated analysis, impairment losses were recognized for property, plant and equipment and other intangible assets at CF/CM and AS in the amount of €24.3 million and €21.2 million, respectively (of which related to intangible assets: €0.0 million and €2.1 million, respectively). A change in the above-mentioned assumptions used for the determination of the recoverable amount (net realizable value) as of June 30, 2013 by one percent each, would increase (decrease) the fair value of CF/CM and AS as follows: increase (decrease) of growth rate at CF/CM by €35 million (€–25 million) and at AS by €26 million (€–18 million); increase (decrease) of discount rate at CF/CM by €–30 million (€42 million) and at AS by €–21 million (€31 million); increase (decrease) of return on sales in the planning period at CF/CM by €34 million (€–34 million) and at AS by €18 million (€–18 million).

The update of the projected cash flows of both Business Units triggered an event-driven impairment test of the goodwill allocated to the Business Area CFC as of June 30, 2013. The updated 5-year period 2013–2017 was based on a reduced average growth rate of 13.1% (2012: 17.2%) as well as on a gradual increase in return on sales of 8.9% in the last year of the planning period (2012: 10.0%). A long term growth rate of 2.5% (2012: 2.5%) and an after-tax discount rate of 8.9% (2012: 8.4%) were used. As a result of the impairment test conducted as of June 30, 2013, an impairment loss for goodwill was identified and recognized in the amount of €77.6 million. The regular goodwill impairment test performed as of September 30, 2013 confirmed the goodwill's carrying amount. Please refer to **Note 15** for further details.

In the previous year, SGL Group conducted an event-driven impairment test as of September 30, 2012 with respect to property, plant and equipment and other intangible assets of the Business Units Aerostructures (AS), Carbon Fibers & Composite Materials (CF/CM), and Rotor Blades (RB), which are all part of the Business Area CFC. The event-driven reviews at AS were caused by the developments in fiscal year 2012 described in **Note 5**. The review at CF/CM was due to the significantly lower-than-expected demand for materials in the wind energy industry, while the impairment test at RB was caused by a development which was weaker than anticipated. The impairment tests conducted confirmed the carrying amounts of the items of property, plant and equipment and the other intangible assets. In the Business Units CF/CM and RB, the recoverable amount deviates only insignificantly from the respective carrying amounts of €192.0 million (CF/CM) and €34.2 million (RB).

10. Result from investments accounted for At-Equity

€m	2013	2012
Result from investments accounted for At-Equity	**–18.3**	**–32.6**

The result from investments accounted for At-Equity improved from minus €32.6 million in the prior year to minus €18.3 million. The figure for fiscal year 2013 includes for the first time share of the start-up losses in the amount of €3.6 million related to our joint venture with Lindner, which was founded in January 2013. In addition, the share of the losses of the Benteler-SGL joint venture increased over the comparative period by €2.5 million due to start-up costs of the new production plant in Austria. Higher share of the start-up losses were also recorded at our joint ventures with the BMW Group (SGL-ACF) (2013: losses of €9.3 million; 2012: losses of €3.4 million). The prior-year result was impacted by expenses in connection with the discontinuation of business activities at EPG in the amount of €23.2 million.

Please refer to **Note 17** for detailed information on the investments accounted for At-Equity.

11. Net financing result

€m	2013	2012
Interest income (on other securities, other interest and similar income)	**1.3**	**2.4**
Interest on borrowings and other interest expense [1]	–17.7	–18.1
Interest expense on pensions	–11.6	–13.7
Imputed interest convertible bonds (non-cash) [1]	–11.4	–13.9
Imputed interest finance leases (non-cash) [1]	–1.4	–1.2
Interest expense	**–42.1**	**–46.9**
Interest expense, net	**–40.8**	**–44.5**
Amortization of refinancing costs (non-cash) [1]	–5.0	–2.6
Foreign currency valuation of group loans	–2.5	–2.6
Impairment losses of investments	–0.3	–6.1
Other financial expenses/income	–2.1	2.3
Other financing result	**–9.9**	**–9.0**
Net financing result	**–50.7**	**–53.5**

[1] Total interest expense from financial instruments was €35.5 million (2012: €35.8 million).

Interest on borrowings and other interest expense primarily includes interest expenses for the corporate bond and the cash coupon for the 2007/2013, 2009/2016, and 2012/2018 convertible bonds of 0.75% p.a., 3.5% p.a., and 2.75% p.a., respectively. During the year under review, borrowing costs in the amount of €3.5 million (2012: €2.6 million) were capitalized in connection with long term investment projects, which resulted in positive non-cash interest income. Interest expenses on borrowings improved correspondingly.

In addition to the cash coupon, IFRS requires the recognition of a non-cash interest cost component on the 2007/2013, 2009/2016, and 2012/2018 convertible bonds in order to present interest coupons at market conditions overall. The calculations performed in May 2007, June 2009 and April 2012 assumed comparable market interest rates of 5.8% p.a., 8.43% p.a., and 4.87% p.a., respectively. This is the rate at which SGL Group would have been able to secure alternative financing. This resulted in a non-cash interest expense for the convertible bonds in the amount of €11.4 million, which is €2.5 million lower than the corresponding expense in the prior year. Higher expenses from the convertible bond issued in April 2012 were more than compensated for lower expenses for the interest cost component of the 2007 convertible bond, which was repaid upon maturity in May 2013.

Amortization of refinancing costs includes the special write-down of deferred refinancing costs related to these financing instruments in the amount of €1.9 million, which had become necessary following the repayment of the 2007 corporate bond and the renegotiation of a syndicated credit facility.

As a result of the reduction of the discount rate used for pensions from 4.75% to 3.75% for US pension plans and to 3.5% for German plans, the interest cost for pensions declined by €2.1 million to €11.6 million (2012: €13.7 million). Please refer to **Note 26** for further details on pensions.

The item “impairment losses of investments” comprises mainly impairment losses recognized for publicly listed available-for-sale financial assets. Other financial expenses and income primarily include negative (2012: positive) currency effects on our bank loans in Malaysia denominated in foreign currency. In the previous year, this item also consisted of other financial income and expenses, including a finance element for a major contract settled in fiscal year 2012 in the amount of €2.3 million.

12. Income taxes

As in the previous year, the corporate income tax rate of 15% (2012: 15%)in Germany was used as the basis for determining the income tax rate. Moreover, a solidarity surcharge of 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 of SGL Group companies was 13.6% in 2013 (2012: 13.3%). This results in a total tax rate in Germany for 2013 of 29.4% for current taxes (2012: 29.2%) and for deferred taxes (2012: 29.5%). The income tax rate for foreign companies was between 16.5% and 39.2% (2012: between 17% and 42%).

The breakdown of tax expense is as follows:

€m	2013	2012
Current income tax expense		
Germany	1.5	–7.0
Other countries	–49.8	–22.5
Deferred tax expense		
Germany	–24.9	8.2
Other countries	–11.3	17.6
Total	**–84.5**	**–3.7**

In 2013, the tax expense increased to €84.5 million (2012: €3.7 million) based on a loss before tax of €276.4 million (2012: profit before tax of €24.1 million). The Group tax rate for 2013 amounted to 30.6%, compared to a Group tax rate of –15.4% in 2012. Income tax expenses are incurred from current taxation at domestic and foreign companies. Taxes included in the tax expenses for prior years amounted to €34.9 million (2012: €2.8 million). Tax payments amounted to €24.8 million in 2013 (2012: €21.5 million).

The tax expense reported differs from the anticipated tax expense calculated on the basis of an expected tax rate of 29.4% as follows:

€m	2013	2012
Result from continuing operations before income taxes	**–276.4**	**24.1**
Losses from discontinued operations before taxes	**–28.8**	**–16.5**
Result for the period before taxes	**–305.2**	**7.6**
Expected tax income at 29.41% (2012: tax expense at 29.16%)	**89.8**	**–2.2**
Increase/decrease in income tax charge from:		
– Income adjustments	–9.6	–7.0
– Change in expected tax rate	–4.4	6.9
– Change in loss carryforwards and valuation allowances on deferred taxes	–96.3	4.6
– Goodwill impairments	–22.4	0.8
– Tax effect for investments accounted for At-Equity	–6.3	–8.0
– Tax rate changes	0.0	0.6
– Tax from prior periods	–35.6	3.2
– Other	–2.1	–0.3
Effective tax expense	**–86.9**	**–1.4**
thereof:		
income tax expense	–84.5	–3.7
attributable to discontinued operations (2012: income)	–2.4	2.3

The income adjustments relate primarily to non-deductible operating expenses, non-deductible expenses in Germany for investments accounted for At-Equity, adjustments for the purpose of calculating German trade tax, and non-deductible interest. The reduction to reflect the different tax rate takes account of the effects of withholding taxes and minimum 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 taxes on loss carryforwards based on their future usability. Valuation allowances amounting to €81.2 million refer mainly to deferred taxes on loss carryforwards due to lower earnings expectations in Germany and the USA. The reconciliation item goodwill impaiment relates to write-offs at the Business Area CFC. Another extraordinary tax expense results from additional provisions of €36.0 million to be recognized for expected economic risks from current tax audits, reported under tax from prior periods.

13. Result from discontinued operations

Income and expenses incurred in the Business Unit RB are reported separately under discontinued operations. Please refer to **Notes 3 and 5** for a definition of discontinued operations:

€m	**2013[2]**	2012[3]
Total revenue from discontinued operations	108.8	70.1
Total expenses from discontinued operations	–117.8	–86.6
Result from operating activities of discontinued operations before income taxes	**–9.0**	**–16.5**
Attributable tax expense/income	–2.4	2.3
Result from operating activities of discontinued operations, net of tax	**–11.4**	**–14.2**
Impairment losses arising on the measurement of assets included in disposal groups at fair value less costs to sell as of December 16, 2013[1]	–19.4	0.0
Result from the deconsolidation of discontinued operations[1]	–0.4	0.0
Result from discontinued operations[4]	**–31.2**	**–14.2**
Earnings per share discontinued operations in €	**–0.44**	**–0.21**

[1] Related to the impairment as of December 16, 2013 resulting from the measurement of the assets at fair value less costs to sell, to the transaction result between December 16, 2013 and December 31, 2013 and to the result from deconsolidation

[2] The result from operating activities of discontinued operations for the year 2013 represents the result for the period from January 1, 2013 to December 16, 2013

[3] The result from operating activities of discontinued operations for the year 2012 represents the result for the period from January 1, 2012 to December 31, 2012

[4] Attributable to the shareholders of the parent company.

€m	**2013**
Effects of disposal on the Group's balance sheet	
Property, plant and equipment	–5.6
Inventories	–3.7
Trade and other receivables	–18.7
Cash and cash equivalents	–4.5
Trade and other payables	13.1
Net assets and liabilities	**–19.4**
Consideration received, satisfied in cash	0.0
Cash and cash equivalents disposed of	–4.5
Net outflow of cash	**–4.5**

Cash flow from discontinued operations

As a result of the sale of SGL Rotec, the cash inflows and outflows in the fiscal years 2013 and 2012 are reported separately as discontinued operations. In fiscal 2013, net cash provided by operating activities from discontinued operations amounted to €2.2 million (2012: outflow of €13.4 million) and the net cash used in investing activities from discontinued operations including the cash and cash equivalents disposed of (€4.5 million) amounted to €5.8 million (2012: €0.4 million). There was no cash outflow from financing activities in fiscal 2013 (2012: cash outflow of €7.3 million).

14. Earnings per share (EPS)

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 average number of outstanding shares is computed from the weighted average number of common shares in circulation during the reporting period and amounted to a total of 70,897,021 shares in 2013 and 70,390,694 shares in the prior year.

The calculation of diluted earnings per share assumes the conversion of outstanding debt securities (convertible bonds) to shares or exercise of other contracts for the issue of common shares such as stock options or stock appreciation rights. The abovementioned financial instruments are included in the calculation of diluted earnings per share only if they had a dilutive effect during the reporting period concerned.

The table below details the calculation of earnings per share for fiscal years 2013 and 2012:

Überleitung von unverwässertem zu verwässertem Ergebnis je Aktie

€m	Overall potentially dilutive financial instruments 2013	Dilutive financial instruments used for the calculation 2013	Dilutive financial instruments used for the calculation 2013	Dilutive financial instruments used for the calculation 2012
Numerator for basic earnings per share (proportion of net income attributable to the shareholders of the parent company)	**–396.4**	**–365.2**	**–396.4**	**5.9**
Numerator for diluted earnings	**–381.3**	**–365.2**	**–396.4**	**5.9**
Number of shares				
Denominator for basic earnings per share (weighted average number of shares)	**70,897,021**	**70,897,021**	**70,897,021**	**70,390,694**
Potentially dilutive securities (weighted average, in each case)				
Convertible bond 2009 (see **Note 28**)	4,610,672	0	0	0
Convertible bond 2012 (see **Note 28**)	5,474,535	0	0	0
Stock Option Plan (see **Note 34**)	1,038	0	0	7,221
Stock Appreciation Rights (see **Note 34**)	160,700	0	0	223,862
Denominator for potentially diluted earnings per share	**81,143,966**			
thereof to be included for dilution (adjusted weighted average)		**70,897,021**	**70,897,021**	**70,621,777**
Basic earnings per share (€)		–5.15	–5.59	0.08
Diluted earnings per share (€)		–5.15	–5.59	0.08

As of December 31, 2013, the 2009/2016, and 2012/2018 convertible bonds, the Stock Option Plan and the Stock Appreciation Rights were still outstanding. As a result of the net loss generated in fiscal year 2013, 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 profit/loss is not adjusted by the interest cost for convertible bonds.

As of December 31, 2012, only the stock option plans and the Stock Appreciation Rights in a total of 231,083 shares had a dilutive effect. No dilutive effect on earnings per share resulted from taking into account the additional average of 4,000,858 shares from the convertible bond issued in 2007, the 4,631,809 shares from the convertible bond issued in 2009, or the additional 5,474,535 shares from the convertible bond issued in 2012 since the profit or loss for the period is adjusted to reflect the interest expense (interest payments and non-cash imputed interest cost) for the convertible bonds and recognized in net financing costs. In the future, these instruments may become fully dilutive.

Please refer to **Note 25** for information on the capital increases conducted after the balance sheet date.

Consolidated balance sheet disclosures

15. Intangible assets

€m	Industrial rights, software and similar rights	Customer relationships	Capitalized development costs	Goodwill	**Total**
Historical cost:					
Balance as of Jan. 1, 2013	63.7	11.9	15.9	130.1	221.6
Foreign currency translation	0.3	–0.2	0.0	–2.1	–2.0
Additions	4.2	0.0	0.7	0.0	4.9
Disposals	–5.9	–6.5	0.0	0.0	–12.4
Balance as of Dec. 31, 2013	**62.3**	**5.2**	**16.6**	**128.0**	**212.1**
Cumulative amortization:					
Balance as of Jan. 1, 2013	51.4	7.2	3.9	0.0	62.5
Foreign currency translation	–0.5	–0.3	0.0	0.0	–0.8
Additions	2.7	0.6	1.6	0.0	4.9
Impairment losses	0.0	1.6	0.5	77.6	79.7
Disposals	–4.8	–5.8	0.0	0.0	–10.6
Balance as of Dec. 31, 2013	**48.8**	**3.3**	**6.0**	**77.6**	**135.7**
Net carrying amount as of Dec. 31, 2013	**13.5**	**1.9**	**10.6**	**50.4**	**76.4**
Historical cost:					
Balance as of Jan. 1, 2012	59.8	9.2	13.9	117.4	200.3
Change in scope of consolidation	0.7	2.7	0.0	12.6	16.0
Foreign currency translation	0.1	0.0	0.0	0.1	0.2
Additions	3.1	0.0	2.0	0.0	5.1
Balance as of Dec. 31, 2012	**63.7**	**11.9**	**15.9**	**130.1**	**221.6**
Cumulative amortization:					
Balance as of Jan. 1, 2012	47.2	5.6	3.3	0.0	56.1
Additions	4.1	1.6	0.6	0.0	6.3
Disposals	0.1	0.0	0.0	0.0	0.1
Balance as of Dec. 31, 2012	**51.4**	**7.2**	**3.9**	**0.0**	**62.5**
Net carrying amount as of Dec. 31, 2012	**12.3**	**4.7**	**12.0**	**130.1**	**159.1**

Industrial rights, software and similar rights mainly comprise purchased and internally developed IT software. Additions in the year under review primarily reflect the integration of additional companies into the standard Group-wide SAP system (SGL-ONE) in the amount of €0.6 million (2012: €1.9 million). Of this amount, a total of €0.4 million of own work was capitalized in connection with the SGL-ONE project in 2013 (December 31, 2012: €1.0 million). Together with the capitalized development costs shown separately, a total of €1.1 million of internal development costs were capitalized in 2013 (2012: €3.0 million).

Additions to capitalized development costs in the amount of €0.7 million (2012: €2.0 million) only include costs incurred for the REACH project. No borrowing costs were capitalized in the reporting period (2012: €0.3 million).

SGL Group conducted an event-driven impairment test related to goodwill attributed to CFC and to other intangible assets in accordance with the procedure described in **Note 3**. An impairment loss of €77.6 million was identified for goodwill attributed to CFC and of €2.1 million for other intangible assets. Please refer to **Note 9** “Impairment Losses” for further details.

The scheduled impairment review of goodwill was conducted as of September 30, 2013. No requirement to recognize further impairment losses in addition to those identified during the impairment test performed as of June 30, 2013, i.e. the Business Areas’ recoverable amounts determined on the basis of the fair values less costs to sell were estimated higher than their relevant carrying amounts.

The following table shows the most significant assumptions used to determine fair value less costs to sell for impairment tests as of September 30, 2013 related to the Business Areas to which a considerable amount of goodwill was allocated:

	Recognized goodwill €m	Discount rate after tax in %	Long term growth rate in %
Sept. 30, 2013			
Business Area PP	10.6	9.4	1.0
Business Area GMS	19.5	9.8	1.0
Business Area CFC	20.9	9.3	2.0
Sept. 30, 2012			
Business Area PP	10.8	9.1	1.0
Business Area GMS	20.2	8.9	1.0
Business Area CFC	100.6	8.4	2.5

The determination of the Business Areas’ fair value less costs to sell was determined using cash flows projected for the next five years. These are based on past experience, current operating results and the management’s best estimate of future developments as well as on market assumptions.

In the Business Area CFC, which operates in markets with high growth potential and whose product range includes a number of products in an early stage of their life cycle, growth rates are projected to be higher on average after the five-year planning period than in the other Business Areas. Even during the five-year period, we expect higher overall growth rates in the Business Area CFC, with average annual sales growth of 11.6% (2012: 17.2%) and a gradual increase in return on sales (ROS) of 10.6% in 2018 (2012: 10.0% in 2017) being taken as a basis for the 2014–2018 planning period.

The discount factors reflect the current market assessment of the specific risks of each individual Business Unit (and the associated Business Areas) and are based on the weighted average cost of capital of the Business Units (and their Business Areas).

Among the Business Areas, CFC has the lowest excess of recoverable amount over the carrying amount of the net assets attributed to it ("headroom"). The headroom for CFC amounted to €2.4 million (2012: €31.4 million). Slight changes to the above mentioned assumptions used for the determination of fair value would reduce this headroom to zero.

16. Property, plant and equipment

€m	Land, land rights and buildings	Plant and machinery	Office furniture and equipment	Advance payments and assets under con-struction	Investment properties	Total
Historical cost						
Balance as of Jan. 1, 2013	523.2	1,482.4	84.4	139.9	0.0	2,229.9
Foreign currency translation	– 15.7	– 39.8	– 1.0	– 4.6	0.0	– 61.1
Reclassifications	16.8	61.5	0.8	– 98.7	19.6	0.0
Additions	9.1	43.9	2.8	36.3	0.0	92.1
Disposals	– 19.5	– 23.5	– 7.6	– 0.5	0.0	– 51.1
Balance as of Dec. 31, 2013	**513.9**	**1,524.5**	**79.4**	**72.4**	**19.6**	**2,209.8**
Cumulative depreciation						
Balance as of Jan. 1, 2013	255.2	972.6	70.0	0.8	0.0	1,298.6
Foreign currency translation	– 4.3	– 20.0	– 0.7	– 0.1	0.0	– 25.1
Reclassifications	– 1.4	– 2.8	– 0.1	– 0.5	4.8	0.0
Additions	13.3	61.0	4.0	0.1	0.0	78.4
Reversal of impairment losses	– 5.0	0.0	0.0	0.0	0.0	– 5.0
Impairment losses	6.1	70.8	0.3	0.6	0.0	77.8
Disposals	– 10.6	– 18.4	– 6.1	0.7	0.0	– 34.4
Balance as of Dec. 31, 2013	**253.3**	**1,063.2**	**67.4**	**1.6**	**4.8**	**1,390.3**
Net carrying amount as of Dec. 31, 2013	**260.6**	**461.3**	**12.0**	**70.8**	**14.8**	**819.5**
Historical cost						
Balance as of Jan. 1, 2012	505.4	1,352.0	79.3	150.8	0.0	2,087.5
Change in scope of consolidation	4.0	18.0	0.4	2.2	0.0	24.6
Foreign currency translation	1.7	4.8	0.1	1.9	0.0	8.5
Reclassifications	2.2	79.7	1.8	– 90.2	0.0	– 6.5
Additions	9.9	38.6	4.0	75.9	0.0	128.4
Disposals	0.0	– 10.7	– 1.2	– 0.7	0.0	– 12.6
Balance as of Dec. 31, 2012	**523.2**	**1,482.4**	**84.4**	**139.9**	**0.0**	**2,229.9**
Cumulative depreciation						
Balance as of Jan. 1, 2012	242.8	917.3	66.9	0.7	0.0	1,227.7
Foreign currency translation	0.9	3.2	0.1	0.0	0.0	4.2
Reclassifications	– 0.7	– 0.9	– 0.2	0.0	0.0	– 1.8
Additions	12.2	62.1	4.4	0.5	0.0	79.2
Disposals	0.0	– 9.1	– 1.2	– 0.4	0.0	– 10.7
Balance as of Dec. 31, 2012	**255.2**	**972.6**	**70.0**	**0.8**	**0.0**	**1,298.6**
Net carrying amount as of Dec. 31, 2012	**268.0**	**509.8**	**14.4**	**139.1**	**0.0**	**931.3**

Capital expenditure on property, plant and equipment amounted to €128.4 million in the year under review, an increase of €36.3 million from the 2012 figure of €92.1 million. Investment activities in 2013 focused on increasing isostatic graphite capacities (€23.1 million), the conversion of the textile fiber production lines into precursor production lines at Fisipe (Portugal) (€9.6 million), maintaining the production capacities for graphite electrodes in La Coruña (Spain) (€9.1 million) as well as continued expansion of the new production capacities for graphite electrodes and cathodes in Banting (Malaysia) (€4.2 million). Necessary replacement investments related to quality improvement and environmental protection were made at our U.S. sites in St. Marys, Pennsylvania; Morganton, North Carolina; and Ozark, Arkansas as well as in Ratibor (Poland) and in Steeg (Austria).

Depreciation of property, plant and equipment in the amount of €78.4 million was almost at the prior-year level of €79.2 million. Increased depreciation expense for property, plant and equipment due to investment projects conducted in the past years that have been put into operation are offset by reduced depreciation due to impairment losses recognized for property, plant and equipment during the reporting year. Impairment losses are reported in the consolidated income statement as restructuring expenses to the extent they relate to restructuring measures initiated under the SGL2015 program. Impairment losses that do not meet the definition of restructuring expenses within the meaning of IAS 37.70 ff. are reported separately in the item "impairment losses" in the consolidated income statement because of their significance. Of the reported impairment losses in the amount of €77.8 million, €45.9 million are presented as impairment losses and €31.9 million as restructuring expenses. Please refer to **Note 8** "Restructuring expenses" and **Note 9** "Impairment losses" for further details.

After the deconsolidation of Rotec as of December 2013, SGL Group retains those parts of land and buildings that are pooled within the real estate company SGL/A&R Services Lemwerder GmbH. Upon the disposal of Rotec, the previously recognized impairment loss for the buildings ceased to exist, which required a full reversal of such impairment to be recorded in the amount of €5.0 million. The reversal was reported in the item "impairment losses" in the consolidated income statement. These properties continue to be leased out to Rotec and will be reported in future as investment property in accordance with IAS 40.

Capitalized amounts under finance leases included within "land, land rights and buildings" as well as "plant and machinery" amounted to €18.1 million as of December 31, 2013 (December 31, 2012: €20.5 million). The borrowing costs capitalized in the reporting period amounted to €3.5 million (December 31, 2012: €2.5 million), determined on the basis of a borrowing rate of 5.0%.

Investment property

The fair values of the non-operating land and buildings correspond to their carrying amounts. Rental income from such land amounted to €1.1 million in fiscal year 2013 (2012: €1.1 million). Expenses amounted to €0.7 million (2012: €0.7 million).

17. Investments accounted for At-Equity

Investments accounted for At-Equity (joint ventures and associates) as of December 31, 2013 and 2012 were as follows:

	Shareholding	
%	**Dec. 31, 2013**	Dec. 31, 2012
Benteler SGL GmbH & Co. KG, Paderborn, Germany	50	50
Brembo SGL Carbon Ceramic Brakes S.p. A., Milan, Italy	50	50
Fisigen S.A., Lisbon, Portugal	49	49
MRC-SGL Precursor Co. Ltd., Tokyo, Japan	33	33
Samsung SGL Carbon Composite Materials Co., Ltd., Ulsan, Korea	50	–
SGL Automotive Carbon Fibers GmbH & Co. KG, Munich, Germany	51	51
SGL Automotive Carbon Fibers LLC, Charlotte, USA	51	51
SGL Lindner GmbH & Co. KG, Arnstorf, Germany	51	–
SGL TOKAI CARBON Ltd., China	51	51
European Precursor GmbH (EPG), Kelheim, Germany	–	44

The balance sheet date of all companies is December 31, with the exception of MRC-SGL (March 31).

In the year under review, SGL Lindner, a joint venture with Lindner Group focusing on production and marketing of high-performance cooling ceilings and Samsung SGL were founded. The business operations of EPG were discontinued.

As of December 31, 2013, the carrying amount of investments accounted for At-Equity was €49.0 million (December 31, 2012: €43.9 million). In fiscal year 2013, capital contributions were made at the joint ventures with BMW Group in Germany in the amount of €14.8 million (2012: €7.8 million), the joint venture with Benteler in the amount of €4.2 million (2012: €7.6 million) as well as the joint venture with Lindner in the amount of €2.2 million.

The following table provides summarized financial information on our investments accounted for At-Equity for fiscal years 2013 and 2012:

	Joint ventures		Associates	
€m [1]	2013	2012	2013	2012
Sales revenue	146.0	109.7	43.5	35.4
Total expenses	178.8	159.2	43.0	36.5
Net result for the period	–32.8	–49.5	0.5	–1.1
Current assets	114.9	96.1	11.9	10.0
Non-current assets	181.2	130.2	30.7	30.3
Current liabilities	70.8	78.7	15.3	12.4
Non-current liabilities	143.7	98.9	23.0	24.6

[1] Aggregated non-consolidated 100% values of third parties

The associates and joint ventures are shown in the list of companies (see **Note 39**).

18. Receivables from long term construction contracts

In 2013, total sales revenue of €65.1 million (2012: €0.6 million) was recognized with respect to long term contracts using the percentage-of-completion method in accordance with IAS 11. In the prior year, sales revenue included an adjustment in the amount of €32.5 million. After deduction of the costs incurred of €55.8 million (2012: €37.0 million), the result on these contracts was €9.3 million in the year under review (December 31, 2012: €–36.4 million). On the balance sheet, total advance payments of €22.0 million (December 31, 2012: €4.1 million) received from customers in respect of these contracts were offset against the respective cumulative receivables of each contract, resulting in net receivables (i. e. a net amount due from customers) of €47.2 million and net payables (i.e. a net amount due to customers) of €0.6 million (December 31, 2012: net receivables of €50.3 million and net payables of €4.6 million). Since a portion of these receivables from PoC-accounting is non-current, €19.8 million was reported as a separate item under non-current assets in the previous year. The current portion is reported under trade receivables.

19. Other non-current assets

This item mainly refers to exchange-listed securities in a total amount of €6.9 million (less disposals of €3.2 million and accumulated impairment losses of €2.7 million), compared to €12.9 million as of December 31, 2012, as well as the shareholding in the company operating the “SGL arena” sports stadium in Augsburg in the amount of €4.8 million, unchanged from the previous year. Other non-current assets also include a loan in the amount of €2.2 million (December 31, 2012: €2.3 million) to the equity-accounted investment Fisigen. As in the previous year, other non-current assets include securities held by foreign subsidiaries to cover pension entitlements. These securities amounted to €4.2 million as of year-end 2013 (December 31, 2012: €4.0 million). All securities are allocated to the category of “available-for-sale financial assets.”

20. Inventories

€m	**Dec. 31, 2013**	Dec. 31, 2012
Raw materials and supplies	145.1	178.5
Work in progress	228.8	250.8
Finished goods and merchandise	96.8	102.8
Total	**470.7**	**532.1**

In fiscal year 2013, cost of sales included a utilization of inventories in the amount of €1,130.4 million (2012: €1,155.2 million), which was recognized as an expense. The total carrying amount of inventories measured at net realizable value was €12.2 million (2012: €24.4 million). Write-downs of inventories led to an increase in the overall cost of sales recognized of €10.1 million (2012: €15.2 million). In the previous year, write-downs included an amount of €6.9 million in connection with the project write-offs. Write-ups resulting from disposals in the amount of €2.4 million (December 31, 2012: €1.3 million) reduced the cost of sales.

21. Trade receivables

€m	**Dec. 31, 2013**	Dec. 31, 2012
From customers	220.3	314.6
From investments accounted for At-Equity	5.1	4.2
Trade receivables, current	**225.4**	**318.8**
thereof receivables from long term construction contracts, current	–43.1	–30.5
Total trade receivables	**182.3**	**288.3**

The following table shows the extent of the credit risk related to total receivables (net of long term construction contracts):

€m	**Dec. 31, 2013**	Dec. 31, 2012
Trade receivables neither written down nor overdue	**155.7**	**224.1**
Overdue trade receivables not written down on an individual basis		
less than 30 days	18.1	44.9
30 to 60 days	4.6	11.6
61 to 90 days	0.4	3.5
more than 90 days	3.1	2.0
Total	**26.2**	**62.0**
Receivables written down on an individual basis	8.1	10.5
less valuation adjustment	–7.7	–8.3
Trade receivables, net	**182.3**	**288.3**

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 €181.9 million (2012: €286.1 million). The total write-down on receivables amounted to €7.7 million as of the reporting date (2012: €8.3 million). The specific write-downs were calculated on the basis of uniform Group accounting policies and reflect the expected default risk based on the trend in customer sectors as well as the specific situation of the customer concerned. The calculation of write-downs on doubtful receivables involves our sales organization making estimates and assessments of the individual receivables on the basis of the creditworthiness of the respective customer, historical experience and current economic trends as well as existing collateral in the form of credit insurance. The portfolio of receivables is subject to continuous quality monitoring as part of our credit management system. Further explanations can be found in **Note 32** (“Credit Risk”).

The following table shows the change in impairment:

€m	**Dec. 31, 2013**	Dec. 31, 2012
Balance as of January 1	8.3	5.0
Change in scope of consolidation	0.0	3.7
Additions recognized as expense	1.1	1.6
Reversals	–1.6	–1.2
Utilizations	–0.1	–0.8
Balance as of December 31	**7.7**	**8.3**

22. Other receivables and other assets/Assets held for sale

€m	**Dec. 31, 2013**	Dec. 31, 2012
Income tax assets	8.1	3.8
Other tax claims	14.3	15.8
Advance payments for leases and insurance premiums	5.5	6.3
Receivables from employees	2.2	1.7
Positive fair values of financial instruments (currency and interest rate derivatives)	8.8	11.4
Other receivables due from equity-accounted investments	3.3	2.1
Other assets	18.4	11.6
Other receivables and other assets	**60.6**	**52.7**
Assets held for sale	**6.4**	**7.7**

In the year under review, one non-operating plot of land and two non-operating machines are reported as held for sale. The intended disposals are expected to be completed at their respective carrying amounts during fiscal year 2014. In the previous year, within the framework of streamlining our portfolio, the assets of NINGBO SSG Co. Ltd., Ningbo (China) were reported as held for sale since the sale transaction had already been initiated as of the balance sheet date. These assets comprised, among other things, property, plant and equipment (€2.1 million), liquidity (€1.5 million), inventories (€0.5 million), and trade receivables (€1.1 million). This item also included a plot of land in Germany no longer necessary for operations.

23. Liquidity

As of the balance sheet date, the Company has liquidity totaling €227.8 million (December 31, 2012: €355.9 million). These exclusively consist of cash and cash equivalents. In the previous year, liquidity comprised of short-term time deposits with a maturity of more than three months in the amount of €130.0 million and cash and cash equivalents with an original maturity of less than three months in the amount of €255.9 million depending on the respective original maturity.

The breakdown of liquidity as of December 31, 2013 was as follows: 85% in euros (December 31, 2012: 91%), 8% in U.S. dollars (December 31, 2012: 3%), 3% in Japanese yen (December 31, 2012: 3%), and 4% in other currencies (December 31, 2012: 3%). As in the prior year, there was no significant amount of cash on hand as of the balance sheet date.

24. Deferred taxes

Deferred tax assets mainly refer to deferred taxes on loss carry-forwards as well as deferred taxes on measurement timing differences between IFRS and the tax base resulting from differences in the measurement of provisions, non-current assets and financial derivatives. Deferred tax liabilities primarily arise from differences in the depreciation and amortization methods between the IFRS consolidated financial statements and the tax accounts.

As of December 31, 2013, domestic tax loss carryforwards in the amount of €283.4 million (December 31, 2012: €194.4 million) related to corporate income tax and €121.9 million (December 31, 2012: €116.0 million) related to municipal trade tax. In addition, usable foreign tax loss carry-forwards relate mainly to USD231.4 million for federal taxes in the U.S. (December 31, 2012: USD172.0 million), £65.6 million for the UK (December 31, 2012: £58.2 million), and MYR87.0 million for Malaysia (December 31, 2012: MYR87.0 million). The loss carryforwards in Germany, the UK and Malaysia may be carried forward without limitation in accordance with currently applicable laws. In the U.S., the loss carryforwards will expire starting in 2022.

No deferred tax assets were recognized for the following items as of December 31, 2013 and December 31, 2012 due to uncertainty regarding their usability:

€m	Dec. 31, 2013	Dec. 31, 2012
Deductible temporary differences		
from impairment test	102.5	41.8
from other recognition and measurement differences	37.4	11.5
Tax loss carryforwards and tax refunds received	420.4	224.1
Total	**560.3**	**277.4**

Deferred taxes predominantly have a maturity of more than one year.

Deferred tax assets and liabilities are derived as follows from loss carry-forwards or differences between the tax base and the IFRS financial statements:

€m	Deferred tax assets Dec. 31, 2013	Deferred tax liabilities Dec. 31, 2013	Deferred tax assets Dec. 31, 2012	Deferred tax liabilities Dec. 31, 2012
Non-current assets	26.5	–59.4	27.8	–64.2
Inventories	5.5	–4.3	7.9	–7.0
Receivables/other assets	11.1	–9.4	9.1	–6.6
Provisions for pensions and similar employee benefits	56.2	–7.1	67.6	–7.6
Other provisions	20.4	–1.7	9.7	–1.4
Liabilities/other liabilities	3.9	–1.2	5.0	–0.5
Tax loss carryforwards, interest carryforwards and tax refunds received	154.3	0.0	117.5	0.0
Other	3.2	–4.7	3.0	–0.8
Gross amount	**281.1**	**–87.8**	**247.6**	**–88.1**
Allowance	–142.6	0.0	–53.5	0.0
Netting	–84.9	84.9	–80.6	80.6
Carrying amount	**53.6**	**–2.9**	**113.5**	**–7.5**

Deferred tax assets and liabilities are netted to the extent that they involve income taxes levied by the same taxable entity.

The balance of deferred tax assets and liabilities declined by €55.3 million in 2013 (December 31, 2012: increase of €43.0 million) to a total of €50.7 million (December 31, 2012: €106.0 million). The effect on earnings was an increase of €36.2 million in 2013 (December 31, 2012: decrease of €27.3 million). Deferred taxes rose by €2.9 million (December 31, 2012: increase of €1.1 million) as a result of changes in foreign exchange rates. Other increases of €14.0 million

(December 31, 2012: reductions of €18.8 million) related to items recognized in equity. These primarily included the decrease in deferred tax assets not recognized in income resulting from valuation differences in pension provisions due to the actuarial losses recognized in equity. Other changes not affecting the income statement result from cash flow hedges, future tax benefits in relation to share-based payment plans as well as a valuation allowance of deferred taxes on tax loss carryforwards recognized in equity. The deconsolidation of the Rotec companies has led to a reduction of deferred taxes in the amount of €2.3 million.

A deferred tax liability of €3.7 million (December 31, 2012: €0.8 million) was also recognized with respect to foreseeable future dividend payments by foreign operations. Recognition of this liability resulted from the fact that a portion of foreign dividend income is not tax-free in Germany in addition to withholding taxes. Any further profits of foreign operations that will not be distributed in the foreseeable future would lead to an additional deferred tax liability of €3.6 million (December 31, 2012: €6.1 million).

25. Equity

Issued capital

As of December 31, 2013, the Company's issued capital amounted to €181,801,454.08 (December 31, 2012: €180,829,537.28) and was divided into 71,016,193 (December 31, 2012: 70,636,538) no-par-value ordinary bearer shares, each with a notional value of €2.56. The shares are traded on various markets in Germany (including Frankfurt).

Capital structure
Authorized capital as of December 31, 2013

Articles of Incorporation	Date of resolution/ limitation	€/Number of shares	Capital increase via:	Pre-emptive rights are excluded
Section 3 (6)	May 10, 2012/limited until May 9, 2017	€52,066,135.04 = 20,338,334 shares	Cash contribution and/or contribution in kind	– if new shares are issued to (Group) employees from Matching Share Plan up to €733,370.88 = 286,473 shares – in case of an issue against contributions in kind for the acquisition of companies, parts of companies or investments in companies – if new shares are issued up to a max. of 10% of the Company's issued capital, provided the issue price of the new shares is not significantly lower than the stock exchange price
Section 3 (8)	May 3, 2011/limited until May 2, 2016	€3,968,000.00 = 1,550,000 shares	Cash contribution and/or contribution in kind	– if new shares are issued to (Group) employees

The Board of Management is authorized, subject to the consent of the Supervisory Board, to increase the Company's issued share capital from the above-mentioned authorized capital by way of an issue of new no-par-value bearer shares on one or several occasions.

Generally, shareholders have to be granted subscription rights when utilizing Authorized Capital pursuant to section 3 (6) of the Articles of In-corporation. However, pre-emptive rights are provided for and may be disapplied, subject to the consent of the Supervisory Board, in the context of shares issued to (Group) employees, shares issued in return for contributions in kind to support the acquisition of companies, parts of companies or investments in companies, and the issuance of shares of up to 10% of the issued share capital. Shareholders' subscription rights are disapplied in relation to Authorized Capital pursuant to section 3 (8) of the Articles of Incorporation.

Changes in the number of shares compared to December 31, 2012 relate to the reduction of authorized capital due to capital increases.

Conditional Capital

The Annual General Meeting has resolved contingent capital increases to service the share-based management incentive plans (see **Note 34**) as well as to service convertible bonds and bonds with warrants (see **Note 28**).

Conditional Capital as of December 31, 2013

Articles of Incorporation	Date of resolution/ limitation	€/Number of shares	Capital increase via:	Exclusion of pre-emptive rights/ execution of the capital increase
Section 3 (9)	27.04.2000	€ 1,870,080.00 = 730,500 shares	Stock Option Plan 2000–2004	Share capital increase will be executed if participants make use of their subscription rights.
Section 3 (7)	30.04.2004	€767,989.76 = 299,996 shares	SAR-Plan[1] 2005–2009	Share capital increase will be executed if participants make use of their subscription rights.
Section 3 (12)	29.04.2009	€4,878,394.88 = 1,905,623 shares	SAR-Plan[1] 2010–2014	Share capital increase will be executed if participants make use of their subscription rights.
Section 3 (10)	29.04.2009	€12,819,648.00 = 5,007,675 shares	To be used for the 2007 convertible bond[2]	Share capital increase will be executed if creditors of the convertible bond exercise their conversion rights.
Section 3 (13)	29.04.2009	€15,663,132.16 = 6,118,411 shares	To be used for the 2009 convertible bond	Share capital increase will be executed if creditors of the convertible bond exercise their conversion rights.
Section 3 (14)	30.04.2010	€35,840,000.00 = 14,000,000 shares	To be used for the 2012 convertible bond	Share capital increase will be executed if creditors of the convertible bond exercise their conversion rights.

1) SAR-Plan = Stock Appreciation Rights Plan (see **Note 34**).

2) Conditional Capital was created for the financing of the 2007 convertible bond in accordance with section 3 (10) of the Articles of Association. The 2007 convertible bond was repaid fully in May 2013.

Changes in the number of shares compared to December 31, 2012 relate to the reduction of conditional capital due to the exercise of conversion rights.

Increase in the Company's share capital

Number of shares	2013	2012
Balance as of January 1	70,636,538	70,063,564
Stock Option Plan 2000–2004	8,300	28,750
SAR Plan 2005–2009	35,828	31,799
SAR Plan 2010–2014	22,000	172,377
New shares issued to employees for bonus entitlements	250,000	200,000
New shares issued to share plan participants	63,527	60,714
New shares issued from conversion of convertible bonds	0	79,334
Balance as of December 31	**71,016,193**	**70,636,538**

The total number of shares rose from 70,636,538 as of December 31, 2012 to 71,016,193 as of December 31, 2013, an increase of 379,655.

A total of 313,527 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 2011 Matching Share Plan (see **Note 34**). The new shares were issued at a price of €2.56 each, increasing issued capital to a total of €802,629.12. A total of 250,000 new shares were issued to employees of the Company at price equivalent to the opening price in XETRA trading on March 18, 2013 in order to satisfy bonus entitlements in accordance with the terms of the agreed bonus arrangements. 63,527 new shares for participants of the 2011 Matching Share Plan were issued to employees of Group companies after the expiration of the holding period.

On February 11, 2014, the Board of Management approved a €572,090.88 increase in issued capital through the issue of 223,473 new shares by making partial use of authorized capital. The new shares are designated for employees of the Company (170,000 shares) and to support the 2012 Matching Share Plan (53,473 shares); they carry dividend rights for 2013.]

As of December 31, 2013, 21,056 (December 31, 2012: 29,781) treasury shares were held at a carrying amount of €53,903.36 (December 31, 2012: €76,239.36).

Disclosures on capital management

In addition to ensuring liquidity, one of the primary objectives of capital management is to optimize financing structures on a continuous basis. In order to achieve this objective, various methods are used to reduce the cost of capital and improve our 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 indicators changed as follows:

€m	Dec. 31, 2013	Dec. 31, 2012
Net debt	447.7	459.3
Equity attributable to shareholders of the parent company	650.8	1,067.0
Gearing	0.69	0.43
Equity ratio	32.4 %	41.7 %

Due to the impairment losses at CFC, the restructuring expenses as well as extraordinary tax effects, gearing at 0.69 was above our target of 0.5 in fiscal year 2013.

SGL Group pursues active debt management as one of its capital management tools. The Group is under an obligation to comply with certain covenants with respect to our lenders and bondholders. Adherence to these covenants is monitored continuously. In addition, financial risks are continuously monitored and controlled using certain indicators and regular internal reports as part of internal risk management. These risks include, among other things, the internal financing framework for subsidiaries determined on the basis of their budget requirements and their utilization, the hedged currency exposure, the change in actual cash flows, the change in the fair value of the derivatives portfolio, and maintenance and utilization of guarantee credit lines.

Since 2004, SGL Group has commissioned the rating agencies Moody's and Standard & Poor's (S&P) to prepare an issuer rating, which supports both private and institutional investors in evaluating the Group's credit quality. At present, SGL Group has ratings of "B1" from Moody's and "BB–" from Standard & Poor's. The corporate bond issued in 2013 has received an investment grade rating from S&P ("BB+"), while the convertible bonds issued in 2009 and 2012 are rated "BB–" by S&P. Moody's rates the new corporate bond with "Ba3".

Other

In accordance with the German Stock Corporation Act, the dividend distribution is calculated in accordance with the net accumulated profits reported by SGL Carbon SE in its annual financial statements prepared pursuant to the provisions of the German Commercial Code. In fiscal year 2013, SGL Carbon SE distributed a dividend to its shareholders in the amount of €14.2 million (€0.20 per share) from the previous year's net accumulated profits.

26. 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.

The various pension arrangements for the employees of SGL Group in Germany were standardized on April 1, 2000. Post-employment benefit entitlements dating from the period before April 1, 2000, are not affected and the financial obligations arising under these pension plans remain within SGL Group, where they are covered by provisions. The basis of the modified pension scheme is the legally independent pension fund for employees of Hoechst Group VVaG, which is funded by employee and employer contributions. The contributions made by SGL Group to this pension fund are determined by a specific ratio to the contributions made to the fund by employees.

In the case of defined contribution plans, 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 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. A situation where this pension plan is underfunded cannot arise as the future employer contributions are to be assessed in such a way that prevents underfunding. If overfunding occurs, the contributions of the participating companies will be reduced accordingly. The contributions made by SGL Group to the pension fund (Penka I) in 2013 amount to 400% of the employee contributions. Effective April 1, 2009, the pension plan was changed for new beneficiaries 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 the pension fund (Penka II). Effective January 1, 2013, the participants of Penka II in Germany were transferred to the new pension scheme Altersversorgung-plus (AV-plus). Employee contributes 2.0% from pensionable gross remuneration to AV plus (Penka III), while the employer's contribution of 200% is paid into a trust vehicle (Contractual Trust Arrangement, CTA). Employees may contribute an additional amount of 1.0% to Penka III, in which case the employer's contribution to the CTA amounts to 100% of the employee's contribution. The employee acquires a direct entitlement in the pension fund upon making contributions to the pension fund. The employer's payments 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 fund value. The plan surplus as of December 31, 2013 amounted to €189 thousand.

Most of the obligations with respect to current pension benefits and projected pension benefits in the European companies are covered by the provisions reported on the balance sheet. 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 86.6% (December 31, 2012: 76.5%). 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 of 80% in order to avoid a reduction of benefit payments. The provisions to be recognized are determined in accordance with IAS 19 and are measured on the basis of actuarial opinions. The amount of the provisions depends on the length of service with the Company as well as on the pensionable remuneration. The provisions are calculated using the projected unit credit method, which assumes an increasing service cost.

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	
%	**2013**	2012	**2013**	2012
Discount rate	3.50	3.50	4.75	3.75
Projected salary increase	2.50	2.50	3.00	3.00
Projected pension increase	2.00	2.00	–	–
Return on plan assets	3.50	3.50	3.75	4.75
Duration (years)	15	15	12	12

In the USA, pension benefits are traditionally provided via a pension fund, in which 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 2013, the effective return of plan assets was 6.6% in the USA and 11.6% in Canada, which is above the discount rates of 3.75% in the USA and 4.0% in Canada (2012: 14.1% and 8.1% – 4.75% and 4.0%, respectively).

The investment policy of SGL Group is geared more heavily toward fixed-income bonds and bank balances as compared to assets from growth-oriented equities and interests in companies. As of December 31, 2013, 36.5% of the plan assets in the USA were invested in equities and interests in companies (December 31, 2012: 37.8%), 53.3% in fixed-interest securities (December 31, 2012: 53.1%), 9.3% in hedge funds (December 31, 2012: 8.2%), and 0.9% in cash (December 31, 2012: 0.9%). In certain companies in SGL Group, the provisions also cover amounts for post-employment healthcare and severance payments. The future benefit obligations 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 (7.8%/5.0%/2025) for beneficiaries of less than 65 years of age and (7.3%/5.0%/2023) for beneficiaries of more than 65 years of age. The assumed rates for 2012 were (8.05%/5.4%/2025) and (7.55%/5.0%/2023), respectively. An increase or decrease in the assumed growth rate for healthcare costs of 1 percentage point would have led to an increase (decline) in the present value of the defined benefit obligation of €0.2 million (€–0.2 million) and an increase (decline) in the service and interest cost of €0.0 million (€–0.0 million) as of the end of fiscal year 2013.

As a result of the planned closure of the Canadian facility and the related personnel measures, negotiations undertaken with the labor unions in the fourth quarter of 2013 led to an adjustment of the pension plan. The plan curtailment resulted in income of €1.8 million, which was offset against restructuring expenses.

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 2013 was as follows:

€m	Germany 2013	USA 2013	Other 2013	**Total 2013**
Present value of the defined benefit obligation at beginning of year	263.3	140.3	37.2	440.8
Change in scope of consolidation	–0.4			–0.4
Service cost	9.0	3.1	1.4	13.5
Interest cost	9.1	5.1	1.2	15.4
Actuarial losses (+)/gains (–)	–9.1	–17.3	–1.4	–27.8
Benefits paid	–9.0	–6.0	–2.4	–17.4
Plan amendments	0.5	0.4	–1.8	–0.9
Other changes	0.3	0.3	0.0	0.6
Currency differences	0.0	–6.2	–2.1	–8.3
Present value of the defined benefit obligation at the end of year [1]	**263.7**	**119.7**	**32.1**	**415.5**
Fair value of plan assets at beginning of year	23.4	83.3	11.7	118.4
Actual return on plan assets	0.6	5.4	1.4	7.4
Employer contributions	5.6	1.7	1.3	8.6
Employee contributions	0.3	0.3	0.0	0.6
Benefits paid	–0.5	–6.0	–0.4	–6.9
Currency differences	0.0	–3.7	–1.4	–5.1
Fair value of plan assets at end of year [2]	**29.4**	**81.0**	**12.6**	**123.0**
Funded status as of December 31	**234.3**	**38.7**	**19.5**	**292.5**
Past service cost not recognized	0.0	0.0	0.0	0.0
Reclassification due to asset ceiling	0.2	0.0	0.0	0.2
Amount recognized	**234.5**	**38.7**	**19.5**	**292.7**
Termination benefits	0.0	0.7	5.2	5.9
Provisions for pensions and similar employee benefits	**234.5**	**39.4**	**24.7**	**298.6**

[1] Of which €14.5 million relate to post-retirement healthcare benefits

[2] This item also includes assets of €4.2 million to cover pension entitlements recognized as other non-current assets

The funded status for 2012 was as follows:

€m	Germany 2012	USA 2012	Other 2012	**Total 2012**
Present value of the defined benefit obligation at beginning of year	213.1	132.8	33.1	379.0
Service cost	6.1	2.0	1.5	9.6
Interest cost	10.0	6.2	1.4	17.6
Actuarial losses	42.5	17.8	3.4	63.7
Benefits paid	–9.0	–7.2	–2.7	–18.9
Plan amendments	0.4	–9.7	0.0	–9.3
Other changes	0.2	0.8	0.4	1.4
Currency differences	0.0	–2.4	0.1	–2.3
Present value of the defined benefit obligation at the end of year [1]	**263.3**	**140.3**	**37.2**	**440.8**
Fair value of plan assets at beginning of year	20.5	75.1	10.0	105.6
Actual return on plan assets	0.3	10.6	0.8	11.7
Employer contributions	2.8	5.6	1.4	9.8
Employee contributions	0.3	0.8	0.0	1.1
Benefits paid	–0.5	–7.2	–0.5	–8.2
Currency differences	0.0	–1.6	0.0	–1.6
Fair value of plan assets at end of year [2]	**23.4**	**83.3**	**11.7**	**118.4**
Funded status as of December 31	**239.9**	**57.0**	**25.5**	**322.4**
Past service cost not recognized	–0.1	1.3	0.0	1.2
Amount recognized	**239.8**	**58.3**	**25.5**	**323.6**
Termination benefits	0.0	1.3	4.9	6.2
Provisions for pensions and similar employee benefits	**239.8**	**59.6**	**30.4**	**329.8**

[1] Of which €21.1 million relate to post-retirement healthcare benefits

[2] This item also includes assets of €4.0 million to cover pension entitlements recognized as other non-current assets

The consolidated statement of comprehensive income includes the following amounts:

€m	Germany 2013	USA 2013	Other 2013	**Total 2013**	Total 2012
Actuarial gains (+)/losses (–) on pensions	9.1	17.3	1.4	27.8	–63.7
Actuarial gains (+)/losses (–) on other long term benefits	–0.6	0.0	0.0	–0.6	–0.7
Actual return on plan assets	0.6	5.4	1.4	7.4	11.7
Less expected return on plan assets	0.5	2.9	0.4	3.8	3.9
Gains (+)/losses (–) for the reporting year (gross) recognized in equity	**8.6**	**19.8**	**2.4**	**30.8**	**–56.6**
Tax effect	–6.8	–7.3	–1.2	–15.3	16.7
Gains (+)/losses (–) for the reporting year (net) recognized in equity	**1.8**	**12.5**	**1.2**	**15.5**	**–39.9**

The cumulative net amount of actuarial gains and losses recognized in other comprehensive income pursuant to IAS 19.93a was €121.0 million (2012: €136.5 million). The losses were reduced above all by an increase of the interest rate in the USA and by an increase of the retirement age in Germany.

In fiscal year 2013, the present value of the defined benefit obligation increased, among other things due to an increase in the discount rate for the foreign pension plans by €15.5 million, an increase of the retirement age in Germany from 60 to 63 years by €11.8 million as well as due to experience adjustments resulting from differences between actuarial assumptions and actual outcome in the amount of €0.8 million (December 31, 2012: decrease of €7.2 million). A change in the discount factor, the salary trend and the return on plan assets by 0.5%/–0.5%, respectively, would lead to a change in the present value of the defined benefit obligation by –6.4%/+7.2% (discount factor), 0.4%/–0.1% (salary trend) and 0.1%/–0.1% (plan assets). A change in longevity by +1/–1 year would lead to a change in the present value of the defined benefit obligation by +2.1%/–2.1%.

Pension provisions with a maturity of less than one year amounted to approximately €29.7 million (December 31, 2012: €19.3 million).

SGL Group has pension and healthcare obligations in the amount of €107.2 million (December 31, 2012: €126.3 million) arising from fund-financed pension plans. Pension obligations arising from non-fund-financed pension plans amounted to €308.3 million (December 31, 2012: €314.5 million). The actual return on plan assets in 2013 amounted to a total of €7.4 million (December 31, 2012: €11.7 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, 2013, the asset value included in the pension provisions totaled €22.5 million (December 31, 2012: €17.7 million). The expected return corresponds to the discount rate of the pension obligations. In fiscal year 2013, one-off payments totaling €4.7 million were made to reinsurers (December 31, 2012: €2.8 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 35**.

The breakdown of pension expenses for 2013 and 2012 is as follows:

€m	Germany 2013	USA 2013	Other 2013	**Total 2013**
Service cost	9.0	3.1	1.4	13.5
Plan adjustments	0.5	0.4	0.0	0.9
Curtailment gains	0.0	–1.4	–1.8	–3.2
Service cost	**9.5**	**2.1**	**–0.4**	**11.2**
Interest cost	9.1	5.1	1.2	15.4
Expected return on plan assets	–0.5	–2.9	–0.4	–3.8
Net interest cost	**8.6**	**2.2**	**0.8**	**11.6**
Expenses for defined benefit plans	**18.1**	**4.3**	**0.4**	**22.8**
Expenses for defined contribution plans	6.7	0.0	0.0	6.7
Interest cost from termination payments	0.0	–0.2	0.3	0.1
Pension expenses	**24.8**	**4.1**	**0.7**	**29.6**

€m	Germany 2012	USA 2012	Other 2012	**Total 2012**
Service cost	6.1	2.0	1.5	9.6
Plan adjustments	0.4	0.1	0.0	0.5
Expected return on plan assets	0.0	–8.3	0.0	–8.3
Service cost	**6.5**	**–6.2**	**1.5**	**1.8**
Interest cost	10.0	6.2	1.4	17.6
Expected return on plan assets [1]	–0.3	–3.2	–0.4	–3.9
Net interest cost	9.7	3.0	1.0	13.7
Expenses for defined benefit plans	**16.2**	**–3.2**	**2.5**	**15.5**
Expenses for defined contribution plans	5.9	0.0	0.0	5.9
Interest cost from termination payments	0.0	0.1	0.2	0.3
Pension expenses	**22.1**	**–3.1**	**2.7**	**21.7**

[1] Measured with discount rate.

The amounts recognized in profit or loss for the defined contribution plans in Germany amounted to €6.7 million (December 31, 2012: €5.9 million) in fiscal year 2013. Contributions to state plans of the SGL Group amounted to €25.4 million in 2013 (December 31, 2012: €25.7 million). Employer contributions to U.S. plan assets and reinsurance policies in 2014 are estimated at €10.9 million (December 31, 2012: €8.7 million). As of December 31, 2013, the anticipated future pension benefit payments by SGL Group to its former employees or their surviving dependents were as follows, with the planned closure of the Canadian facility resulting in high one-off payments in 2014 and 2015 in the amount of €11.3 million and €6.1 million, respectively. A provision of €0.9 million was set up for payments in 2014 and 2015 that are not funded by plan assets.

Pension payments to employees:

Year	€m
Payable in 2014	29.7
Payable in 2015	25.4
Payable in 2016	20.2
Payable in 2017	21.5
Payable in 2018	23.1
Payable in 2019–2023	122.7

27. Other provisions

€m	Taxes	Personnel expenses	Warranties, price reduction and guarantees	Restruc-turing	Other	**Total**
Balance as of Jan. 1, 2013	10.7	60.4	12.4	0.0	22.8	106.3
Utilizations	–6.4	–41.3	–1.8	0.0	–13.0	–62.5
Releases	–1.0	–4.6	–6.1	0.0	–5.6	–17.3
Additions	40.5	28.3	3.3	46.8	16.9	135.8
Other changes/exchange differences	0.0	0.0	–1.5	1.4	0.0	–0.1
Balance as of Dec. 31, 2013	**43.8**	**42.8**	**6.3**	**48.2**	**21.1**	**162.2**
thereof with a maturity of up to one year	*(4.4)*	*(32.2)*	*(6.3)*	*(43.7)*	*(19.4)*	*(106.0)*
thereof with a maturity of more than one year	*(39.4)*	*(10.6)*	–	*(4.5)*	*(1.7)*	*(56.2)*

Provisions for personnel expenses mainly comprise provisions for annual bonuses of €12.2 million (December 31, 2012: €26.2 million), provisions for anniversary benefits of €6.7 million (December 31, 2012: €6.3 million), provisions for partial retirement of €5.2 million (December 31, 2012: €5.3 million) and provisions for outstanding vacation days of €9.3 million (December 31, 2012: €7.3 million).

All warranties, price reductions and guarantees contain provisions for price reduction risks including bonuses, volume discounts and other reductions in price. Of the restructuring provisions of €48.2 million, an amount of €39.1 million relates to personnel restructuring measures.

The item “Other” includes provisions for outstanding invoices in the amount of €4.5 million (December 31, 2012: €4.7 million). In addition, other provisions consist of various individual items of the 60 (December 31, 2012: 64) consolidated companies.

28. Liabilities

€m	**Dec. 31, 2013**	Remaining maturity > 1 year	Dec. 31, 2012	Remaining maturity > 1 year
Interest-bearing loans/financial liabilities				
Corporate bond	250.0	250.0	200.0	200.0
– nominal value of convertible bonds	*374.7*		*520.2*	
– less IFRS equity component	*–96.5*		*–96.5*	
– plus interest cost under effective interest method	*75.6*		*64.2*	
Convertible bonds	353.8	221.7	487.9	345.0
Bank loans, overdrafts and other financial liabilities	50.8	40.2	94.8	93.3
Refinancing costs	–13.8	–11.0	–6.7	–4.4
	640.8	**500.9**	**776.0**	**633.9**
Trade payables	**155.1**	**0.0**	**169.6**	**0.0**
Other financial liabilities				
Derivative financial instruments	1.1	0.0	0.3	0.0
Finance lease liabilities	20.7	19.1	20.9	19.2
Miscellaneous other financial liabilities	17.9	17.8	16.8	13.8
	39.7	**36.9**	**38.0**	**33.0**
Income tax payables	2.1	0.0	4.6	0.0
Deferred tax liabilities	2.9	2.9	7.5	7.5
Miscellaneous other liabilities	40.8	1.3	44.5	1.3
Other liabilities	**85.5**	**41.1**	**94.6**	**41.8**
	881.4	**542.0**	**1,040.2**	**675.7**

Interest-bearing loans

Refinancing

In December of the past fiscal year, SGL Group successfully completed comprehensive measures for refinancing arrangements. The refinancing arrangements were used to repay the floating-rate corporate bond issued in 2007 as well as the syndicated credit facility, adjusted most recently in 2011. These arrangements provide SGL Group with a sound financial basis and the necessary flexibility to achieve the corporate goals against the backdrop of a challenging environment.

The refinancing arrangements consist of a fixed-rate corporate bond in the amount of €250 million due in January 2021 as well as a syndicated credit facility for general corporate purposes in the amount of €200 million, which will mature in December 2017. SGL Carbon SE is both issuer of the secured corporate bond and borrower of the syndicated credit line, which ranks pari passu with the corporate bond.

The corporate bond and syndicated credit facility rank pari passu and, as in the past, are secured by shares and/or corporate guarantees from selected SGL subsidiaries.

The cash proceeds from the corporate bond of €250 million were used by SGL Group to refinance the €200 million corporate bond issued in 2007 (due in May 2015) as well as to repay a loan of SGL Carbon Sdn. Bhd., Malaysia in the amount of €36.3 million.

The derecognition of the 2007 corporate bond was made as of December 12, 2013 through a cash deposit of the bond value plus interest accrued until January 11, 2014 (the bond's repayment date).

The early redemption of the corporate bond and the termination of the existing syndicated credit line led to a amortization of previously deferred transaction costs in the amount of €1.9 million.

Corporate bond

The 7-year fixed-rate corporate bond issued by SGL Carbon SE in the refinancing context in December 2013 has a principal amount of €250.0 million and was issued in a denomination of €100,000 each. The corporate bond has a coupon of 4.875% p.a., payable semi-annually.

The issue price was 100% of the principal amount. In case of a change in ownership of the Company, the investors are entitled to early redeem their corporate bonds and to demand repayment at a price of 101% of the principal amount plus accrued interest.

The terms of the corporate bond also include normal market provisions with regard to financial covenants and financial restrictions. The corporate bond is admitted to trading in the Open Market of the Frankfurt Stock Exchange.

As of December 31, 2013, the market value of the exchange-listed corporate bond was €258.8 million (conforms to level 1 of the fair value hierachy of IFRS13).

Convertible bonds

The Company had two separate convertible bond issuances as of December 31, 2013. The convertible bond issued in 2007 was fully repaid on May 16, 2013 upon maturity at an outstanding residual amount of €145.5 million. The terms of both convertible bonds provide for protection against dilution for investors. This ensures that the bonds' conversion prices are automatically adjusted in the event of a capital increase or if dividends are paid by the Company. The adjusted conversion price reflects the dilutive effect per share.

The conversion prices of the convertible bonds changed as follows:

€	Conversion price Dec. 31, 2013	Original conversion price per share	Change
Convertible bond 2009/2016	29.0	29.4	–0.4
Convertible bond 2012/2018	43.5	44.1	–0.6

The senior unsecured convertible bond issued by SGL Carbon SE in 2009 with an original amount of €190.0 million (denominations of €50,000 each) matures in June 2016. The conversion price is €29.00 (December 31, 2012: €29.21) and the coupon rate is 3.5% p.a. (paid annually). The bondholders are entitled to terminate all or some of the bonds not converted or redeemed after five years effective June 30, 2014 ("put option"). In such case, SGL Group must redeem the notes concerned at face value plus interest. As a result of early conversions by bondholders, the outstanding volume of the convertible bond €134.7 million as of December 31, 2013. As of December 31, 2013, the market value of the corporate bond was €150.7 million.

In 2012, SGL Carbon SE issued another senior unsecured convertible bond due in January 2018 with a principal amount of €240.0 million. The convertible bond was issued and will be redeemed upon maturity at 100% of its principal amount. The convertible bonds were issued in denominations of €100,000; the current conversion price is €43.52 (December 31, 2012: €43.84). The coupon rate is 2.75% and is paid annually. The outstanding volume of the bond as of December 31, 2012 was unchanged at €240.0 million. As of December 31, 2013, the market value of the corporate bond is €248.6 million.

Summary of convertible bonds:

€m	Volume of issue	Outstanding volume	Carrying amount as of Dec. 31, 2013	Market price as* Dec. 31, 2013	Coupon in % p. a.	Issue price
Convertible bond 2009/2016	190.0	134.7	132.0	150.7	3.500%	100.0%
Convertible bond 2012/2018	240.0	240.0	219.7	248.6	2.750%	100.0%
Total	**430.0**	**374.7**	**351.7**	**399.3**		

* Conforms to level 1 of the fair value hierachy of IFRS13

Please see **Note 3** ("Hybrid Financial Instruments") for a description of the accounting treatment for convertible bonds and their separation into an equity component and a liability component.

The liability component of the convertible bonds was recognized upon issuance at the present value, taking into account a market interest rate and increases, as of each balance sheet date, by the interest element attributable to the relevant period on the basis of the internationally accepted effective interest method. The interest cost resulting from the difference between the coupon and the effective (market) interest rate amounted to €11.4 million (2012: €13.9 million).

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 in connection with the new refinancing arrangements with SGL Group's core banks and matures at the end of December 2017. The credit facility is available to various SGL subsidiaries and can be drawn on in euros or in U.S. dollars. The credit line had not been utilized as of the balance sheet date (December 31, 2013). In case of a change in ownership, the amounts drawn will become due for repayment. The agreed credit margin varies depending on the gearing of SGL Group during the term to maturity. The terms and conditions of the syndicated credit line include financing provisions in line with the market.

The weighted average cash interest rate on financial liabilities based on their nominal amounts in 2013 was 2.6% p.a. (2012: 2.4% p.a.). Including the non-cash interest cost on the convertible bonds, the weighted average effective interest rate for 2013 was 3.8% p.a. (December 31, 2012: 5.0% p.a.). After the repayment of a local credit line of SGL Carbon Sdn Bhd, Malaysia in the amount of €36.3 million, bank loans, over-drafts and other financial liabilities amounted to €50.8 million as of December 31, 2013 (December 31, 2012: €94.8 million). Of this amount, €1.7 million (December 31, 2012: €2.7 million) was subject to fixed interest and €49.1 million (December 31, 2012: €92.1 million) was subject to variable interest rates.

Trade payables

Trade payables totaled €155.1 million as of December 31, 2013 (December 31, 2012: €169.6 million), €154.4 million of which was due to third parties (December 31, 2012: €169.4 million). As in 2012, the trade payables were due for payment within one year.

Other liabilities

As of December 31, 2013, other financial liabilities included liabilities from finance leases in the amount of €20.7 million (December 31, 2012: €20.9 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 €1.1 million as of December 31, 2013 (December 31, 2012: €0.3 million).

Miscellaneous other financial liabilities include the non-controlling interests in subsidiary partnerships classified as liabilities in a total amount of €15.3 million (December 31, 2012: €11.3 million).

Current income tax payables amounted to €2.1 million (December 31, 2012: €4.6 million) as of December 31, 2013. Please refer to **Note 24** for detailed information on deferred tax liabilities.

Miscellaneous other liabilities totaled €40.8 million (December 31, 2012: €44.5 million) as of December 31, 2013 and included liabilities for payroll and church taxes of €11.6 million (December 31, 2012: €14.8 million), accrued interest of €6.6 million (December 31, 2012: €9.0 million), social security liabilities of €0.4 million (December 31, 2012: €1.2 million), other tax liabilities of €1.3 million (December 31, 2012: €3.4 million), and deferred income of €9.1 million (December 31, 2012: €6.4 million).

The following table shows all contractually agreed upon payments as of December 31, 2013 for repayments of principal and payment of interest on recognized financial liabilities, including derivative financial instruments.

€m	**2014**	2015	2016	2017	2018	More than five years
Non-derivative financial liabilities						
Corporate bond	12.2	12.2	12.2	12.2	12.2	275.4
Convertible bonds	11.4	11.4	143.8 [1]	6.7	240.5	
Bank loans, overdrafts and other financial liabilities	13.9	18.4	20.6			
Finance lease liabilities	1.5	1.0	1.0	1.0	1.0	78.1
Trade payables	155.1					
Miscellaneous other financial liabilities	0.1			2.5		15.3
Derivative financial liabilities	1.1					
Total	**195.3**	**43.0**	**177.6**	**22.4**	**253.7**	**368.8**

[1] Put-Option by bond holders in 2014.

Significant changes compared to the disclosures made in prior year relate to the cash flows of the corporate bond. In prior yaer, cash flows of €2.9 million and €201.2 million were shown for the years 2014 and 2015, respectively.

The estimated interest payments for floating-rate financial liabilities were determined on the basis of the interest-rate curve on the balance sheet date. Miscellaneous other financial liabilities were determined using undiscounted contractual cash flows for the subsequent fiscal years. Derivative financial liabilities are classified as payable on demand, regardless of their actual contractual maturity. This enables a presentation of cash outflows in the event of an immediate cancellation of the underlying derivative contracts. The Group is of the opinion that this form of presenting liabilities from derivatives with a negative fair value as of the balance sheet date is appropriate.

Consolidated cash flow statement disclosures

29. Cash flow statement disclosures

The cash flow statement reports the changes in cash and cash equivalents at SGL Group resulting from cash inflows and outflows (cash flows) for the reporting year. Cash flows are broken down separately by operating, investing and financing activities. A reconciliation to cash and cash equivalents as shown on the face of the balance sheet is also provided. Amounts in the cash flow statement attributable to foreign subsidiaries are translated at average exchange rates for the year, which approximate the historical rates on the transaction dates; cash and cash equivalents are translated at the closing rate, as on the face of the balance sheet.

Cash flow from operating activities – continuing operations

Net cash provided by operating activities reflects changes in working capital and other net assets as well as other cash-effective transactions. Net cash provided by operating activities amounted to €151.1 million (2012: €128.4 million) and included the use of cash of €103.6 million in connection with the decrease in working capital (2012: increase of €67.8 million), interest payments of €21.2 million (2012: €13.6 million), tax payments of €24.8 million (2012: €21.5 million) and payments under defined contribution and defined benefit pension plans of €26.4 million (2012: €27.5 million).

Cash flow from investing activities – continuing operations

Net cash used in investing activities amounted to €112.9 million in fiscal 2013 (2012: €194.6 million), primarily due to the purchase of property, plant and equipment, and intangible assets, for capital contributions at investments accounted for At-Equity and in the previous year for payments related for the acquisition of Fisipe.

The payments made for capital expenditures on intangible assets and property, plant and equipment in a total amount of €95.5 million (2012: €131.8 million) include among other things payments for completing the expansion measures for isostatic graphite capacities at the Bonn site, the construction of a new polymerization plant and start of the modernization work related to a spinning line for the purpose of switching to a PAN precursor production, the input material used in the production of carbon fibers. Necessary replacement and environmental protection investments were also made in particular for an efficient and eco-friendly graphitization at the Ozark site in the USA and for a new eco-friendly green manufacturing plant in La Coruña (Spain).

Payments for capital increases at joint ventures and for other financial assets totaled €26.2 million in 2013 (2012: €33.0 million). These were mainly comprised of capital injections at the joint ventures SGL Automotive Carbon Fibers (ACF) in Germany, Benteler-SGL in Austria and SGL Lindner in Germany.

Cash flow from financing activities – continuing operations

In the year under review, net cash used in financing activities amounted to €160.2 million, while net cash provided by financing activities amounted to €202.3 million in 2012. In fiscal year 2013, there was an outflow of net liquidity from financial liabilities in the amount of €133.6 million, comprising the cash outflow for 2007 convertible bond (€145.5 million) and the early redemption of the 2007 corporate bond (€200 million), as well as for the repayment of local loans of €38.1 million, against a cash inflow in the amount of €250 million from the new corporate bond. Cash used in financing activities in 2013 include dividend payments of €14.2 million and the payments made in connection with the refinancing arrangements in the amount of €10.8 million. The previous year includes cash inflow of €237.0 million provided by the convertible bond issued in April 2012 (after taking into account financing costs), cash of €16.1 million used in the reduction of Fisipe's debt and the payment of dividends in the amount of €14.1 million.

The changes in ownership interests in subsidiaries of the previous year included the increases of the existing majority stakes in Rotec and Fisipe to 100% each.

Cash and cash equivalents reported in the cash flow statement correspond to cash and cash equivalents as reported in the balance sheet in the amount of €227.8 million (December 31, 2012: €225.9 million). Liquidity in the broader sense include short-term term deposits with an original maturity of more than three months (2012: €130.0 million). No cash was invested in term deposits as of the balance sheet date. As of December 31, 2013, cash funds available to us for financing current operations, for future capital expenditures, and for our growth amount to a total of €227.8 million (December 31, 2012: €355.9 million). The decrease in cash funds of €128.1 million in 2013 (2012: increase of €114.2 million) mainly resulted from the cash outflow from the repayment of the convertible bond 2007/2013. In 2013, there was a negative exchange-rate effect of €2.5 million (2012: negative effect of €0.8 million) on the cash balance.

Other disclosures

30. Contingent liabilities and other financial obligations

As of December 31, 2013, outstanding guarantee obligations amounted to €29.8 million (December 31, 2012: €5.7 million). Contingent liabilities relating to investments accounted for At-Equity amounted to €9.5 million (December 31, 2012: €9.5 million). In addition, other financial commitments in connection with purchase orders for approved capital expenditure on property, plant and equipment amounted to €8.4 million as of December 31, 2013 (December 31, 2012: €21.0 million). These amounts are mainly earmarked for the conversion of the textile fiber production lines into precursor production lines at Fisipe. Some of these capital expenditure projects extend beyond one year. In addition, obligations to a former joint venture of €2.1 million exist as of the balance sheet date.

SGL Group secures the necessary raw materials for its production, especially for needle coke, by means of procurement agreements with key suppliers. These agreements normally have a term of one year, include minimum quantities to be purchased by SGL Group and are fulfilled by physical delivery. The prices for the supplies are based on a base price that is adjusted for variable components (e. g. defined parameters of the needle coke producer's raw material price).

A number of agreements to provide collateral were also signed with lenders in conjunction with the refinancing carried out in 2013. These agreements are restricted to share pledge agreements and/ or corporate guarantees for a selected number of companies in the Group. No charges on real estate or other assets have been pledged as collateral.

In addition, obligations under operating leases for land and buildings, IT equipment, vehicles, and other items of property, plant and equipment amounted to €68.6 million as of December 31, 2013 (December 31, 2012: €68.2 million). As of December 31, 2013, the future payments were as follows (the changes compared to the previous year were insignificant):

€m	2014	2015	2016	2017	2018	2019 and thereafter	**Total**
Operating leases	**10.6**	**8.1**	**6.9**	**6.0**	**4.9**	**32.1**	**68.6**
Finance leases	1.5	1.0	1.0	1.0	1.0	78.1	83.6
less discount included	–0.1	–0.1	–0.1	–0.2	–0.2	–62.1	–62.8
= Present value of finance leases	**1.4**	**0.9**	**0.9**	**0.8**	**0.8**	**16.0**	**20.8**

Pursuant to the joint venture agreement related to SGL-ACF between the SGL Group and the BMW Group, BMW has to cover the financing requirements of SGL-ACF through the granting of shareholder loans to SGL ACF up to and including June 30, 2015. On and after July 1, 2015, we will fund for 51% of SGL-ACF's then outstanding financial debt at equal terms and conditions by either a) providing a new shareholder loan to replace 51% of BMW's then outstanding shareholder loans, b) by arranging for the provision of a third party loan, or c) by providing collateral in favor of the shareholder loans outstanding at that date corresponding to 51% of these loans. Based in the currently applicable business plan of SGL-ACF we estimate the amount of this obligation for SGL at approx. €69 million.

No payments from subleases were received in either 2013 or 2012. Finance leases exclusively comprised lease agreements for items of property, plant and equipment concluded as standard lease agreements without any specific purchase option as well as one heritable building right. In accordance with IAS 17, a long term contract regarding a heritable building right was accounted for as a finance lease. The land lease rate is adjusted every 20 years, based on the then applicable market value of the property. The last adjustment was made in 2006. Estimates of future increases are shown in the above table. The net carrying amount of finance leases, including the heritable building right, amounted to €18.1 million as of December 31, 2013 (December 31, 2012: €20.5 million). Expenses for rental and operating lease agreements totaled €36.1 million in 2013 (2012: €37.3 million).

Various legal disputes, legal proceedings and lawsuits are either pending or may be initiated in the future. This includes legal action arising in connection with alleged defects in SGL Group products, product warranties and environmental protection issues. Tax risks may also arise as a result of the Group structure. Litigation is subject to considerable uncertainty; the outcome of individual cases cannot be predicted with any certainty. There is a reasonable probability that individual cases could be decided against SGL Group. Identifiable risks have been adequately covered by recognizing appropriate provisions.

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

31. Related-party disclosures

SKion GmbH, Bad Homburg, holds a share of approximately 28% in SGL Carbon SE according to notifications pursuant to the German Securities Trading Act (WpHG). No material transactions were conducted with SKion GmbH in 2012.

In fiscal years 2013 and 2012, 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 30**). Please refer to **Note 10** and **Note 17** for information on joint ventures and associates.

The following table presents the volume of transactions with related companies included in SGL Group:

2013

€m	Sales for goods	Sales for services	Purchases of goods	Purchases of services	Receivables as of Dec. 31	Loans as of Dec. 31	Liabilities as of Dec. 31
Joint ventures	11.7	14.9	–4.3	–0.7	6.0	2.0	–0.4
Associates	0.5	0.0	–14.9	–0.5	1.0	0.0	–1.5

2012

€m	Sales for goods	Sales for services	Purchases of goods	Purchases of services	Receivables as of Dec. 31	Loans as of Dec. 31	Liabilities as of Dec. 31
Joint ventures	6.2	9.9	–12.9	–3.0	4.2	13.1	–0.8
Associates	2.4	0.0	–6.8	–0.8	0.2	0.0	–2.9

32. Additional disclosures on financial instruments

€m	Measurement category under IAS 39	Carrying amount as of Dec. 31, 2013	Amortized cost
Financial assets			
Cash and cash equivalents	1)	227.8	227.8
Time deposits	1)		
Trade receivables	1)	225.4	225.4
Receivables from long term construction contracts	1)		
Available-for-sale financial assets	2)	15.8	
Other financial assets	1)	2.2	2.2
Derivative financial assets			
Derivatives without a hedging relationship [1]	3)	5.0	
Derivatives with a hedge relationship	n. a.	3.7	
Financial liabilities			
Corporate bond	4)	250.0	250.0
Convertible bonds	4)	353.8	353.8
Bank loans, overdrafts and other financial liabilities	4)	50.8	50.8
Refinancing expenses	4)	–13.8	–13.8
Finance lease liabilities	n. a.	20.7	
Trade payables	4)	155.1	155.1
Miscellaneous other financial liabilities	4)	17.9	17.9
Derivative financial liabilities			
Derivatives without a hedging relationship [2]	5)	1.1	
Derivatives with a hedge relationship	n. a.		
Thereof aggregated by measurement category in accordance with IAS 39			
1) Loans and receivables		455.4	455.4
2) Available-for-sale financial assets		15.8	
3) Financial assets held for trading		5.0	
4) Financial liabilities measured at amortized cost		813.8	813.8
5) Financial liabilities held for trading		1.1	

[1] Thereof €5.0 million (2012: €5.7 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 €1.1 million (2012: €0.3 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, 2012	Amortized cost	Fair value through equity	Fair value through profit or loss	Carrying amount under IAS 17
				225.9	225.9			
				130.0	130.0			
				318.8	318.8			
				19.8	19.8			
	15.8			21.7		21.7		
				2.3	2.3			
		5.0		5.8			5.8	
	3.7			5.6		5.6		
				200.0	200.0			
				487.9	487.9			
				94.8	94.8			
				–6.7	–6.7			
			20.7	20.9				20.9
				169.6	169.6			
				16.8	16.8			
		1.1		0.3			0.3	
				696.8	696.8			
	15.8			21.7		21.7		
		5.0		5.8			5.8	
				962.4	962.4			
		1.1		0.3			0.3	

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 non-current financial assets, including receivables from long term construction contracts, 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 allowances on the mentioned receivables. The carrying amounts of these receivables, less valuation allowances recognized, approximate their fair values. Other financial assets also include loans extended to joint ventures. If these loans have the characteristics of equity substitution, the loan amount is reduced through SGL Group's share in the losses of the joint venture that exceeds the carrying amount of the equity interest held in this company. SGL Group uses the market price in an active market as the fair value of financial assets available for sale. If no such market price exists, the fair value is determined using observable market data.

Please refer to **Note 28** 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. The fair values of currency contracts are determined using the SAP system on the basis of market data provided by an external service provider.

Interest-rate caps are measured using generally accepted option pricing models. The fair values of interest-rate caps are determined using a financial calculation model and market data provided by a renowned financial services 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, 2013 and 2012:

	Dec. 31, 2013			
€m	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	11.0	4.8	–	15.8
Derivative financial assets	–	8.7	–	8.7
Derivative financial liabilities	–	1.1	–	1.1

	Dec. 31, 2012			
€m	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	16.9	4.8	–	21.7
Derivative financial assets	–	11.4	–	11.4
Derivative financial liabilities	–	0.3	–	0.3

The levels of the fair value hierarchy and their application to the assets and liabilities are described in the following sections:

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.

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	2013	2012
Loans and receivables	–23.5	–53.0
Available-for-sale financial assets	–2.4	–5.3
Financial assets and financial liabilities held for trading	21.6	6.2
Financial liabilities measured at amortized cost	1.0	2.4

Net gains/losses for the “loans and receivables” measurement category largely include write-downs on trade receivables, including write-offs on receivables from long term construction contracts, reversals of write-downs and receipts with respect to trade receivables already derecognized, together with gains/losses on currency translation.

Net gains/losses for the “financial assets and liabilities held for trading” measurement category arise from the mark-to-market valuation of derivative interest-rate and currency instruments not subject to hedge accounting with respect to financing activities or, with respect to operating activities, for which hedge accounting has been terminated upon recognition of the hedged item in profit or loss. Economically speaking, the derivative financial assets and liabilities are always based on a hedged item.

Net gains/losses for the “financial liabilities measured at amortized cost” category mainly comprise the non-controlling shareholders’ share in the net profit/loss of subsidiary partnerships.

Interest income and expense are not included in net gains and losses, as they are already recognized as described in **Note 11**. For further information on write-downs, please refer to the overview of changes in write-downs on trade receivables in **Note 21**.

Financial instrument risks, financial risk management and hedging

SGL Group monitors financial risk (liquidity risk, default risk, and market price risk) using tested control and management instruments. Group reporting enables periodic assessment, analysis, measurement, and control of financial risk by the central Group Treasury function. These activities include all relevant Group companies.

Liquidity risk

Liquidity risk is the risk that an entity might have difficulty in meeting its payment obligations in connection with its financial liabilities. Since the financial and economic crisis, liquidity risk has become a major focus of risk management. In order to ensure SGL Group’s solvency as well as its financial flexibility, the Group carries out regular liquidity planning for the immediate future to cover day-to-day operations, in addition to financial planning, which normally covers five years. For the purpose of ensuring financial stability, SGL Group has endeavored to put in place a balanced financing structure based on a combination of various financing components (including bank loans and capital market instruments).

The Company has sufficient liquidity reserves as a result of the refinancing arranged in December 2013 in relation to the syndicated credit line in the amount of €200 million until December 2017. The main purpose of the syndicated credit line is to compensate for fluctuations in current assets during the year as well as to support further business growth. It can also be used as a bridge when financing instruments fall due.

The issue of our new convertible bond for €250 million in December 2013, and the convertible bond for €240 million issued in April 2012, as well as the committed credit lines and the Company’s liquidity from own operations as of December 31, 2013, cover our anticipated operational financing requirements for fiscal year 2014.

In order to adapt to the continuing business trend and the related capital expenditures, the Company will, if necessary, take precautionary financing measures to ensure financial stability as it did in the past.

As of the balance sheet date, freely available cash funds amounted to €227.8 million (December 31, 2012: €355.9 million), and undrawn credit line commitments amounted to €207.8 million (December 31, 2012: €207.8 million). The free credit lines include the syndicated credit line in the amount of €200.0 million granted to SGL Group in December 2013 by its core banks in the context of the refinancing arrangements.

SGL Group therefore has at its disposal an adequate liquidity reserve. Please refer to **Note 28** for information on the maturity of financial liabilities.

Credit risk (counterparty default risk)

Credit risk is the risk that a counterparty to a financial instrument will not be able to meet its payment obligations.

To reduce credit risk, contracts for derivative financial instruments and financial transactions are concluded with SGL Group's core banks, which have good credit quality.

By granting customers payment deadlines, SGL Group is exposed to normal market credit risks. As far as trade receivables and other financial assets are concerned, the maximum default risk is equivalent to the carrying amount as of the balance sheet date. In the past year, there were no significant events 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 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 amounts to 90% of the default and includes 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), excluding long term construction contracts, was 64 days at the end of fiscal 2013 (2012: 57 days). The total increase in DSO at SGL Group is primarily based on the DSO increase related to our customers in the steel sector. In fiscal year 2013, 67% of our receivables were insured on average, unchanged from the previous year. Please refer to **Note 21** for information on the breakdown of trade receivables by age.

Market price risk

As an enterprise operating at an international level, SGL Group is exposed to market risks arising in particular from changes in currency rates, interest rates, and other market prices. These risks may result in fluctuations in earnings, equity or cash flows. The objective of risk management is to eliminate or limit these risks through appropriate measures, above all through the use of derivative financial instruments. The use of derivative financial instruments is subject to rigorous controls based on internal policies. Derivative financial instruments are exclusively used to minimize or pass off financial risk, not for speculative purposes.

Currency risk

SGL Group operates on an international basis and is therefore exposed to currency risk arising from fluctuating exchange rates between various currencies. Currency risk is the risk that fair values or future payments of financial instruments will change as a result of exchange-rate movements. The risk arises when transactions are denominated in a currency other than the Group's functional currency. Where SGL Group has cash flows in a non-functional currency, it endeavors to achieve a balance between receipts and payments as a so-called natural hedge against currency risk.

Currency hedges are entered into for the remaining net currency position (less natural hedging). SGL Group hedges such net currency positions, as required, within a time horizon of up to two years. The most significant currency risk of SGL Group from operating transactions results from potential exchange rate changes between the euro and the Polish zloty. To protect the operating business, the corresponding net currency position in euros was hedged to a large extent by way of currency forwards with average hedge rates of EUR/PLN 4.34 for 2014.

In addition, intercompany loans and balances are exposed to currency risk when the currencies of such loans or balances differ from the functional currency of the lending company and/or the borrowing company. Such intercompany loans are usually hedged on an individual basis using currency forwards. Intercompany foreign currency balances that are held at SGL Carbon SE, the Group holding company, to finance subsidiaries and that do not represent a natural hedge for sales revenue or other transactions are regularly refinanced to intercompany loans and secured through currency forwards. Any positive foreign exchange balances existing at the Group holding company in excess thereof that are not used within the Group as described above are converted to euros.

As of the balance sheet date, SGL Group was not exposed to any material currency-related cash flow risks, either in its operating business or in its financing activities. The following table shows the notional amounts and recognized fair values for currency derivatives as of December 31, 2013. The notional amount in this case is defined as the functional-currency-denominated equivalent value of foreign currency amounts purchased from or sold to external partners.

EUR	Notional amounts				Fair values	
€m	Purchase Dec. 31, 2013	Sale Dec. 31, 2013	**Total Dec. 31, 2013**	Total Dec. 31, 2012	**Total Dec. 31, 2013**	Total Dec. 31, 2012
Forward contracts	**76.1**	**325.2**	**401.3**	**392.2**	**7.5**	**10.6**
USD	0.0	265.5	265.5	263.6	3.4	3.2
GBP	23.6	39.0	62.6	33.3	–0.7	0.4
PLN	52.5	0.0	52.5	62.3	1.8	3.3
Remaining term to maturity < 1 year	*52.5*	*0.0*	*52.5*	*62.3*	*1.8*	*3.3*
Remaining term to maturity > 1 year	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
JPY	0.0	20.7	20.7	33.0	3.0	3.7

USD	Notional amounts in US$ million				Fair values in €m	
	Purchase Dec. 31, 2013	Sale Dec. 31, 2013	**Total Dec. 31, 2013**	Total Dec. 31, 2012	**Total Dec. 31, 2013**	Total Dec. 31, 2012
Forward contracts	**12.0**	**0.0**	**12.0**	**28.7**	**0.1**	**0.3**
CAD	0.0	0.0	0.0	16.6	0.0	0.0
GBP	12.0	0.0	12.0	7.1	0.1	0.0
JPY	0.0	0.0	0.0	5.0	0.0	0.3

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 is currently no more than one year (2012: up to 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 2014 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, 2013, these hedges had positive fair values in the amount of €3.7 million (December 31, 2012: €5.6 million) and negative fair values of €0.0 million (December 31, 2012: €0.0 million). Changes in the fair value of hedges assigned to intercompany loans as well as of operating hedges allocated to hedged items already realized as of the balance sheet date and therefore generally not – or no longer – designated as cash flow hedges were recognized through profit or loss on the balance sheet date.

Positive fair values amounted to €5.0 million (December 31, 2012: €5.7 million); negative fair values amounted to €1.1 million (December 31, 2012: €0.3 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 2013, gains or losses resulting from changes in fair value of our currency forwards amounting to €7.7 million (2012: €0.4 million) previously recognized in equity were recycled to profit or loss. The residual maturity of these derivatives may be up to three months.

The effectiveness of designated hedges is determined prospectively using the critical terms match method in accordance with IAS 39. Quantitative effectiveness tests are carried out retrospectively using the dollar offset method. In this case, the cumulative change in value of anticipated cash flows from hedged items is compared against the change in the fair value of the currency forwards using the relevant forward rates. Quantitative effectiveness measurements are carried out as of each balance sheet date. It is generally assumed that a hedging relationship is effective if the changes in fair value of the hedge virtually offset (80% to 125%) the changes in the cash flows for the hedged items. As of the balance sheet date, these ratios were close to 100%.

In accordance with IFRS 7, sensitivity analyses are required to illustrate the currency risk relating to financial instruments. The analyses show the effects of hypothetical changes in relevant risk parameters on profit or loss and equity.

The analyses include all primary financial instruments used by SGL Group in addition to the derivative hedging instruments used in the Group's operating activities. Specifically, these include cash and cash equivalents of €20.3 million (December 31, 2012: €15.7 million), trade receivables of €129.4 million (December 31, 2012: €121.7 million), and trade payables of €78.1 million (December 31, 2012: €67.5 million). Furthermore, foreign currency effects from internal lending activities recognized in profit or loss or directly in equity, together with the corresponding derivative hedging instruments, are also included. It is assumed that the balance as of the reporting date is representative of the reporting period as a whole. Any financial instruments not denominated in the functional currency of the respective SGL subsidiary are therefore generally considered to be exposed to currency risk. Changes in the exchange rate result in changes in fair value and impact either profit or loss or the hedging reserve as well as the total equity of SGL Group. The following table provides a comparison between the amounts reported as of December 31, 2013 and December 31, 2012. The analysis is based on a hypothetical 10% increase in the value of the euro and the U.S. dollar against the other currencies as of the balance sheet date.

EUR	Hypothetical exchange rate		Change in fair value/equity		thereof: change in net profit/loss		thereof: change in hedging reserve	
€m	**Dec. 31, 2013**	Dec. 31, 2012	**Dec. 31, 2013**	Dec. 31, 2012	**Dec. 31, 2013**	Dec. 31, 2012	**Dec. 31, 2013**	Dec. 31, 2012
USD	1.5170	1.4513	–1.8	–2.6	–2.7	–2.9	0.9	0.3
PLN	4.5619	4.4970	–2.5	–2.9	1.2	1.5	–3.7	–4.4
GBP	0.9171	0.8977	0.0	0.0	1.5	0.0	–1.5	0.0
Other	–	–	0.6	0.9	–0.5	–1.3	1.1	2.2

USD	Hypothetical exchange rate		Change in fair value/equity		thereof: change in net profit/loss		thereof: change in hedging reserve	
€m	**Dec. 31, 2013**	Dec. 31, 2012	**Dec. 31, 2013**	Dec. 31, 2012	**Dec. 31, 2013**	Dec. 31, 2012	**Dec. 31, 2013**	Dec. 31, 2012
GBP	0.6650	0.6804	–0.8	–0.4	0.0	0.2	–0.8	–0.6
CAD	1.1702	1.0952	1.6	–0.2	1.6	1.0	0.0	–1.2
MYR	3.6069	3.3638	–0.9	4.8	–0.9	4.8	0.0	0.0
Other	–	–	0.3	2.4	0.3	2.4	0.0	0.0

The approximate effect of a hypothetical 10% decrease in the value of the euro and the U.S. dollar against other currencies on the equity, profit or loss and hedging reserve of SGL Group would be a reversal of the positive and negative signs shown above, with the amounts themselves remaining approximately the same.

Interest-rate risk

Interest-rate risk is the risk that the fair values of or future cash flows from existing or future financial liabilities may fluctuate due to changes in market interest rates.

SGL Group's interest rate risk was reduced considerably compared to the previous year. The proportion of floating-rate financing instruments was reduced above all through the issuance of the new fixed-rate corporate bond in the amount of €250.0 million and the concurrent repayment of the floating-rate corporate bond issued in 2007 in the amount of €200 million. The repayment of local loan of SGL Carbon Sdn. Bhd., Malaysia, in the amount of €36.3 million, which was also subject to a floating rate of interest, also contributed to a reduction of the interest rate risk. As of the balance sheet date, SGL Group had financial liabilities in a notional amount of €675.5 million (December 31, 2012: €815.0 million). Of that amount, liabilities of €49.1 million (December 31, 2012: €292.1 million) had a floating interest rate. The remaining liabilities of €626.4 million (December 31, 2012: €522.9 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 by €0.5 million (2012: €2.9 million).

The floating-rate liabilities were offset by cash and cash equivalents as a natural hedge in the amount of €227.8 million (2012: €355.9 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 €2.3 million (2012: €3.6 million).

33. Segment reporting

For the purpose of company management, SGL Group is organized into Business Units based on product groups and has the following three reportable Business Areas:

- The Business Area Performance Products (PP) produces graphite electrodes as well as further graphite and carbon products (electrodes, cathodes, and furnace linings).
- The Business Area Graphite Materials & Systems (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 Business Area Carbon Fibers & Composites (CFC) produces carbon fibers, carbon-fiber-based fabrics, composites, and structural components.

Segment reporting is based on internal control and management within SGL Group. The definition of the individual segment data corresponds to that used for Group management. The performance of the segments is assessed by the management based on the operating result, cash generation and capital employed. However, Group financing (including financial income and expense) as well as income taxes are managed uniformly on a Group-wide basis and are not allocated to the individual Business Units.

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. The Business Unit “Other” comprises companies that largely perform services for the other Business Units, such as SGL Carbon SE.

Capital expenditures and depreciation/amortization relates to property, plant and equipment and intangible assets (excluding goodwill). The consolidation adjustments item relates to the elimination of transactions between the Business Areas.

Disclosures relating to the Business Areas of SGL Group are shown below.

€m	PP	GMS	CFC	Other	Consoli-dation ad-justments	**SGL Group**
2013						
External sales revenue	755.9	408.1	309.3	3.7	0.0	1,477.0
Intersegment sales revenue	13.2	0.6	5.4	28.1	–47.3	0.0
Total sales revenue	**769.1**	**408.7**	**314.7**	**31.8**	**–47.3**	**1,477.0**
Operating profit/loss (EBIT) before non-recurring charges	69.4	30.1	–32.9	–47.1	0.0	19.5
Non-recurring charges [1]	–59.5	–5.5	–146.6	–15.3	0.0	–226.9
Operating profit/loss (EBIT) after non-recurring charges	9.9	24.6	–179.5	–62.4	0.0	–207.4
Capital expenditure [2]	34.3	33.1	19.8	8.3	0.0	95.5
Amortization/depreciation on intangible assets and property, plant and equipment	40.9	18.6	16.7	6.4	0.0	82.6
Working capital [3]	287.7	168.3	116.6	–31.6	0.0	541.0
Capital employed [4]	699.0	376.4	293.2	68.3	0.0	1,436.9
Cash generation [5]	160.5	7.6	–21.3	–21.4	0.0	125.4
Result from investments accounted for At-Equity	–1.2	–3.6	–13.5	0.0	0.0	–18.3
Investments accounted for At-Equity	0.0	0.0	49.0	0.0	0.0	49.0
Employees of investments accounted for At-Equity (number)	8	4	789	0	0	801
Total revenues of investments accounted for At-Equity [6]	1.2	1.1	187.2	0.0	0.0	189.5
Operating loss (EBIT) of investments accounted for At-Equity [6]	–2.9	–4.5	–20.1	0.0	0.0	–27.5

[1] Non-recurring charges comprise restructuring expenses of €84.2 million, impairment losses in the amount of €120.6 million and project write offs of €22.1 million. For more information, please refer to **Notes 5, 8** and **9**, respectively

[2] Defined as total of capital expenditure in intangible assets and property, plant and equipment

[3] Defined as the sum of inventories, receivables from long term construction contracts, 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 profit/loss (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] Agregated, non-consolidated 100% values with third parties

€m	PP	GMS	CFC	Other	Consolidation adjustments	SGL Group
2012						
External sales revenue	940.7	486.2	214.1	5.0	0.0	1,646.0
Intersegment sales revenue	13.0	0.8	5.0	25.8	–44.6	0.0
Total sales revenue	**953.7**	**487.0**	**219.1**	**30.8**	**–44.6**	**1,646.0**
Operating profit/loss (EBIT) before project write offs	179.3	67.4	–23.9	–58.4	0.0	164.4
Project write offs	0.0	0.0	–54.2	0.0	0.0	–54.2
Operating profit/loss (EBIT) after project write offs	179.3	67.4	–78.1	–58.4	0.0	110.2
Capital expenditure [1]	46.4	50.1	20.9	14.4	0.0	131.8
Changes in the scope of consolidation (intangible assets and property, plant and equipment)	0.0	0.0	40.5	0.0	0.0	40.5
Amortization/depreciation on intangible assets and property, plant and equipment	41.1	19.1	17.1	7.2	0.0	84.5
Working capital [2]	377.2	160.3	167.6	–4.0	0.0	701.1
Capital employed [3]	853.1	359.8	499.1	79.6	0.0	1,791.6
Cash generation [4]	127.4	42.0	–53.6	–66.9	0.0	48.9
Result from investments accounted for At-Equity	–1.6	0.0	–31.0	0.0	0.0	–32.6
Investments accounted for At-Equity	0.3	0.0	43.6	0.0	0.0	43.9
Employees of investments accounted for At-Equity (number)	13	0	683	0	0	696
Total revenues of investments accounted for At-Equity [5]	5.0	0.0	140.1	0.0	0.0	145.1
Operating loss (EBIT) of investments accounted for At-Equity [5]	–2.6	0.0	–38.7	0.0	0.0	–41.3

[1] Defined as total of capital expenditure in intangible assets and property, plant and equipment

[2] Defined as the sum of inventories, receivables from long term construction contracts, and trade receivables less trade payables

[3] Defined as the sum of goodwill, other intangible assets, property, plant and equipment, and working capital

[4] Defined as total of operating profit/loss (EBIT) before impairment losses plus amortization on intangible assets and depreciation on property, plant and equipment plus change in working capital minus capital expenditure

[6] Agregated, non-consolidated 100% values with third parties

Information on geographical regions:

€m	Germany	Europe excluding Germany	North America	Asia	Other	SGL Group
2013						
Sales revenue (by destination)	242.2	368.0	347.0	369.6	150.2	1,477.0
Sales revenue (by company headquarters)	459.4	656.6	285.8	75.2		1,477.0
Capital expenditure	35.2	34.0	15.5	10.8		95.5
Non-current assets [1]	247.4	255.4	162.2	230.8	0.5	896.3
2012						
Sales revenue (by destination)	242.4	396.6	400.2	471.2	135.6	1,646.0
Sales revenue (by company headquarters)	565.6	689.1	309.0	82.3		1,646.0
Capital expenditure	58.8	30.3	23.6	19.1		131.8
Non-current assets [1]	276.5	251.3	218.0	259.0	0.4	1,005.2

[1] Non-current assets consist of other intangible assets, property, plant and equipment, equity accounted investments, and other non-current assets (excluding financial assets).

34. Management and employee participation schemes

SGL Group currently has five different management and employee participation schemes.

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. Since 2010, the participating members of the Board of Management and senior managers have been offered an LTCI Plan each year with a term of three years. Due to the new plan structures introduced in 2010, the participants were offered two LTCI plans in the first quarter of 2010: one plan with a regular term of three years and one interim LTCI plan with a term of two years. In both 2011 and 2012, a new LTCI plan was offered with a term of three years each.

A precondition for the payment of an LTCI bonus is the achievement of predefined minimum values. If the minimum value is achieved as of the end of the term of the relevant LTCI plan, 25% of the maximum bonus (minimum bonus) will be paid. If the target is fully achieved or exceeded as of the relevant end of the term, the maximum bonus will be paid. If the target achievement is between the minimum value and the target value as of the end of the term of the relevant LTCI plan, the relevant degree of target achievement (Z) is determined as a percentage by applying the following formula: Z= (actual value–minimum value)/(target–minimum value). The LTCI premium is calculated based on the minimum premium plus multiplying the difference between maximum and minimum premium with the degree of target achievement Z. Depending on their respective responsibilities, the Board of Management and the Supervisory Board will communicate the degree of target achievement and, on this basis, the amount of the relevant LTCI bonus, to the participants by March 31 of the fiscal year following the end of the term of the relevant LTCI plan.

The three LTCI plans currently outstanding are based on targets referring to average return on capital employed (ROCE), which is defined as the ratio of EBIT to average capital employed. Accordingly, the following targets apply for the individual plans:

%	Minimum bonus	Maximum bonus
Three-year plan 2011	8.0	11.0
Three-year plan 2012	8.5	11.5
Three-year plan 2013	7.0	9.0

The total volume of the LTCI plans introduced in 2011, 2012 and 2013 amounts to around €4.0 million each (senior managers and members of the Board of Management). A target achievement for the three current plans is no longer expected. Any existing provisions were reversed. The three-year LTCI Plan 2010 became due for payment in April 2013 an amount of €3,123 thousand after the Supervisory Board and the Board of Management established that the targets had been achieved at a rate of 84%.

A total of 10% of the relevant LTCI bonus (before deduction of taxes and levies) must be used by the respective participant to acquire no-par-value shares in the Company, which must be held for a period of two years. Participants are not entitled to a payout of such partial amount. The Company will appoint a credit institution or a financial services provider to acquire – for the account of and in the name of the participant – the relevant number of no-par-value shares within a period of up to five trading days from the relevant payout date and to hold such shares for the participant for a period of two years. The participant may dispose of the no-par-value shares held in his/her name only after such period is expired.

The Company or the equity investment at which the participant is employed will make the necessary funds directly available to the appointed credit institution to acquire the no-par-value shares. Costs arising in connection with the acquisition or the custody of the no-par-value shares are borne by the Company or the equity investment.

Matching Share Plan

In March 2001, SGL Group launched the Matching Share Plan for members of the Board of Management and the next three management levels. Under the plan, participants may invest up to 50% of their annual bonuses in shares of the Company. If they hold the shares for at least two years, they receive the same number of shares (matching shares – "MSP"). Please see **Note 25** for details on the number of shares available under the Matching Share Plan.

In 2013, a total of 663,527 shares were created via a capital increase from authorized capital to service the entitlements of the participating executives from the 2011 Matching Share Plan.

In the year under review, the members of the Board of Management and 150 senior managers participated in the current Matching Share Plan, which runs until 2015, purchasing a total of 107,832 SGL shares from their taxed income at a price of €30.83 per share.

The determination of the market price on the grant date represents the basis of recognition in the financial statements. The market price of shares to be granted as part of the Matching Share Plan running until 2014 was €30.83 per share, calculated using the price of SGL shares on the purchase date. The expense recognized for the Matching Share Plan in 2013 was €3.4 million (2012: €3.4 million).

Stock Option Plan

The Stock Option Plan was approved by the Annual General Meeting on April 27, 2000. A maximum of 1,600,000 shares from conditional capital was to be used to support the plan.

The options have a term of ten years from the grant date and were issued from 2000 until the end of 2004. They could only be exercised after a two-year vesting period.

Options may be exercised during the exercise period only during predetermined exercise windows of 20 days each after the publication of the operating results, provided SGL Group has met its performance targets (increase in the total shareholder return on SGL Carbon SE shares by at least 15% compared to the exercise price) at the time the options are exercised. Following exercise, participants must retain shares in the Company having a value equivalent to a minimum of 15% of the gross proceeds for another twelve months. The terms of the Stock Option Plan also provide for protection against dilution.

The number of options granted and the respective exercise prices for members of the Board of Management and senior management members after dilution-related adjustment were therefore as follows:

- on July 3, 2000, a total of 234,500 options at an exercise price of €67.71
- on January 16, 2001, a total of 257,000 options at an exercise price of €53.08
- on January 16, 2002, a total of 261,000 options at an exercise price of €20.26
- on August 12, 2002, a total of 247,000 options at an exercise price of €12.91
- on January 16, 2003, a total of 258,500 options at an exercise price of €3.61
- on January 16, 2004, a total of 254,000 options at an exercise price of €8.69

A total of 1,512,000 options were granted under the Stock Option Plan of which 641,000 expired without compensation due to the termination of employment relationships. In 2013, a total of 8,300 options from 2004 were exercised by participants at €8.69. In total, 869,500 options have been exercised under the stock option plan. Accordingly, there are 1,500 options currently outstanding; these option will expire in January 2014.

Stock Appreciation Rights Plan (SAR Plan)

SGL Group shareholders resolved on April 29, 2009, to introduce – after the end of the 2005 SAR Plan on December 31, 2009 – a new Stock Appreciation Rights Plan (“2010 SAR Plan”) for the Board of Management and the next three management levels in line with the former 2005 SAR Plan. The SAR Plan is to be supported by a maximum of 2,100,000 new shares from 2010, while the SAR Plan applicable until 2009 is supported by a total of 1,600,000 new shares from conditional capital against contributions in kind (see **Note 25** for details).

The 2010 SAR Plan came into effect on January 1, 2010. The SARs may be issued at any time during the period until the end of 2014.

The Supervisory Board administers the plan for the members of the Board of Management. The Board of Management administers the SAR Plan for approximately 200 senior managers and executives in the Company and its subsidiaries.

SARs entitle the participants to receive variable remuneration from the Company equivalent to the difference (appreciation in price) between the SGL Carbon SE share price on the grant date (base price) and that on the SAR exercise date (exercise price) plus any dividends paid by the Company during this period, plus the value of the subscription rights, and they entitle the participants to purchase at the exercise price the number of SGL Carbon SE shares whose market value corresponds to the appreciation in price. Each SAR entitles the participant to receive that fraction of a new SGL Carbon SE share that is calculated by dividing the appreciation value by the issue price.

The SARs may only be granted to the participants within a period of up to ten stock market trading days after the end of the fiscal year or after SGL Carbon SE's published reporting dates. The base price is calculated on the basis of the average closing price of SGL Carbon SE shares in the XETRA trading system over the 20 stock market trading days immediately preceding the date on which the SAR is granted. The exercise price is calculated in the same way as the base price, except that the relevant 20 stock market trading days prior to the SAR exercise date are used. SARs have a term of up to ten years and SARs may not be exercised until the end of a vesting period of two years calculated from the grant date (holding period). SARs may then only be exercised during defined periods (exercise windows). The SARs expire if they are not exercised within this period.

Predetermined performance targets must be achieved to enable exercise. For 75% of the SARs granted, the performance target is the increase in total shareholder return (TSR) on SGL Carbon SE shares (absolute performance target). Accordingly, the absolute increase in the SGL Carbon SE share price between grant and exercise of the SARs must be at least 15%. The remaining 25% of the SARs may only be exercised if the performance of SGL Carbon SE shares is at least equivalent to that of the MDAX. The Company reserves the right to settle the appreciation through outstanding, repurchased SGL Carbon SE shares or cash, instead of issuing new shares. Finally, the participants must invest at least 15% of the gross receipts from the exercise of SARs in SGL Carbon SE shares and must hold these for a further period of twelve months.

The number of SARs granted and their respective base prices for members of the Board of Management and senior management members under the 2005–2009 SAR Plan were as follows:

- January 14, 2005: a total of 608,100 SARs at a base price of €9.74 | after dividend payment 2013: €9.34 (2012: €9.54)
- January 13, 2006: a total of 630,200 SARs at a base price of €14.51 | after dividend payment 2013: €14.11 (2012: €14.31)
- January 15, 2007: a total of 668,700 SARs at a base price of €18.74 | after dividend payment 2013: €18.34 (2012: €18.54)
- January 15, 2008: a total of 718,175 SARs at a base price of €34.98 | after dividend payment 2013: €34.58 (2012: €34.78)
- October 30, 2008: a total of 20,750 SARs at a base price of €19.79 | after dividend payment 2013: €19.39 (2012: €19.59)
- January 15, 2009: a total of 759,320 SARs at a base price of €22.08 | after dividend payment 2013: €21.68 (2012: €21.88)

Accordingly, a total of 3,405,245 SARs have been granted to date under the SAR Plan 2005–2009, of which a total of 2,863,745 SARs have been exercised and 228,650 SARs have expired without being exercised as the individuals holding these SARs are no longer employed by the Group. At the end of the year under review, a total of 312,850 SARs remain outstanding under this plan.

The following number of SARs has been granted under the 2010 SAR Plan to members of the Board of Management and senior management members:

- January 15, 2010: a total of 850,670 SARs at a base price of €21.96 after dividend payment 2013: €21.56 (2012: €21.76)
- January 14, 2011: a total of 820,953 SARs at a base price of €27.06 after dividend payment 2013: €26.66 (2012: €26.86)
- January 13, 2012: a total of 832,545 SARs at a base price of €39.50 after dividend payment 2013: €39.10 (2012: €39.30)
- January 15, 2013: a total of 839,795 SARs at a base price of €31.43 after dividend payment 2013: €31.23

Of the total number of SARs granted under the 2010 SAR Plan (3,343,336), 624,569 SARs were exercised and 298,650 SARs expired without being exercised as the individuals holding these SARs are no longer employed by the Group. At the end of the year under review, a total of 2,420,744 SARs remain outstanding. On January 14, 2005, 589,987 SARs were granted at a base price of €29.17.

The closing price of SGL shares was €22.42 on the first issue date (January 15, 2010), €28.39 on the second issue date (January 14, 2011), €39.33 on the third issue date (January 13, 2012), and €32.90 on the fourth issue date (January 15, 2013).

The total expense for SARs in fiscal year 2013 amounted to €11.6 million (2012: €11.9 million). The SARs were measured on the grant date on the basis of a Monte Carlo simulation, taking into account the market conditions described above (TSR increase and MDAX index). SGL Group-specific valuation parameters (such as dividends) were used and specific employee exercise behavior was assumed. For the SARs granted in 2010, we have assumed for valuation purposes that no dividend payment will be made, while measurement in 2011 was based on the assumption of future dividend payments. This assumption was also made for measurement in 2013. The assumed risk-free zero interest rates were 1.59% for the 2013 SARs and 1.87% for the 2012 SARs. A volatility of 48.05% was calculated for the SAR tranche in 2013; the volatility calculated for the 2012 SAR tranche was 52.27%. The volatilities are calculated on the basis of daily XETRA closing prices for the SGL Carbon SE shares during the last five years. The fair value per issued SAR to be recognized for the expense from share-based payments required to be reported under IFRS amounted to €13.42 for the 2013 SARs and €16.45 for the 2012 SARs.

Bonus program for employees

All employees of the material German companies who are both included in and exempt from collective wage agreements receive an annual bonus, the amount of which is based on the achievement of corporate targets, personal performance and the amount of the individual fixed remuneration. The bonus is paid entirely in shares to non-exempt employees, and exempt employees receive 50% in shares (Bonus Shares). The goal is to enable all employees to share in the Company's success and in so doing provide each employee with a strong incentive to contribute to growth.

The bonus is determined based on the targets and the degree of target achievement of SGL Group and the respective Business Unit, the individual performance evaluation and Group targets for the non-exempt employees.

The following criteria apply: income before taxes at SGL Group level and operating profit (EBIT) and cash generation for the Business Unit. Additional components are individual target achievement and, for non-exempt employees, the degree of target achievement with regard to defined and agreed group targets as well as the individual performance evaluation.

The bonus is paid in the form of shares in March or April of the following year. For the bonus paid in shares, the bonus amount is divided by the determined daily price quotation on March 16 of the relevant year. If no trading of shares takes place on that date, the price on the next trading day will be used. The resulting rounded number of shares is transferred to the employee's custodian account. A total of 30% of the shares are blocked for one year; 70% can be sold immediately. A total of €3.9 million was expensed for the 2013 bonus plan in Germany (2012: €6.9 million).

The following table gives an overview of the accounting method used for the various plans:

	Share-based payment within the meaning of IFRS2	Applied rule to recognize as liabilities	Equity-settled or cash-settled	Recognized liabilities for non-equity-settled payments (in € thousand)	
				Dec. 31, 2013	Dec. 31, 2012
LTCI-Plan	No	IAS 19.7	n. a.	0	5,058
Matching Share Plan	Yes	IFRS 2/IFRIC 11	Equity-settled	n. a.	n. a.
Stock Option Plan					
Tranches before IFRS 2 transition date according to IFRS 2.53, i. e. November 7, 2002					
All grants before transition date	No	no balance sheet effect until exercise of the option	n. a.	0	0
Tranches after IFRS 2 transition date according to IFRS 2.53, i. e. November 7, 2002					
Grant starting 2003	Yes	IFRS 2	Equity-settled	n. a.	n. a.
SAR plans	Yes	IFRS 2	Equity-settled	n. a.	n. a.
Bonus program for employees					
Bonus for exempt employees	Yes	IFRS 2/IFRIC 11	Equity-settled	n. a.	n. a.
Bonus for non-exempt employees					
thereof 50% in cash used for bonus entitlement	No	IAS 19 (short-term employee benefit)	n. a.	2,374	2,797
thereof 50% in new shares of SGL Carbon SE used for bonus entitlement	Yes	IFRS 2/IFRIC 11	Equity-settled	n. a.	n. a.

n. a. = not applicable

Additional information on instruments granted:

	SAR-Plan Number	SAR Plan Avge. price in €	Matching Share Plan Number	Matching Share Plan Avge. price in €	Stock options plan Number	Stock options plan Avge. price Ø Preis in €
Balance as of Jan. 1, 2012	2,090,774	23.99	199,069	28.45	52,550	10.57
Addition	832,545	39.30	103,838	35.44	0	
Expired/returned	–34,550	30.69	–5,724	34.81	–14,000	17.69
Exercised	–563,506	21.15	–93,678	21.67	–28,750	7.75
Balance as of Dec. 31, 2012	**2,325,263**	**30.06**	**203,505**	**34.96**	**9,800**	**8.67**
Balance as of Jan. 1, 2013	2,325,263	29.86	203,505	34.96	9,800	8.67
Addition	839,795	31.43	107,832	30.83	0	
Expired/returned	–214,075	34.63	–32,110	33.93	0	
Exercised	–217,389	21.48	–100,922	34.63	–8,300	8.69
Balance as of Dec. 31, 2013	**2,733,594**	**30.64**	**178,305**	**33.01**	**1,500**	**8.57**
Range of exercise prices in €	9.34–39.10				8.69	
Expiration dates	January 14/2015		March 12/2014		January 14/2014	
Intrinsic value as of December 31, 2013 (in €m)	5.2		5.1		0.0	
Intrinsic value as of December 31, 2012 (in €m)	8.2		6.1		0.2	

The dividend payment in 2013 resulted in a retroactive decrease of the SAR price by €0.20 for all plans.

In 2013, a total of 8,300 options from the Stock Option Plan were exercised (2012: 28,750 options). The options were exercised during four trading windows in 2013, respectively, in which the average share price in fiscal year 2013 was as follows: €28.05 (2012: €30.44) for the August 2004 Stock Option Plan, €27.62 (2012: €31.30) for the 2005 Stock Option Plan, €27.92 (2012: €31.65) for the 2006 Stock Option Plan, €28.24 (2012: €31.37) for the 2007 SAR Plan, €28.18 (2012: €32.26) for the 2009 SAR Plan, €28.16 (2012: €33.40) for the 2010 SAR Grant, and €29.27 (2012: not yet exercisable) for the 2011 SAR Grant.

The weighted average term to maturity for the 2005 SAR plan is 3.7 years (2012: 4.6 years), 7.8 years for the 2010 SAR Plan (2012: 8.3 years), 0.0 years for the Matching Share Plan (2012: 0.7 years) and 1.0 years for the Stock Option Plan (2012: 1.0 years).

35. Remuneration of the Board of Management and Supervisory Board of SGL Group

Pursuant to section 120 (4) of the German Stock Corporation Act (Aktiengesetz – AktG), the resolution approving the remuneration system for members of the Board of Management was presented to the Annual General Meeting on April 30, 2010. The resolution was passed with more than 97% of voting in favor. This remuneration system was changed with effect from January 1, 2014 onwards (see below).

The full Supervisory Board is responsible for determining the remuneration of the Board of Management. The Personnel Committee makes suggestions and prepares the resolutions to be passed by the Supervisory Board.

The remuneration of the Board of Management of SGL Carbon SE has been, is and will be based on the Company's size and global activities, its economic and financial position, the amount and structure of remuneration paid at this level in comparable companies as well as the performance of the members of the Board of Management. The remuneration is set at a level which is competitive in the market for highly qualified executives and which provides an incentive for success in a high-performance culture.

Remuneration in fiscal year 2013

The remuneration in fiscal year 2013 comprised four components: (i) basic remuneration, (ii) variable cash compensation, (iii) share-based payment, and (iv) a pension.

The **basic remuneration** was paid monthly as a salary.

The **Variable Cash Compensation** comprised an annual bonus (60% of the Variable Cash Compensation) and a multi-year component (40% of the Variable Cash Compensation). A total of 10% of each annual pre-tax bonus under the Variable Cash Compensation had to be invested in SGL Carbon SE shares, which were subject to a minimum lock-up period of 24 months.

Annual bonus

For each member of the Board of Management, a maximum bonus of not more than 120% of the basic remuneration had been defined. The maximum bonus is payable in the case of 100% target achievement. Payment of the bonus depends on achieving earnings before tax and free cash flow targets set by the Supervisory Board (weighted at 35% each in 2013 for a total of 70%) as well as an evaluation of the overall performance of the Board of Management conducted by the Supervisory Board (weighted at 30%). The targets are based on the annual planning of the Company. If one specific target is not fully achieved, this may be partly compensated through over-achievement of another target. In view of the overall evaluation of the performance of the Board of Management, the Supervisory Board determines an amount to be paid of between 0% and 100% of the target bonus amount defined for the performance of the Board of Management, subject to a weighting of 30% of the total bonus.

Multi-year component (Long term Cash Incentive Plan or LTCI Plan)

The multi-year component was determined based on the average attainment of annual return on capital employed (ROCE) targets within a three-year period each. Target and threshold values of this multi-year approach are determined by the Supervisory Board on an annual basis. A total of 10% of the gross proceeds had to be invested in SGL shares over an additional period of 24 months (see **Note 34** for information on the LTCI Plan).

Share-based payment consisted of stock appreciation rights (SAR Plan) granted under the terms of the 2010 Stock Appreciation Rights Plan approved by the Annual General Meeting of the Company on April 29, 2009. At the end of a two-year vesting period, the exercise of these SARs is contingent upon the achievement of defined performance targets. A total of 15% of the gross proceeds must remain invested in SGL shares over an additional period of twelve months (see **Note 34** for more information on the SAR Plan).

Furthermore, the members of the Board of Management could participate in the Company's Matching Share Plan, adopted by the Annual General Meeting held on April 27, 2000, and invest up to 50% of their annual bonuses in shares of the Company at the prevailing market price fixed during the last seven trading days in March. The decision whether to participate in the Matching Share Plan was at the sole discretion of the individual member of the Board of Management. The shares were paid from the net income after tax of the individual Board of Management member. After a two-year holding period, each member of the Board of Management concerned is granted the same number of shares again. This additional financial benefit is taxed on the basis of the market price on the date the shares are allocated. (see **Note 34** for information on the Matching Share Plan).

In accordance with German Accounting Standard 17 (DRS 17), the disclosure of remuneration under share-based payments is based on the total amount of the equity instruments granted (SARs and Matching Shares) as of the grant date.

The basic remuneration and the variable remuneration paid to the Board of Management for 2013 and 2012 is set out below:

	Fixed remuneration		**Variable components**			
	Basic remuneration		Annual bonus		LTCI	
T€	**2013**	2012	**2013**	2012	**2013**	2012
Robert J. Koehler	710	670	227	647	0	161
Theodore H. Breyer (until Oct. 10, 2013)	442	500	141	483	0	107
Armin Bruch	465	440	149	425	0	107
Dr. Jürgen Köhler (since June 1, 2013)	187	0	60	0	0	0
Jürgen Muth	465	440	149	425	0	107
Dr. Gerd Wingefeld	465	440	149	425	0	107
Total	**2,734**	**2,490**	**875**	**2,405**	**0**	**589**

The annual bonus entitlement of €875 thousand acquired in 2013 reflects the bonus provisions recognized as an expense in connection with the expected target achievement. The annual bonus for 2012 reflects the actual target achievement and was paid out in 2013. The mid-term LTCI expense of 2012 reflects the pro-rata provisions for fiscal year 2012 recognized as an expense in 2012 as well as in 2011 and 2010, assuming an expected target achievement at year-end 2012 for the three parallel plans. As in 2012, a partial target achievement for the individual plans had been assumed. The provision existing as of December 31, 2012 in a total amount of €2,424 thousand was used on the one hand for payment under the expired LTCI-Plan 2011–2012 in the amount €1,544 thousand, or 84.3% of the maximum achievable target, with Robert J. Koehler receiving €420 thousand and the Board members Theodore H. Breyer, Armin Bruch, Jürgen Muth and Dr. Gerd Wingefeld €278 thousand each. (see **Note 34**). On the other hand, the residual amount of the provision of €880 thousand at year-end 2013 was reversed through profit or loss, since a target achievement for the outstanding plans is no longer deemed possible.

In 2013, the Board members acquired a total of 36,251 shares (2012: 40,913 shares) at a total value of €1,118 thousand (2012: €1,450 thousand) from their taxable income within the framework of the Matching Share Plan. The purchase price per share was €30.83 per share in 2013 (2012: €35.44 per share). After the two-year holding period has expired, each Board member receives the same number of purchased shares (matching shares). The presentation in the financial statements and in the Remuneration Report is based on the market value as determined on the grant date, i.e. the share price on the date of acquisition. The total value of the Matching Shares at the date of the grant for the individual members of the Management Board in 2013 is as follows for Robert J. Koehler, Theodore H. Breyer, Armin Bruch, Jürgen Muth and Dr. Gerd Wingefeld: €324 thousand, €241 thousand, €213 thousand, €128 thousand and €213 thousand, respectively (2012: €402 thousand, €309 thousand, €264 thousand, €211 thousand and €264 thousand, respectively).

The extent to which this settlement amount will actually materialize will depend on the level of the SGL share price on the settlement day in 2015.

A total of 180,000 SARs were granted to the members of the Board of Management in 2013 (2011: 180,000 SARs).

	SAR-Plan			
	Granted SARs		SAR expense	
	2013 Number	2012 Number	**2013 T€**	2012 T€
Robert J. Koehler	50,000	50,000	671	823
Theodore H. Breyer (until Oct. 31, 2013)	40,000	40,000	537	658
Armin Bruch	30,000	30,000	403	494
Jürgen Muth	30,000	30,000	403	494
Dr. Gerd Wingefeld	30,000	30,000	403	494
Total	**180,000**	**180,000**	**2,417**	**2,963**

The base price of the SARs granted as of January 15, 2013, was €31.43 per SAR (SARs granted as of January 13, 2012: €39.50 per SAR). The calculation of the value of these SARs (based on a "Monte Carlo simulation" using valuation parameters specific to SGL Carbon) produced a figure of €13.42 per SAR for the SARs granted as of January 15, 2013 (January 13, 2012: €16.45 per SAR). The SAR expense is accrued over the two-year holding period.

The imputed total value of SARs granted to the members of the Board of Management was therefore €2,417 thousand in 2013 and €2,963 thousand in 2012. The value of these SARs on the conversion date will differ from the calculated theoretical values and may be either higher or lower. As of December 31, 2013, the price of SGL shares was quoted at €28.78, resulting in an intrinsic value of €0.0 per SAR as of December 31, 2013 for the SARs granted as of January 15, 2013, compared to a total value of €2,417 thousand recognized as remuneration. This was due to the fact that the base price was above the share price quoted on December 31, 2013.

Termination benefits for members of the Board of Management

A termination agreement was concluded in connection with the early termination of the Board membership of Robert Koehler with effect of December 31, 2013 by mutual agreement. In this context, compensation payment was agreed in a gross amount of €6,497 thousand, consisting of a basic severance component of €2,980 thousand, a compensation payment for the non-compete clause after contract termination in the amount of €1,500 thousand as well as payments for the settlement of the SAR and Matching Share Plans in the amount of €2,017 thousand. Concurrently, of the SARs granted in 2012 and 2013 a total 50,000 SARs each expired as of December 31, 2013, since the two-year holding period had not been reached, while 12,500 SARs from the 2011 grant which have not been exercised continue to be valid. In addition 7,978 MSP are forfeited. The compensation payment for the non-compete clause is payable in three installments at the beginning of each year until 2016. The other arrangements are payable in the first half of 2014. The expiry of the SARs and Matching Shares was released to income in an amount of €1,278 thousand, while the remaining net expense of €5,219 thousand was recognized as restructuring expenses.

A termination agreement was concluded in connection with the early termination of the Board membership of Armin Bruch with effect of December 31, 2013 by mutual agreement. In this context, compensation payment was agreed in a gross amount of €3,778 thousand, consisting of a basic severance component of €1,422 thousand, a compensation payment for the non-compete clause after contract termination in the amount of €430 thousand as well as payments for the settlement of the SAR and Matching Share plans in the amount of €1,926 thousand. Concurrently, of the SARs granted in 2012 and 2013 a total 30,000 SARs each expired as of December 31, 2013, since the two-year holding period had not been reached, while 30,000 SARs from the 2011 grant which have not been exercised continue to be valid. In addition 14,342 MSP are forfeited. The compensation payment for the non-compete clause is payable at the end of 2014. The other arrangements are payable in the first half of 2014. Due to the expiry of SAR, MSPs and the release of the bonus provision to income a profit in an amount of €1,150 thousand was recorded, while the remaining net expense of €2,627 thousand was recognized as restructuring expenses.

The Board member Theodore H. Breyer resigned as member of the Board of Management as of October 31, 2013. He continues to support the Company until June 30, 2014; remuneration will continue to be paid until that date.

Total remuneration

The total remuneration for the Board of Management, including payments in kind, bonus entitlements and share-based components amounted to €7,169 thousand in 2013 (2012: €9,927 thousand) in addition to the payments in connection with termination benefits (see above) of €7,846 thousand. Payments in kind comprise, for each Board member, the costs for company cars, social security charges and accident insurance.

Retirement benefits

The amount of the post-employment benefit commitment and the pension benefit depends on the number of terms of appointment and the number of years of service on the Board of Management, and it represents a percentage of the last fixed monthly salary. This percentage is 80% of the last fixed monthly salary received for the Chairman of the Board of Management (Robert J. Koehler), and it is not more than 70% of the last fixed monthly salary received for all other members of the Board of Management. The maximum entitlement has been earned by Robert J. Koehler, Theodore H. Breyer and Armin Bruch. The benefit entitlement for the Board members Jürgen Muth and Gerd Wingefeld currently amounts to 50%. The pension benefit entitlement is increased starting from the seventh and eight year of Board membership by 5% each; at the beginning of the ninth year, the maximum entitlement of 70% is reached. The defined benefit pension plan for Dr. Jürgen Köhler is transferred into a defined contribution plan in 2014.

	Pension commitments			
	Present value of DBO as of		Service cost	
T€	**Dec. 31, 2013**	Dec. 31, 2012	**2013**	2012
Robert J. Koehler	10,209	9,952	0	0
Theodore H. Breyer (until Oct. 31, 2013)	6,573	6,674	0	0
Armin Bruch	6,713	5,385	872	722
Dr. Jürgen Köhler (since June 1, 2013)	1,697	0	593	0
Jürgen Muth	4,770	3,712	762	605
Dr. Gerd Wingefeld	4,368	3,450	658	517
Total	**34,330**	**29,173**	**2,885**	**1,844**

The present value of the defined benefit obligation increased by €5.2 million, of which €0.3 million are due to experience adjustments and €1.1 million are the result of the first time inclusion of Dr. Jürgen Köhler. The remaining increase of €3.8 million (2012: €3.3 million), which represents the total pension expense for active Board members, was determined based on the service cost and the calculated additional interest cost.

In fiscal year 2013, all Board members were subject to non-competition agreements pursuant to their then existing employment contracts, applicable after the end of the employment contract. The non-competition agreements had two-year terms during which the Company pays a compensation in the amount of 60% of the previous remuneration in return (for Board members Robert J. Koehler and Theodore H. Breyer, the agreement provides for compensation of 75% of the last remuneration). The Company can waive, at any time, the non-competition clause.

The total remuneration for former members of the Board of Management, executive management, and their surviving dependents amounted to €0.5 million in 2013 (2012: €0.6 million). Provisions of €16.4 million (December 31, 2012: €16.4 million) had been recognized as of December 31, 2013 to cover pension obligations to former members of executive management and their surviving dependents.

Additional disclosures on share-based payment instruments in fiscal year 2013

SAR Plan

	Balance as of Jan. 1, 2013		Additions in 2013		Forfeited 2013
	Number of SARs	Base price in € (weighted)	Number of SARs	Base price in €	
Robert J. Koehler	100,000	32.88	50,000	31.43	100,000
Theodore H. Breyer	80,000	32.88	40,000	31.43	
Armin Bruch	60,000	32.88	30,000	31.43	60,000
Jürgen Muth	60,000	32.88	30,000	31.43	
Dr. Gerd Wingefeld	82,500	29.79	30,000	31.43	
Total	**382,500**	**32.21**	**180,000**	**31.43**	**160,000**

The dividend payment in 2013 led to a reduction of the base price of the SARs by €0.20 each.

Matching share plan

	Balance as of Jan. 1, 2013		Acquired in 2013	Due in 2013	Forfeited 2013	Balance as of Dec. 31, 2013	
	Number of matching shares rights	Average price as of the acquisition date	Number of matching shares rights	Number of matching shares rights		Number of matching shares rights	Average price as of the acquisition date
	Number	in €	Number	Number		Number	in €
Robert J. Koehler	21,738	35.05	10,496	10,395	7,978	13,861	34.13
Theodore H. Breyer	16,307	35.06	7,833	7,595		16,545	33.26
Armin Bruch	14,379	35.05	6,893	6,930	14,342	0	0
Jürgen Muth	11,505	35.05	4,136	5,545		10,096	33.55
Dr. Gerd Wingefeld	14,379	35.05	6,893	6,930		14,342	33.22
Total	**78,308**	**35.05**	**36,251**	**37,395**	**22,320**	**54,844**	**33.52**
Average price as of acquisition date in €			30.83	34.63			
Share price on day of allocation in €				30.89			

Exercised in 2013			Balance as of Dec. 31, 2013			
Number of SARs	Base price in € (weighted)	Share price in € (average)	Number of SARs	Base price in € (weighted)	Number of exercisable SARs	Base price in € (weighted)
37,500	26.66	28.16	12,500	26.66	12,500	26.66
0	0	0	120,000	32.40	40,000	26.66
0	0	0	30,000	26.66	30,000	26.66
0	0	0	90,000	32.40	30,000	26.66
0	0	0	112,500	30.23	52,500	24.47
37,500	**26.66**	**28.16**	**365,000**	**31.06**	**165,000**	**25.96**

In 2013, the imputed total expense for the share-based payments for members of the Board of Management and senior managers to be recognized in accordance with IFRS 2 was €11.6 million for the SAR Plan (2012: €11.9 million) and €3.4 million for the Matching Share Plan (2012: €3.4 million). The share of this total expense attributable to each of the members of the Board of Management in 2013 and 2012 was as follows:

	Share in total SAR expense		Share in total MSP expense	
%	**2013**	2012	**2013**	2012
Robert J. Koehler	6.4	6.2	10.8	10.6
Theodore H. Breyer	5.1	4.9	8.1	7.9
Armin Bruch	3.9	3.7	7.1	6.9
Jürgen Muth	3.9	3.7	5.1	5.5
Dr. Gerd Wingefeld	3.9	3.7	7.1	6.9
Total	**23.2**	**22.2**	**38.2**	**37.8**

Further development of remuneration for the Board of Management from 2014

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 by the Supervisory Board with the assistance of an independent, external advisor and resolved by the Supervisory Board on December 19, 2013. The remuneration for the members of the Board of Management was changed on January 1, 2014. As a rule, the individual agreements for the Board members are identical. Different characteristics have been agreed in some cases with respect to retirement benefits, the maximum total remuneration and the provisions in the event of termination of a Board member's contract. These differencies take into account the respective Board member's situation on the date when the remuneration system was changed.

During this restructuring, to fulfill the regulatory requirements, the following objectives in particular were considered:

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

The fundamental system for the new remuneration for the Board of Management is described below.

Structure for the Board of Management

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

The non-performance related components include a fixed annual salary (basic remuneration) as well as incidental payments and an annual contribution to retirement benefits. The basic remuneration is paid in twelve equal installments at the end of each month. This totals €630,000 per year for Dr. Koehler, €465,000 for Mr. Muth, and €465,000 for Dr. Wingefeld. The incidental payments mostly comprise the use of a company car, including use of the pool of chauffeurs, accident insurance, as well as D&O insurance with a deductible according to the Aktiengesetz (AktG – German Public Limited Companies Act) and the German Corporate Governance Code (GCGC).

The performance-related components comprise annual variable remuneration (SGL Carbon SE Bonus Plan) and a multi-year variable remuneration component (SGL Carbon SE Performance Share Plan).

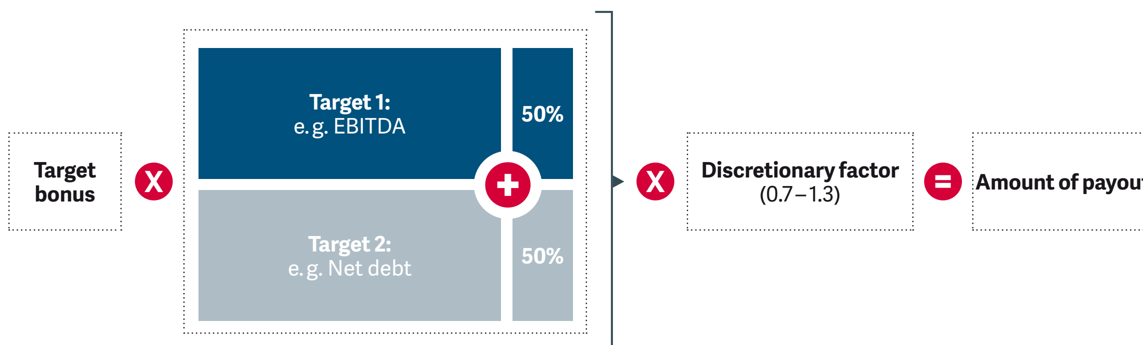
SGL Carbon SE Bonus Plan

The annual variable remuneration for the members of the Board of Management is measured based on a target bonus defined individually for each Board member (Dr. Koehler € 420,000, Mr. Muth € 558,000, and Dr. Wingefeld €350,000 per year). The amount paid out depends on financial and individual performance targets being reached during a fiscal year.

In determining the annual variable remuneration, as a rule the Supervisory Board sets two financial performance targets per year, which can change year by year. The targets carry an equal weighting, both 50%. Depending on the target, these can be reached at between 0% and 200%. The requirements for achieving this target increase from 120%.

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

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



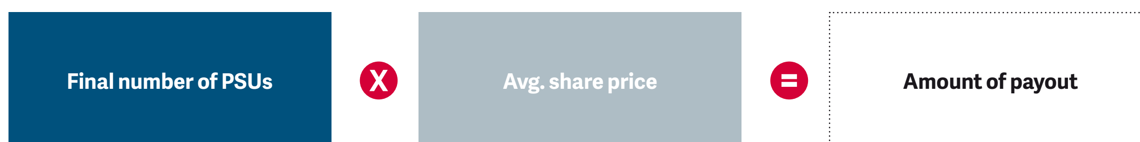
SGL Carbon SE Performance Share Plan

Members of the Board of Management are entitled to multi-year variable remuneration in the form of the SGL Carbon SE Performance Share plan (SGL PSP). SGL PSP aims to honor company's sustained, long term growth. This is mapped using the multi-year ROCE (performance target) and share price. One tranche of the plan is granted each year. The Supervisory Board sets the target ROCE including the relevant minimum and maximum threshold for a period of four years.

Upon granting, an allocation value in euros has been set for each Board member (Dr. Köhler €700,000, Mr. Muth €993,900, and Dr. Wingefeld €545,000 per year). This value is used to calculate a preliminary number of virtual shares (performance share units, PSU) every year. The number of preliminary PSUs is calculated at the start of the corresponding period by dividing the allocation value by the fair value per share for the PSU. This fair value is computed by an independent third party.

After a period of four years, the degree of ROCE-target attainment is identified. A payment is only made if at least the lowest ROCE target is reached. The final number of PSUs is limited and can be between 0% and 150% of the preliminary number of PSUs.

The possible amount paid is given by the final number of PSUs multiplied with the rounded share price at the end of the 4-year performance period. The rounded share price is the average share price for 60 trading days at the end of the 4-year performance period. The total amount to be paid out is capped at 200% of the allocation value on the date granted (Cap). Payouts are made in cash.



Company retirement benefits

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

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

The company retirement benefit plan for Dr. Koehler has been migrated to the new system. The former system continues to apply for Mr. Muth and Dr. Wingefeld.

Shareholding requirements

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

The Supervisory Board is entitled to re-determine the number of shares to be held when the Board of Management is re-appointed in line with the described method.

Maximum total remuneration

As part of the changes to the contracts, the target remuneration (basic remuneration plus 100% target achievement for all variable targets plus retirement benefits) will be reduced significantly from January 1, 2014:

	Chief Executive Officer		Chief Financial Officer		Member of the Board of Management	
€	**2013**	2014	**2013**	2014	**2013**	2014
Direct Target Remuneration	2,965,000	1,780,000	2,067,933	2,044,900	2,067,933	1,390,000
Retirement Benefits	593,000	0	762,000	810,000	658,000	699,000
Target Renumeration	**3,558,000**	**1,780,000**	**2,829,933**	**2,854,900**	**2,725,933**	**2,089,000**

The contract for the CFO Mr. Muth has been changed in principle with effect from January 1, 2014, however the amount is identical to that in the previous contract. Dr. Köhler will receive for the first time on January 1, 2017 a defined contribution amount for the period relating to 2016.

In addition, it was resolved to set maximum total remuneration for 2014. That means that the annual gross remuneration of the members of the Board of Management of SGL Carbon SE (including contributions to the company pension scheme) is subject to a cap, considering all of the remuneration components. The maximum amount of the annual maximum remuneration from fiscal year 2014 is €3,600,000 for Dr. Koehler, €2,854,900 for Mr. Muth, and €3,100,000 for Dr. Wingefeld.

Payments in the event of termination of activities

If the appointment of the Board member as a member of the Board of Management is prematurely terminated – be this by mutual consent, cancellation, resignation or by termination as a result of company law proceedings under the UmwG – the Board members receive maximum compensation of two annual salaries in line with the German Corporate Governance Code. If the residual period of the employment contract for the member of the Board of Management is less than two years, the compensation is generally reduced and is to be calculated on a pro rata basis. The amount of the annual remuneration to be paid is governed by the total amount of the fixed salary and the variable remuneration components, based on targets being 100% achieved without non-cash compensation and other incidental payments for the last full fiscal year prior to the end of the employment agreement for the Board member.

As a rule, the Board members are subject to a one-year ban on competition after their contract ends. As compensation, the company pays the members of the Board of Management compensation of 50% of their last target remuneration for the duration of the prohibition on competition. Other income for the Board member is netted with this compensation.

In the event of a change of control, there is separate regulation for Board members (see **Note 36**).

Supervisory board remuneration

In addition to the reimbursement of expenses, each member of the Supervisory Board receives fixed remuneration of €30 thousand payable after the end of the fiscal year. The Chairman of the Supervisory Board receives double this amount and the Deputy Chairman receives one-and-a-half times this amount. Each member of a Supervisory Board committee receives €2 thousand for each committee meeting attended. The chairmen of the Personnel Committee, Strategy Committee and Technology Committee each receive €3 thousand per meeting, and the chairman of the Audit Committee receives €5 thousand per meeting.

T€	Member since	Age as of the date of release of the 2013 annual report	Period of service (appointed up to)	Remuneration: Basic remuneration	Remuneration: Additional remuneration	Total
Susanne Klatten (Deputy Chairwoman until April 30, 2013, Chairwoman since April 30, 2013)	2009[1)]	51	HV 2015	55.1	17.6	72.7
Dr. Ing. Hubert H. Lienhard (Deputy Chairman since April 30, 2013)	1996[4)]	63	HV 2018	40.1	9.6	49.7
Helmut Jodl (Deputy Chairman since April 30, 2013)	2008[2)]	52	HV 2018	40.1	9.6	49.7
Dr. Christine Bortenlänger (since April 30, 2013)	2013	47	HV 2018	20.2	7.0	27.2
Dr. Daniel Camus	2008	61	HV 2018	30.0	4.4	34.4
Ana Cristina Ferreira Cruz (since April 30, 2013)	2013	50	HV 2018	20.2	1.2	21.4
Edwin Eichler	2010	55	HV 2016	30.0	3.6	33.6
Max Dietrich Kley (Chairman until April 30, 2013)	2004[1)]	74	HV 2013	19.7	5.4	25.1
Michael Leppek (since April 30, 2013)	2013	43	HV 2018	20.2	3.0	23.2
Michael Pfeiffer (until April 30, 2013)	2007	52	HV 2013	9.9	2.4	12.3
Marek Plata (until April 30, 2013)	2009	48	HV 2013	9.9	0.4	10.3
Josef Scherer (Deputy Chairman until April 30, 2013)	2003	57	HV 2013	14.8	4.4	19.2
Andrew H. Simon	1998[3)]	68	HV 2015	30.0	18.4	48.4
Marcin Rzemiński (since April 30, 2013)	2013	53	HV 2018	20.2	3.2	23.4
Stuart Skinner (until April 30, 2013)	2009	36	HV 2013	9.9	0.4	10.3
Markus Stettberger (since April 30, 2013)	2013	42	HV 2018	20.2	5.2	25.4
Heinz Will (until April 30, 2013)	2005	57	HV 2013	9.9	0.4	10.3
Hans-Werner Zorn (since April 30, 2013)	2013	58	HV 2018	20.2	3.2	23.4
Total				**420.6**	**99.4**	**520.0**

[1)] Chairwoman/Chairman of the Personnel Committee
[2)] Chairman of the Strategy/Technology Committee since April 30, 2013
[3)] Chairman of the Audit Committee
[4)] Chairman of the Strategy/Technology Committee until April 30, 2013

Total wages and salaries for employee representatives in the Supervisory Board amounted to €350 thousand (2012: €270 thousand).

There were no significant changes compared to the previous year in relation to the disclosures made above.

36. "Change in control" agreement

The members of the Board of Management have the right to terminate their contracts of employment in the event of a change in control, i.e. if (i) the Company is notified that a third party has gained 25% or more of the voting rights in the Company and providing that attendance at the most recent Annual General Meeting of the Company was below 50%, (ii) a third party, alone and/or together with voting rights attributable to the third party, holds at least 30% or, based on attendance at the Annual General Meeting of the Company, the majority of voting rights in the Company, (iii) the Company as an independent company enters into a control agreement within the meaning of section 291 et seq. of the German Stock Corporation Act (AktG) or is taken over, or (iv) SGL Carbon SE is merged with another company or changes its legal form. On exercising the special termination right, the resigning member of the Board of Management has a right to a severance payment equivalent to three years' income. In such cases, the annual salary is deemed to comprise the base salary plus the average annual bonus for the previous two years prior to the termination of the agreement. Thirty-seven senior executives have similar special termination rights. Fourteen of them would receive a severance payment equivalent to three years' income on exercising this right, and the rest would receive two years' income. Board of Management members or senior executives will not be entitled to these payments if they receive similar benefits from a third party in connection with the change in control.

37. Audit fees

The following fees were incurred in the year under review for the services provided by the auditor of the consolidated financial statements in Germany:

€m	**2013**	2012
Audit fees	0.9	0.8
Other audit and valuation services	0.9	0.1
Tax consultancy services	0.0	0.0
Other services	0.3	0.2
Total	**2.1**	**1.1**

38. Net result of SGL Carbon SE

In 2013, SGL Carbon SE, as the parent company of SGL Group, reported a net loss for the year of €76.1 million in accordance with the German Commercial Code (HGB).

Taking into account the profit brought forward in the amount of €11.6 million, the accumulated loss totals €64.5 million.

39. List of companies pursuant to section 313 German Commercial Code (HGB)

A. Consolidated companies		Interest in %	Held via
a) Germany			
1 SGL Carbon SE	Wiesbaden		
2 SGL CARBON GmbH	Meitingen	100.0 [1)]	1
3 Dr. Schnabel GmbH	Limburg	100.0 [1)]	2
4 SGL CARBON Beteiligung GmbH	Wiesbaden	100.0 [1)]	1
5 SGL TECHNOLOGIES GmbH	Meitingen	100.0 [1)]	1
6 SGL epo GmbH	Willich	100.0 [1)]	5
7 SGL Technologies Composites Holding GmbH	Meitingen	100.0 [1)]	5
8 SGL TECHNOLOGIES Beteiligung GmbH	Meitingen	100.0 [1)]	5
9 SGL Kümpers Verwaltungs-GmbH	Rheine	51.0	8
10 SGL Kümpers GmbH & Co. KG	Rheine	51.0	8
11 SGL TECHNOLOGIES Zweite Beteiligung GmbH	Meitingen	100.0 [1)]	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 Aviation Community Lemwerder GmbH	Lemwerder	100.0	13
b) Outside Germany			
16 SGL CARBON Holding S.L.	La Coruña, Spain	100.0	4
17 SGL CARBON S.A.	La Coruña, Spain	99.9	16
18 SGL Gelter S.A.	Madrid, Spain	64.0	16
19 SGL CARBON S.p.a.	Mailand, Italy	99.8	16
20 SGL CARBON do Brasil Ltda.	Diadema, Brazil	100.0	16
21 SGL CARBON Sdn. Bhd.	Kuala Lumpur, Malaysia	100.0	16
22 SGL Carbon Holding GmbH	Steeg, Austria	100.0	1
23 SGL CARBON GmbH	Steeg, Austria	100.0	1
24 SGL Carbon Fibers Ltd.	Muir of Ord, United Kingdom	100.0	23
25 Project DnF	Halifax, United Kingdom	100.0	23
26 Fisipe – Fibras Sintéticas de Portugal S.A.	Lavradio, Portugal	100.0	23
27 Munditêxtil, LDA	Lavradio, Portugal	100.0	26

A. Consolidated companies		Interest in %	Held via
28 SGL CARBON Holdings B.V.	Rotterdam, Netherlands	100.0	4
29 SGL CARBON Polska S.A.	Racibórz, Poland	100.0	28
30 SGL Singapore PTE. Ltd.	Singapore	100.0	28
31 SGL CARBON Luxembourg S.A.	Luxembourg	100.0	1
32 SGL CARBON Holding S.A.S.	Paris, France	100.0	1
33 SGL CARBON S.A.S.	Passy (Chedde), France	100.0	32
34 SGL CARBON Technic S.A.S.	Saint-Martin d'Hères, France	100.0	32
35 SGL CARBON Ltd.	Alcester, United Kingdom	100.0	1
36 David Hart (Feckenham) Ltd.	Alcester, United Kingdom	100.0	35
37 GRAPHCO (UK) Ltd.	Alcester, United Kingdom	100.0	36
38 RK CARBON International Ltd.	Wilmslow, United Kingdom	100.0	5
39 SGL CARBON LLC	Charlotte, NC, USA	100.0	4
40 Quebec Inc.	Montreal, Quebec, Canada	100.0	39
41 SGL Technologies North America Corp.	Charlotte, NC, USA	100.0	39
42 HITCO CARBON COMPOSITES Inc.	Gardena, CA, USA	100.0	41
43 SGL TECHNIC Inc.	Valencia, CA, USA	100.0	41
44 SGL Carbon Fibers LLC	Evanston, WY, USA	100.0	41
45 SGL CARBON Technic LLC	Strongsville, OH, USA	100.0	39
46 SGL Carbon Investment Fund, LLC	St. Louis, MO, USA	0.0[2)]	na.
47 Heartland Remaissance Fund Sub XIII, LLC	Little Rock, AR , US	99.9[2)]	46
48 SGL CANADA Inc.	Lachute, Quebec, Canada	100.0	1
49 SGL CARBON India Pvt. Ltd.	Maharashtra, India	100.0	1
50 SGL CARBON Far East Ltd.	Shanghai, China	100.0	1
51 SGL CARBON Japan Ltd.	Tokyo, Japan	100.0	1
52 SGL CARBON Korea Ltd.	Seoul, Korea	70.0	1
53 SGL CARBON Asia-Pacific Sdn. Bhd.	Kuala Lumpur, Malaysia	100.0	1
54 SGL Quanhai Carbon (Shanxi) Co.	Yangquan, China	84.5	4
55 SGL TOKAI Process Technology Pte. Ltd.	Singapore	51.0	1
56 SGL CARBON KARAHM Ltd.	Sangdaewon-Dong, Korea	50.9	55
57 SGL CARBON Graphite Technic Co. Ltd.	Shanghai, China	100.0	55
58 Graphite Chemical Engineering Co.	Yamanashi, Japan	100.0	55
59 SGL Process Technology OOO	Schachty, Russian Federation	100.0	2
60 SGL Tokai Carbon Hong Kong Co. Ltd.	Hong Kong, China	100.0	1

B. Equity investments over 20%		Interest in %	Held via
a) Germany			
61 SGL Lindner GmbH & Co. KG	Arnstorf	51.0 [3]	4
62 Benteler-SGL Verwaltungs GmbH	Paderborn	50.0	7
63 Benteler-SGL GmbH & Co. KG	Paderborn	50.0	7
64 SGL Automotive Carbon Fibers GmbH & Co. KG	Munich	51.0 [3]	5
b) Outside Germany			
65 SGL Automotive Carbon Fibers LLC	Moses Lake, WA, USA	51.0 [3]	39
66 SGL TOKAI Carbon Ltd.	Shanghai, China	51.0 [3]	1
67 Brembo SGL Carbon Ceramic Brakes S.p.A.	Stezzano, Italy	50.0	5
68 MRC-SGL Precursor Co. Ltd.	Tokyo, Japan	33.3	5
69 Fisigen, S.A.	Lisbon, Portugal	49.0	26
70 Samsung SGL Carbon Composite Materials Co., Ltd.	Ulsan, Korea	50.0	5

[1] Excemption in accordance with section 264(3) German Commercial Code
[2] Control due to contractual arrangements
[3] No control due to contractual arrangements

40. Declaration pursuant to section 161 German Stock Corporation Act (AktG)

The declaration of compliance with the German Corporate Governance Code prescribed by section 161 of the German Stock Corporation Act (AktG) has been submitted for SGL Carbon SE and made available to shareholders on the website of SGL Carbon SE.

41. Events after the balance sheet date

On February 13, 2014, we announced the closure of the graphite electrode plant in Narni and the administrative facility in Lainate, both in Italy. The shutdown is part of our SGL2015 cost reduction program and entails the loss of about 120 jobs.

Wiesbaden, March 7, 2014

SGL Carbon SE

The Board of Management

Additional Information

242 **Independent Auditors' Report**

243 **Responsibility Statement**

244 **Corporate Bodies**

248 **Glossary**

252 **List of acronyms**

Five-year financial summary

Financial calendar/publication credits

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, which is combined with the management report of SGL Carbon SE, for the fiscal year from 1 January to 31 December 2012. The preparation of the consolidated financial statements and the group management report in accordance with IFRS (International Financial Reporting Standards) as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315a (1) of the 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 the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 of the 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 our 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 the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315a (1) of the HGB and the full IFRSs 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, which is combined with the management report of SGL Carbon SE, 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, March 7, 2014

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, which has been combined with the Management report for SGL Carbon SE, 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 7, 2014

SGL Carbon SE

The Board of Management of SGL Group

Dr. Jürgen Köhler Jürgen Muth Dr. Gerd Wingefeld

Corporate Bodies

Board of Management
(as at December 31, 2013)

Dr. Jürgen Köhler (as of June 1, 2013)
(as of January 1, 2014 Chief Executive Officer SGL CARBON SE)

Responsible for:
- Carbon Fibers & Composites
- Engineering (as of November 1, 2013)
- Corporate Security and Environmental Protection, Safety and Health at work (as of November 1, 2013)

Internal board memberships:
- Benteler SGL GmbH & Co. KG, Paderborn
- Brembo SGL CARBON Ceramic Brakes S.p.A., Milan, Italy (as of July 25, 2013)
- SGL Automotive Carbon Fibers GmbH & Co. KG, Munich

Dr. Gerd Wingefeld

Responsible for:
- Graphite Materials & Systems
- Technology & Innovation

Internal board memberships:
- SGL Tokai Process Technology Pte. Ltd., Singapore [1)]
- SGL Quanhai CARBON (Shanxi) Co. Ltd., Shanxi Province, China [1)]
- SGL CARBON Far East Ltd., Shanghai, China
- SGL CARBON Japan Ltd., Tokyo, Japan [1)]

Jürgen Muth
Chief Financial Officer SGL Carbon SE

Responsible for:
- Group Treasury
- Group Accounting
- Group Controlling
- Financial Reporting
- Human Resources
- Information Services
- Taxes

Internal board memberships:
- SGL CARBON GmbH, Meitingen
- SGL CARBON Holding S.L., La Coruña, Spain

[1)] Chairman of the Supervisory Board

With memberships outside Germany, the respective country is mentioned.

Robert J. Koehler (till December 31, 2013)
Chief Executive Officer SGL CARBON SE

Responsible for:
- Corporate Development
- Corporate Communications
- Legal
- Management Development
- Internal Audit
- Asia

External board memberships:
- Benteler International AG, Salzburg, Austria [1)]
- Freundenberg & Co. KG, Weinheim
- Heidelberger Druckmaschinen AG, Heidelberg [1)]
- Klöckner & Co SE, Duisburg
- Lanxess AG, Leverkusen

Internal board memberships:
- SGL CARBON S.p.A., Lainate, Italy
- SGL CARBON SDN BHD, Banting, Malaysia
- SGL CARBON S.A., La Coruña, Spain

Theodore H. Breyer (till October 31, 2013)
Deputy Chief Executive Officer SGL CARBON SE

Responsible for:
- Carbon Fibers & Composites (till May 31, 2013)
- Engineering
- Corporate Security and Environmental Protection, Safety and Health at work
- Purchasing
- North and South America

Internal board memberships:
- Brembo SGL CARBON Ceramic Brakes S.p.A., Milan, Italy (till July 24, 2013)
- HITCO CARBON COMPOSITES Inc., Gardena, USA [1)]
- SGL CARBON LLC., Charlotte, USA

Armin Bruch (till December 31, 2013)

Responsible for:
- Performance Products
- SGL Excellence
- Corporate Marketing & Advertising
- Purchasing (as of November 1, 2013)
- Europe, Russia
- North and South America (as of November 1, 2013)

External board memberships:
- SKW Stahl-Metallurgie Holding AG, Munich
- HCS GmbH, Frankfurt

Internal board memberships:
- SGL CARBON SDN BHD, Banting, Malaysia
- SGL Tokai CARBON Ltd., Shanghai, China [1)]
- SGL CARBON S.A., La Coruña, Spain
- SGL CARBON S.p.A., Lainate, Italy

Supervisory Board
(Status December 31, 2013)

Susanne Klatten
Chair of the Supervisory Board of SGL Carbon SE

Entrepreneur

External board memberships:
- ALTANA AG, Wesel
- BMW AG, Munich
- UnternehmerTUM GmbH, Munich [1]

Dr.-Ing. Hubert Lienhard
Deputy Chairman of the Supervisory Board of SGL Carbon SE

Chief Executive Officer Voith GmbH, Heidenheim

Voith internal board memberships:
- Voith Turbo Beteiligungen GmbH, Heidenheim [1]
- Voith Industrial Services Holding GmbH & Co. KG, Stuttgart [2]
- Voith Hydro Holding GmbH & Co.KG, Heidenheim [2]
- Voith Paper Holding GmbH & Co. KG, Heidenheim [2]
- Voith Turbo GmbH & Co. KG, Heidenheim [2]

External board memberships:
- EnBW AG, Karlsruhe
- Heraeus Holding GmbH, Hanau
- SMS Holding GmbH, Düsseldorf

Helmut Jodl
Deputy Chairman of the Supervisory Board of SGL Carbon SE

Works Council (full-time)
SGL CARBON GmbH, Meitingen

Dr. Christine Bortenlänger (as of April 30, 2013)
Managing Director Deutsches Aktieninstitut e.V., Frankfurt/Main

External board memberships:
- ERGO Versicherungsgruppe Aktiengesellschaft, Düsseldorf
- OSRAM GmbH, Munich
- OSRAM Licht AG, Munich
- TÜV Süd Aktiengesellschaft, Munich
- Münchener Hypothekenbank e.G., Munich (Member of representatives‘ assembly)

Max Dietrich Kley (till April 30, 2013)
Chairman

former Deputy Chief Executive Officer BASF AG (now SE), Ludwigshafen

External board memberships:
- BASF SE, Ludwigshafen
- HeidelbergCement AG, Heidelberg

Josef Scherer (till April 30, 2013)
Deputy Chairman

Works Council SGL CARBON GmbH, Meitingen

Dr. Daniel Camus
Chief Financial Officer, The Global Fund, Genf, Switzerland and former member of Executive Committee (CFO) EDF, Electricité de France, Paris, France

External board memberships:
- External board memberships:
- Cameco Corp., Saskatoon, Canada
- Valéo SA, Paris, France
- Vivendi SA, Paris, France
- Morphosys AG, Munich

Ana Cristina Ferreira Cruz (as of April 30, 2013)
Head of Integrated Management System, FISIPE – FIBRAS SINTETICAS DE PORTUGAL S.A., Lavradio, Portugal

Edwin Eichler
Consultant and Supervisory Board Member of various companies

External board memberships or similar posts:
- Heidelberger Druckmaschinen AG, Heidelberg
- SMS Siemag AG, Düsseldorf
- Schmolz & Bickenbach AG, Emmenbrücke, Switzerland[3]
- Hoberg & Driesch GmbH & Co. KG, Düsseldorf (Advisory board member)
- Fr. Lürssen Werft GmbH & Co. KG, Bremen (Advisory board member)

Michael Leppek (as of April 30, 2013)
Interim 1st authorized Representative and Treasurer, IG Metall Augsburg

External board memberships or similar posts:
- KUKA AG, Augsburg
- MAN Diesel & Turbo SE, Augsburg
- MTU Aero Engines AG, Munich (till December 31, 2013)
- Nokia Solutions and Services Management GmbH, Munich (till December 31, 2013)
- AOK Bayern Direktion München, Munich (Directorate advisory board member) (till December 31, 2013)

Marcin Rzemiński (as of April 30, 2013)
Technology & Quality Manager SGL CARBON Polska S.A., Nowy Sącz, Poland

Michael Pfeiffer (till April 30, 2013)
IG Metall Labor Union Official Administrative Office Neu-Ulm/Günzburg

Marek Plata (till April 30, 2013)
Personnel and Administration Specialist
SGL CARBON Polska S.A., Nowy Sącz, Poland

Andrew H. Simon OBE MBA
Consultant and Supervisory Board Member of various companies

External board memberships:
- BCA Osprey 1 Ltd, London, Great Britain
- Exova Group plc, London, Great Britain
- Icon Infrastructure Management Ltd, Guernsey, Great Britain
- Management Consulting Group plc, London, Great Britain
- Travis Perkins plc, Northampton, Great Britain
- Finning International Inc., Vancouver, Canada
- Gulf Keystone Petroleum Ltd., Hamilton, Bermuda (as of September 1, 2013)

Stuart Skinner (till April 30, 2013)
Team Leader Production
SGL CARBON Fibers Ltd., Muir of Ord, Great Britain

Markus Stettberger (as of April 30, 2013)
Works Council (full-time)
SGL CARBON GmbH, Meitingen

Heinz Will (till April 30, 2013)
Works Council (full-time)
SGL CARBON GmbH, Frankfurt

Hans-Werner Zorn (as of April 30, 2013)
Chairman of the Works Council (full-time)
SGL CARBON GmbH, Bonn

[1] Chairman of the Supervisory Board
[2] Chairman of the advisory committee
[3] Chairman of the board of directors

With memberships outside Germany, the respective country is mentioned.

Glossary

Commercial Glossary

Bond
Collective term for interest-bearing debt instruments with contractually fixed repayment terms. Bonds are issued either by governments or companies and sold through financial institutions and provide long term external financing.

Cash flow
An economic measure for the inflow and outflow of cash funds representing the net inflow from sales activity and other current activities in a period. In a cash flow statement, the change in cash and cash equivalents is broken down by operating activity, investing activity and financing activity.

Cash flow hedge
A hedge of a recognized asset or of future, highly likely (foreign currency) transactions. The change in value of the hedging instrument is recognized directly in equity.

Cash generation
Total EBIT plus amortization/depreciation on intangible assets and property, plant & equipment plus change in working capital less capital expenditure.

Capital Employed
The sum of Goodwill, other intangible assets, property, plant & equipment, inventories, trade receivables and non current receivables from long term construction contracts 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 compliance
Declaration of Compliance 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 profit carried forward
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 tax. EBIT is an important key performance indicator for assessing the operational profitability of companies.

EBITDA
Earnings before interest, tax, 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.

Equity method
Method used in the consolidated financial statements for measuring and accounting for investments in which the Group is not the majority shareholder. 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.

Gross profit
Sales revenue less cost of sales.

Hedging
Strategy to limit or eleminate price risks. Hedging is standard practice in capital markets and is used by market players to offset risks.

International Financial Reporting Standards (IFRS), formerly International Accounting Standards (IAS)
Uniform accounting standards to enhance comparability of financial data. According to European Union regulation, publicly traded companies are required to prepare their consolidated financial statements in accordance with these rules.

Joint venture
A contractual agreement whereby two or more parties undertake an economic activity that is subject to joint control.

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.

Returnn 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 receivables from long term construction contracts and trade receivables minus trade payables. This figure describes the current assets employed by a company in the short-term without creating a capital cost in the narrow sense. The lower the working capital, the better the liquidity position of a company.

Technical Glossary

Cathodes
Indispensible component in the production of primary aluminum. Cathode blocks are capital investment products, used to line large smelting cells, in which aluminum oxide is reduced by an electrolysis process to produce aluminum which is deposited on these blocks.

Coarse grain graphite
The grain size lies between 1mm and up to approx. 20mm. Key material property is the high resistance to thermal shock. Typical product examples are graphite electrodes for steel scrap recycling, cathodes for aluminum electrolysis and furnace linings for crude steel production.

Fine grain graphite
Specialty graphite with a fine grain structure and a grain size of between 1mm and few µm, with which the required material strengths can be achieved. Fine grain graphites have a broad spectrum of applications in the semiconductor, mechanical engineering, metallurgical, industrial furnace construction, medical and analysis technology industries (isostatic graphite).

Graphite electrodes
The core business of the Business Area Performance Products. Graphite electrodes are used in steel production in electric arc furnaces. In a furnace, they can withstand temperatures of up to 3,500 degrees Celsius and are therefore the "engine" in the melting process of scrap recycling to produce new steel. During the manufacturing process for electric steel, graphite electrodes are fully consumed within five to eight hours.

Isostatic graphite
Special fine grain graphite for specific applications. Its name is derived from the method of production (isostatically pressed; in a chamber of water subjected to equal pressure from every side). The main features of isostatic graphite are strength, density and isotropic structure. It is therefore used in all applications where the mechanical properties of conventional graphite are inadequate.

Lithium ion battery

Rechargeable battery with high energy and performance density. The cathode is made from a lithium compound, the anode from carbon or graphite. During the charging process, the lithium ions in the cathodes migrate to the carbon lattice of the anode material (intercalation). During discharging, the lithium ions from the intercalation migrate back to the cathode. Lithium ion batteries are the standard batteries for mobile applications today, such as for mobile phones and laptops. They are growing in importance for power tools (e.g. cordless screwdrivers) and for electric vehicles.

Natural graphite

Is a natural mineral. It is extracted from both surface and underground mining. High purity (> 99%) is achieved by purification processes (flotation, thermal and chemical purification). Natural graphite possesses the nearly ideal crystalline structure of graphite. Its use as a lubricant is well known. The largest natural graphite amounts are used for fire proof applications. Small amounts are also included in the recipe for fine grain graphites. Inclusion of acids produces graphite salts, which are converted to expanded graphite in a thermal process.

PAN Precursor

Synthetic fiber made from polyacrylonitrile (PAN). PAN precursor is the raw material used in the production of carbon fibers.

Petroleum coke

Is a mass volume by-product of the oil refining process (80 million tons). Calcined petroleum cokes are used particularly for anodes in the aluminum electrolysis. The so-called needle coke is a special quality, which can only be produced by a few refineries. This needle coke is almost exclusively used for the production of graphite electrodes. Their outer form and tailor made physical properties enable the production of modern high performance electrodes.

REACH (regulation for chemicals)

REACH stands for Registration, Evaluation, Authorization and Restriction of Chemicals, an EU regulation for chemicals that became effective June 1, 2007. The scope of REACH includes manufacturers or importers who, in the European Union, either manufacture chemical substances and/or use such substances in formulations or import such substances into the European Union amounting to more than one ton per year.

List of acronyms

A

AktG
German Stock Corporation Act (Aktiengesetz)

C

Cefic
European Chemical Industry Council

CFRP
Carbon Fiber Reinforced plastic

D

DAX
German stock index

DRS
German Accounting Standard

E

EHSA
Environment, Health & Safety Affairs

EPS
Earnings Per Share

F

FCKW
Fluorchlorkohlenwasserstoffe

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

M

MDAX
Mid-Cap-DAX

P

PoC
Percentage-of-Completion

R

REACH
Registration, Evaluation, Authorisation and Restriction of Chemicals

ROCE
Return on Capital Employed

S

SAR
Stock Appreciation Rights

V

VorstAG
Act on the Appropriateness of Management Board Remuneration

W

WpHG
German Securities Trading Act

Financial calendar

March 10, 2014
- Publication of the 2013 Annual Report
- Annual press conference
- Analyst conference
- Conference call for analysts and investors

April 29, 2014
- Report on the first quarter 2014
- Conference call for analysts and investors

April 30, 2014
- Annual general meeting

August 7, 2014
- Report on the first half year 2014
- Conference call for analysts and investors

November 6, 2014
- Report on the first nine months 2014
- Conference call for analysts and investors

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Concept, design and production management
HGB Hamburger Geschäfts-berichte GmbH & Co. KG

Sources of pictures
Board of Management
Andreas Pohlmann

Other photos
SGL Group

Five-year financial summary

€m	Note	2013
Result of operations		
Sales revenue		1,477.0
thereof outside Germany		*84 %*
thereof in Germany		*16%*
EBITDA before non-recurring charges	3	102.1
EBIT before non-recurring charges	3	19.5
Result before tax		– 276.4
Consolidated net result	4	– 396.4
Return on sales (ROS)	5	1.3%
Return on capital employed (ROCE)	6, 7	1.2%
Earnings per share, basic (in €)		– 5.59
Financial position		
Equity attributable to shareholders of the parent company		650.8
Total assets		2,009.2
Net debt		447.7
Equity ratio	8	32.4%
Gearing ratio	9	0.69
Other indicators		
Capital expenditure on property, plant and equipment and intangible assets		95.5
Depreciation and amortization		82.6
Working capital		541.0
Free cash flow	10	38.2
Number of employees (December 31)		6,284

1) Adjusted for affects of adopting IAS 19R and discontinued operations
2) Including discontinued operations of the Business Unit Rotor Blades
3) Restructuring expenses of €84.2 million and impairment losses of €120.6 million as well as project-write offs of €22.1 million in 2013; project write-offs of €54.2 million in 2012; reversals of impairment losses and impairment losses of €+5.1 million in 2011; impairment losses of €74.0 million in 2009
4) Consolidated result (attributable to shareholders of the parent company)
5) Ratio of EBIT before non-recurring charges to sales revenue
6) Ratio of EBIT 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 at beginning of year and end of year)
8) Shareholders' equity to total assets
9) Net debt to shareholders' equity
10) Net cash provided by operating activities less net cash used in investing activities

	2012[1]	2011[2]	2010[2]	2009[2]
	1,646.0	1,540.2	1,381.8	1,225.8
	85%	*81%*	*83%*	*80%*
	15%	*19%*	*17%*	*20%*
	248.8	231.7	194.8	171.6
	164.4	160.4	128.4	111.0
	24.1	83.7	73.2	–18.4
	5.9	73.2	52.2	–60.8
	10.0%	10.4%	9.3%	9.1%
	9.5%	10.0%	9.0%	8.2%
	0.08	1.09	0.80	–0.93
	1,067.0	1,041.1	864.4	749.4
	2,559.7	2,271.3	2,113.3	1,891.0
	459.3	343.3	410.5	367.9
	41.7%	45.8%	40.9%	39.6%
	0.43	0.33	0.47	0.49
	131.8	138.8	136.9	153.9
	84.5	71.3	66.4	60.6
	701.1	673.9	605.6	545.3
	–66.2	–33.1	–38.3	–34.0
	6,686	6,447	6,285	5,976

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