

SGL CARBON AKTIENGESELLSCHAFT

Form 20-F

April 06, 2004

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

Form 20 F

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the fiscal year ended December 31, 2003

OR

TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the transition period from to

Commission File Number 1-14398

SGL CARBON AKTIENGESELLSCHAFT

(Exact name of Registrant as specified in its charter)

SGL CARBON CORPORATION

(Translation of Registrant's name into English)

FEDERAL REPUBLIC OF GERMANY

(Jurisdiction of incorporation or organization)

**Rheingastrasse 182
D-65203 Wiesbaden
Germany**

(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
American Depositary Shares, each representing one-third of one Ordinary Bearer Share, no par value	New York Stock Exchange
Ordinary Bearer Shares, no par value	New York Stock Exchange*

* Not for trading, but only in connection with the registration of American Depositary Shares, pursuant to the requirements of the Securities and Exchange Commission.

Securities to be registered pursuant to Section 12(g) of the Act: NONE

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: NONE

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:

Ordinary Bearer Shares, no par value

55,835,290

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

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Yes No

Indicate by check mark which financial statement item the registrant has elected to follow

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CERTAIN DEFINED TERM

SGL CARBON Aktiengesellschaft is organized as a stock corporation under the laws of the Federal Republic of Germany. In this annual report on Form 20-F, we refer to SGL CARBON Aktiengesellschaft and (unless the context requires otherwise) its consolidated subsidiaries as the

SGL Group or the Group. References to SGL are to SGL CARBON Aktiengesellschaft without its consolidated subsidiaries. We refer to ordinary bearer shares, no par value, of SGL as the Shares.

The following abbreviated references to the Business Areas of the SGL Group will also be used in this Annual Report: CG for the Carbon and Graphite Business Area, GS for the Graphite Specialties Business Area, CP for the Corrosion Protection Business Area, and SGL T or T for

SGL Technologies Business area. The term Business Area is used for reporting purposes, whereas the term Business Unit is used in business-related discussions within this document and both terms define the above reporting units of SGL Carbon Group.

FORWARD-LOOKING STATEMENTS

This annual report contains forward-looking statements and information relating to the SGL Group. Words such as anticipate, believe, estimate, expect, intend, plan, project and similar expressions identify forward-looking statements. These statements reflect the current beliefs of management as well as assumptions made by, and information currently available to, the SGL Group.

Forward-looking statements are subject to risks and uncertainties. If these risks and uncertainties materialize, or if our assumptions prove incorrect, our actual results, performance or achievements could differ materially from any future results, performance or achievements expressed or implied by our forward-looking statements. Factors that could cause our forward-looking statements to prove incorrect include changes in general economic and business conditions, changes in currency exchange rates and interest rates, introduction of competing products by other companies, lack of acceptance of new products or services by the SGL Group's targeted customers, changes in business strategy and various other factors. See Item 3, Key Information Risk Factors for a discussion of risks that we believe particularly significant to the Group and our business. We do not intend, and do not assume any obligation, to update these forward-looking statements.

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PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

Selected Financial Data

We prepare our consolidated financial statements in accordance with International Financial Reporting Standards (IFRS). Since 2002, IFRS is the term for the entire body of accounting standards issued by the International Accounting Standards Board, replacing the earlier IAS, or International Accounting Standards. Individual accounting standards that the IASB issued prior to this change in terminology continue to use the prefix "IAS". The SGL Carbon Group prepared the consolidated financial statements in accordance with German GAAP (HGB) for the years until Dec. 31, 2000. In 2001 the SGL Carbon Group adopted IFRS and has prepared its consolidated financial statements in accordance with IFRS for all years presented.

We derived the following selected financial data for each of the years in the five-year period ended December 31, 2003 from our consolidated financial statements. We prepared this information in accordance with IFRS or, where indicated, in accordance with U.S. generally accepted accounting principles. IFRS differs in certain significant respects from U.S. GAAP. See Item 5, "Operating and Financial Review and Prospects Significant Differences Between IFRS and U.S. GAAP" as well as Notes 34 and 35 to the consolidated financial statements contained elsewhere in this annual report for a discussion of these differences.

As indicated in their reports that appear elsewhere in this annual report, BDO Deutsche Warentreuhand Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft, independent auditors, have audited our consolidated financial statements for the years ended December 31, 2003 and 2002, and KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft, independent auditors, have audited our consolidated financial statements for the year ended December 31, 2001.

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As of and for the year ended December 31,

	2003(1)	2003(2)	2002(2)	2001(2)	2000(2)	1999(2)
	\$					
	(in millions; except per share and certain other data)					
Statement of Operations Data:						
IFRS / IAS						
Sales revenue	1,319.3	1,046.2	1,112.3	1,233.3	1,262.5	980.1
Cost of sales ⁽³⁾	(1,007.3)	(798.8)	(886.5)	(941.8)	(950.8)	(691.4)
Gross profit	312.0	247.4	225.8	291.5	311.7	288.7
Selling, research and development, administration expenses and other						
operating income (net) ⁽³⁾	(263.0)	(208.5)	(197.2)	(232.8)	(232.5)	(197.5)
Costs relating to anti-trust proceedings and restructuring ⁽³⁾	(37.7)	(29.9)	(30.3)	(76.0)	0.0	(130.2)
Profit/(loss) from operations	11.3	9.0	(1.7)	(17.3)	79.2	(39.0)
Result of investments	(5.9)	(4.7)	(1.8)	3.2	0.6	(0.4)
Interest expense (net) ⁽⁴⁾	(57.8)	(45.8)	(32.2)	(38.5)	(42.6)	(1.6)
Other financial result	(28.7)	(22.8)	8.5	(13.2)	(17.2)	(16.0)
Income tax benefit (expense)	17.8	14.1	3.6	(29.2)	(55.7)	13.7
Net loss (including minority interests) ⁽⁵⁾	(63.3)	(50.2)	(23.6)	(95.0)	(35.7)	(43.3)
Net loss attributable to shareholders	(63.4)	(50.3)	(23.6)	(95.2)	(36.0)	(43.5)
Loss per Share ⁽⁶⁾	(2.86)	(2.27)	(1.08)	(4.42)	(1.68)	(2.05)
Loss per ADR ⁽⁶⁾	(0.95)	(0.76)	(0.36)	(1.47)	(0.56)	(0.68)
U.S. GAAP						
Net loss ⁽¹¹⁾	(61.0)	(48.4)	(22.0)	(148.0)	(3.3)	(54.1)
Basic loss per Share ⁽⁶⁾	(2.75)	(2.18)	(1.01)	(6.87)	(0.15)	(2.55)
Basic loss per ADR ⁽⁶⁾	(0.92)	(0.73)	(0.34)	(2.29)	(0.05)	(0.85)
Diluted loss per Share ⁽⁶⁾	(2.75)	(2.18)	(1.01)	(6.87)	(0.15)	(2.55)
Diluted loss per ADR ⁽⁶⁾	(0.92)	(0.73)	(0.34)	(2.29)	(0.05)	(0.85)
Balance Sheet Data:						
IFRS / IAS						
Working capital ⁽⁷⁾	497.7	380.4	386.0	548.7	565.3	487.5
Total assets	1,572.3	1,246.9	1,286.4	1,495.0	1,547.0	1,406.0
Financial debt	623.6	494.5	448.5	538.9	502.4	391.8
Shareholders' equity	147.0	116.6	196.3	255.2	337.0	350.8
Weighted average shares ⁽¹⁴⁾	22,148,078	22,148,078	21,813,930	21,530,563	21,376,753	21,210,200
U.S. GAAP						
Total assets	1,632.0	1,294.2	1,333.3	1,531.8	1,629.9	1,480.5
Shareholders' equity	168.3	133.5	209.7	264.1	402.9	380.1
Other Data:						
IFRS / IAS						
Gross profit margin (%) ⁽³⁾	23.6	23.6	20.3	23.6	24.7	29.5
Operating margin (%) ⁽³⁾	0.9	0.9	(0.2)	(1.4)	6.3	(4.0)
Depreciation and amortization	91.0	72.2	81.2	95.8	83.0	73.4
Capital expenditures	41.4	32.8	41.5	90.6	67.2	78.4

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Ratio of debt to shareholders equity (%) ⁽⁸⁾	384.6	384.6	217.5	206.4	146.2	103.3
Return on capital employed (%) ⁽⁹⁾	1.0	1.0	(0.2)	(1.4)	6.6	(3.7)
Research and development expenses	26.4	20.9	25.4	31.1	29.2	24.3
Quantity of graphite electrodes sold (thousands of metric tons)	202	202	173	175	188	171
Number of employees worldwide (end of year)	6,926	6,926	7,360	8,197	8,082	6,656

Business Area Data:

Net Sales⁽¹⁰⁾

Carbon and Graphite	703.6	558.0	550.7	619.8	619.5	539.7
Graphite Specialties ⁽¹²⁾	219.8	174.3	195.9	230.7	242.0	227.8
Corrosion Protection ⁽¹²⁾	234.8	186.2	212.4	235.8	247.3	82.8
SGL Technologies ⁽¹²⁾	157.5	124.9	150.4	135.1	151.8	127.8

Profit / (loss) from operations⁽¹⁵⁾

Carbon and Graphite	79.1	62.7	51.9	67.4	108.0	103.1
Graphite Specialties ⁽¹²⁾	5.0	4.0	(2.8)	(7.2)	16.9	5.9
Corrosion Protection ⁽¹²⁾	(7.9)	(6.3)	1.2	12.6	(1.4)	4.8
SGL Technologies ⁽¹²⁾	(17.4)	(13.8)	(11.7)	(33.7)	(17.3)	(6.5)

Profit / (loss) from operations before restructuring expenses⁽¹³⁾⁽¹⁵⁾

Carbon and Graphite	83.7	66.4	51.9	78.9	108.0	103.1
Graphite Specialties ⁽¹²⁾	8.4	6.7	1.9	22.3	16.9	5.9
Corrosion Protection ⁽¹²⁾	(5.4)	(4.3)	4.8	12.6	(1.4)	4.8
SGL Technologies ⁽¹²⁾	(15.1)	(12.0)	(11.7)	(33.7)	(17.3)	(6.5)

(1) Amounts in this column have been translated solely for the convenience of the reader at an exchange rate of 1.00 = \$ 1.2610, the middle rate of exchange on December 31, 2003 as published by Deutsche Bank.

(2) Effective January 1, 2003 we have consolidated SGL Angraph Sp. Z o.o, Poland, a previously non consolidated company. Beginning January 1, 2002, we have consolidated SGL Brakes GmbH and SGL Information-Systems LLC, whose net assets were previously included in other consolidated companies. Beginning January 1, 2001, we have consolidated SGL Information - Services GmbH, SGL Technologies GmbH and RK Technologies International Ltd., which were previously non-consolidated subsidiaries. As of January 1, 2001, we acquired all shares in SGL ACOTEC Ltda (formerly KCH-ANCOBRAS Ltda.), which we

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have consolidated as of this date. Effective December 31, 2000, we began to consolidate ZEW (renamed to SGL CARBON Polska S.A. in 2003) in our year end balance sheet, although we did not recognize ZEW in our consolidated statement of operations for that year.

- (3) Costs relating to anti-trust proceedings and major restructuring expenses for the years under review are presented separately in the statement of operations.
- (4) For 2003, 2002 and 2001, we have included the interest component of additions to the pension provision of 10.5 million, 10.4 million and 9.9 million, respectively, as an expense in the financial result in accordance with IFRS. Under U.S. GAAP, this interest component is included in operating profit.
- (5) Net loss (before minority interests) and shareholders' equity/minority interests include amounts attributable to minority interests. Net loss attributable to minority interests and minority interests in shareholders' equity for the years 2003, 2002 and 2001 were 0.1 million, 0.0 million and 0.2 million, respectively, and 0.3 million, 1.4 million and 1.6 million, respectively.
- (6) We have calculated loss per share for each period based upon net loss less amounts attributable to minority interests divided by the weighted average number of Shares outstanding. We have calculated loss per ADR as loss per Share divided by three. Because of the net loss for the year and the resulting lack of any dilutive effect, the diluted loss per Share for 2003, 2002 and 2001 was identical to the loss per Share.
- (7) Working Capital as defined as total net inventories plus total net trade receivables, less trade payables. Under U.S. GAAP, working capital at December 31, 2003, 2002 and 2001 would have been 155.5 million, 41.3 million and 5.5 million, respectively.
- (8) Total financial debt less cash and cash equivalents, divided by shareholders' equity at year-end.
- (9) Operating results divided by the amount of goodwill, tangible fixed assets, inventories and trade accounts receivables, less trade accounts payables at the end of the year.
- (10) Business area data for sales revenue do not include certain amounts for sales not allocable to a business area. Such sales include sales to employees, R&D and rental income. For the years 2003, 2002 and 2001 these amounts were 2.8 million, 2.9 million and 11.9 million respectively.
- (11) Net loss under U.S. GAAP is presented before cumulative changes in accounting principles in 2002.
- (12) As of January 1, 2001, we reorganized our operations into four business areas: Carbon and Graphite, Graphite Specialties (formerly Specialty Graphite), Corrosion Protection and SGL Technologies (formerly Fibers and Composites). As of January 1, 2002, we reclassified our expanded graphite business in Europe from Graphite Specialties to SGL Technologies. We have adjusted the corresponding figures from the previous years to reflect our current segment reporting structure.
- (13) Operating profit (loss) before costs relating to anti-trust proceedings and restructuring for the years 2003, 2002 and 2001 does not include unallocated corporate costs and consolidation adjustments. See Note 28 to the consolidated financial statements.
- (14) Weighted average number of shares.
- (15) We present Operating Profit (Loss) before cost related to restructuring as a further supplemental measure of our performance. We prepare this figure by adjusting Operating Profit (EBIT) to eliminate the impact of items we do not consider indicative of our ongoing operating performance. You are encouraged to evaluate each adjustment and the reasons we consider it appropriate for supplemental analysis. In addition, in evaluating Operating Profit before cost related to restructuring, you should be aware that in the future we may incur expenses similar to the adjustments in this presentation. Our presentation of Operating Profit before cost related to restructuring should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items. Operating Profit is not a uniformly or legally defined financial measure. It generally represents earnings before financial result and taxes.

Operating Profit (Loss) before cost related to restructuring and antitrust is calculated by adding to Operating P