SGL CARBON AKTIENGESELLSCHAFT
Form 20-F/A
April 07, 2004

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 1 to
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	**FEDERAL REPUBLIC OF GERMANY**
(Translation of Registrant s name into English)	(Jurisdiction of incorporation or organization)

Rheingaustrasse 182
D-65203 Wiesbaden
Germany

(Address of principal executive offices)

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

Title of each class	Name of each exchange on which registered
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.

Yes No

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

Item 17 Item 18

SIGNATURES

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant certifies that it meets all requirements for filing on Form 20-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereunto duly authorized.

SGL CARBON Aktiengesellschaft

By: /s/ Robert J. Koehler

Robert J. Koehler
Chief Executive Officer
Chairman of the Executive Committee

By: /s/ Dr. Bruno Toniolo

Dr. Bruno Toniolo
Chief Financial Officer
Member of the Executive Committee

Date: April 6, 2004

SGL CARBON AKTIENGESELLSCHAFT
INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Independent Auditors' Report

To the Board of Directors and Shareholders
SGL CARBON Aktiengesellschaft

We have audited the consolidated balance sheets of SGL CARBON Aktiengesellschaft and subsidiaries („SGL Group) as of December 31, 2003 and 2002 and the related consolidated statements of operations, cash flows and changes in shareholders equity for each of the years in the two-year period ended December 31, 2003. These consolidated financial statements are the responsibility of SGL Group management. Our responsibility is to express an opinion on these consolidated statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing and auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the SGL Group as of December 31, 2003 and 2002 and the results of their operations and their cash flows for each of the years in the two-year period ended December 31, 2003, in conformity with International Financial Reporting Standards.

International Financial Reporting Standards vary in certain significant respects from generally accepted accounting principles in the United States. Application of generally accepted accounting principles in the United States would have affected the result of operations for each of the years in the two-year period ended December 31, 2003 and shareholders equity as of December 31, 2003 and 2002 to the extent summarized in notes 34 and 35 to the consolidated financial statements.

Munich, Germany

March 1, 2004 except for notes 34, 35 and 36 as to which the date is April 6, 2004.

BDO Deutsche Warentreuhand

Aktiengesellschaft

Wirtschaftsprüfungsgesellschaft

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Independent Auditors' Report

To the Board of Directors and Shareholders
SGL CARBON Aktiengesellschaft

We have audited the consolidated balance sheets of SGL CARBON Aktiengesellschaft and subsidiaries („SGL Group) as of December 31, 2001 and the related consolidated statements of operations, cash flows and changes in shareholders equity for the year ended December 31, 2001. These consolidated financial statements are the responsibility of SGL Group management. Our responsibility is to express an opinion on these consolidated statements based on our audits.

We conducted our audits in accordance with International Standards on Auditing and auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the SGL Group as of December 31, 2001 and the results of their operations and their cash flows for the year ended December 31, 2001, in conformity with International Accounting Standards.

International Accounting standards vary in certain significant respects from generally accepted accounting principles in the United States. Application of generally accepted accounting principles in the United States would have affected the results of operations for the year ended December 31, 2001 and shareholders equity as of December 31, 2001 to the extent summarized in note 34 to the consolidated financial statements.

Munich, Germany

February 28, 2002

KPMG Deutsche Treuhand-Gesellschaft

Aktiengesellschaft Wirtschaftsprüfungsgesellschaft

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SGL CARBON Aktiengesellschaft
Consolidated Statements of Operations
(in millions, except per share data)

	Notes	2003	2003	2002	2001
		US$	**Euro**	**Euro**	Euro
Sales revenue	28	1,319.3	**1,046.2**	**1,112.3**	1,233.3
Cost of sales		(1,007.3)	**(798.8)**	**(886.5)**	(941.8)
Gross profit		312.0	**247.4**	**225.8**	291.5
Selling expenses		(178.4)	**(141.5)**	**(139.4)**	(154.5)
Research costs		(26.4)	**(20.9)**	**(25.4)**	(31.1)
General and administrative expenses	4	(58.3)	**(46.2)**	**(47.5)**	(57.8)
Other operating income (net)	5	0.2	**0.1**	**15.1**	10.6
Profit from operations before costs relating to antitrust proceedings and restructuring, net		49.1	**38.9**	**28.6**	58.7
Restructuring expenses	6	(13.2)	**(10.4)**	**(8.3)**	(41.0)
Profit from operations before costs relating to antitrust proceedings, net		35.9	**28.5**	**20.3**	17.7
Costs relating to antitrust proceedings	6	(24.6)	**(19.5)**	**(22.0)**	(35.0)
Profit (loss) from operations		11.3	**9.0**	**(1.7)**	(17.3)
Net financing costs	7	(92.3)	**(73.3)**	**(25.5)**	(48.5)
Profit (loss) before tax		(81.0)	**(64.3)**	**(27.2)**	(65.8)
Income tax benefit / (expense)	9	17.8	**14.1**	**3.6**	(29.2)
Net loss for the period before minority interests		(63.2)	**(50.2)**	**(23.6)**	(95.0)
Minority interests		(0.1)	**(0.1)**	**0.0**	(0.2)
Net loss for the period		(63.3)	**(50.3)**	**(23.6)**	(95.2)

Basic earnings per share (EPS) in	10		(2.27)	(1.08)	(4.42)
Diluted earnings per share (EPS) in	10		(2.27)	(1.08)	(4.42)

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1) The 2003 financial figures have been translated for the convenience of the reader at an exchange rate of $ 1.2610 to 1.00, the rate on December 31, 2003.

The accompanying notes are an integral part of these Consolidated Financial Statements.

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SGL CARBON Aktiengesellschaft
Consolidated Balance Sheets
(in millions)

ASSETS	Note	12/31/2003	12/31/2003	12/31/2002
		US$	**Euro**	Euro
Noncurrent assets				
Intangible assets	11	124.8	**99.0**	103.8
Property, plant and equipment	12	515.1	**408.5**	477.3
Long-term investments	13	36.2	**28.7**	33.2
		676.1	**536.2**	614.3
Current assets				
Inventories	14	325.3	**258.0**	288.4
Trade receivables	15	279.1	**221.3**	208.1
Other receivables and other current assets	16	73.3	**58.1**	60.7
Receivables and other current assets		352.4	**279.4**	268.8
Cash and cash equivalents	17	58.1	**46.1**	21.5
		735.8	**583.5**	578.7
Deferred tax assets				
	18	160.4	**127.2**	93.4
		1,572.3	**1,246.9**	1,286.4

EQUITY AND LIABILITIES				
Equity/Minority interests				
Issued Capital		71.6	**56.8**	56.0
Share premium		140.6	**111.5**	111.3
Retained earnings		(1.8)	**(1.4)**	52.6
Accumulated deficit/surplus		(63.4)	**(50.3)**	(23.6)
Equity	19	147.0	**116.6**	196.3
Minority interests		0.4	**0.3**	1.4
		147.4	**116.9**	197.7
Provisions				
Provision for pensions and other employee benefits	20	237.7	**188.5**	190.6
Other provisions	21	210.1	**166.6**	149.2
		447.8	**355.1**	339.8
Liabilities	22			
Financial liabilities		623.6	**494.5**	448.5
Trade payables		124.7	**98.9**	110.5
Other liabilities		174.6	**138.5**	151.2
		922.9	**731.9**	710.2
Deferred tax liabilities	23	54.2	**43.0**	38.7
		1,572.3	**1,246.9**	1,286.4

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SGL CARBON Aktiengesellschaft
Consolidated Statements of Cash Flows
(in millions)

	2003	2003	2002	2001
	US$	**Euro**	Euro	Euro
Cash flows from operating activities				
Net profit (loss) before taxes	(81.1)	**(64.3)**	(27.2)	(65.8)
Adjustments to reconcile net profit or loss to net cash provided by operating activities				
Loss on sale of property, plant and equipment	0.3	**0.2**	(2.8)	1.0
Gain/loss on sale of equity investments	(4.5)	**(3.6)**	(1.0)	0.0
Depreciation and amortization expense	91.0	**72.2**	81.4	86.8
Write-downs on noncurrent assets	4.7	**3.7**	0.0	9.8
Taxes paid	(4.8)	**(3.8)**	(22.3)	(13.6)
Change in provisions, net	29.5	**23.4**	(2.8)	16.3
Change in Working capital, net of changes in basis of consolidation:				
Inventories	6.6	**5.2**	82.7	(26.8)
Write-downs on inventories	0.0	**0.0**	0.0	15.0
Trade receivables	(28.9)	**(22.9)**	44.7	33.8
Trade payables	(6.9)	**(5.5)**	6.8	6.2
Other operating assets / liabilities	16.4	**13.1**	(10.4)	30.0
Cash provided by operating activities before payment of antitrust fines	22.3	**17.7**	149.1	92.7
Payments relating to antitrust proceedings	(18.8)	**(14.9)**	(10.1)	(36.9)
Cash provided /used by operating activities	3.5	**2.8**	139.0	55.8
Cash flows from investing activities				
Acquisition of property, plant and equipment, and intangible assets (excl. Goodwill)	(58.4)	**(46.3)**	(53.6)	(96.1)
Proceeds from sale of property, plant and equipment, and intangible assets	2.8	**2.2**	7.8	3.8
Cost of aquisitions	(2.1)	**(1.7)**	(0.7)	(5.7)
Proceeds from sale of equity investments	7.2	**5.7**	5.6	5.5
Cash used in investing activities	(50.5)	**(40.1)**	(40.9)	(92.5)
Cash flows from financing activities				
Net change in financial liabilities	76.4	**60.6**	(87.6)	36.5
Dividends paid	0.0	**0.0**	(0.2)	(0.1)
Net proceeds from capital increase	1.3	**1.0**	0.8	2.2
Cash provided by financing activities	77.7	**61.6**	(87.0)	38.6
Cash received from first-time consolidation	0.8	**0.6**		
Effect of foreign exchange rate changes	(0.5)	**(0.3)**	(1.7)	0.4
Net increase/decrease in cash and cash equivalents	31.0	**24.6**	9.4	2.3
Cash and cash equivalents at beginning of year	27.1	**21.5**	12.1	9.8

Cash and cash equivalents at end of year	58.1	**46.1**	21.5	12.1

1) The 2003 financial figures have been translated for the convenience of the reader at an exchange rate of $ 1.2610 to 1.00, the rate on December 31, 2003

Cash flow was adjusted for currency impacts, see Note 24 for additional cash flow information.

The accompanying notes are an integral part of these Consolidated Financial Statements

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SGL CARBON Aktiengesellschaft
Consolidated Statements of Changes in Shareholders Equity

(in Euro millions)

	Issued Capital	Share Premium	Retained Earnings	thereof from currency translation	thereof other comprehensive income	Unappropriate surplus/ Accumulated defizit	Equity	Minority interests	Total
Balance at Jan. 1, 2001	54.8	109.5	208.7	15.5		(36.0)	337.0	2.1	339.1
Appropriation of net loss for 2001			(36.0)			(59.2)	(95.2)	0.2	(95.0)
Other recognized gains and losses			(0.6)				(0.6)	(0.7)	(1.3)
Capital increase	0.4	1.8					2.2		2.2
Exchange differences			11.8	11.8			11.8		11.8
Balance at Dec. 31, 2001	55.2	111.3	183.9	27.3	0.0	(95.2)	255.2	1.6	256.8
Balance at Jan. 1, 2002	55.2	111.3	183.9	27.3	0.0	(95.2)	255.2	1.6	256.8
Appropriation of net loss for 2002			(95.2)			71.6	(23.6)	0.0	(23.6)
Other recognized gains and losses							0.0	(0.2)	(0.2)
Capital increase	0.8						0.8		0.8
Exchange differences			(36.1)	(36.1)			(36.1)		(36.1)
Balance at Dec. 31, 2002	56.0	111.3	52.6	(8.8)	0.0	(23.6)	196.3	1.4	197.7
Balance at Jan. 1, 2003	56.0	111.3	52.6	(8.8)	0.0	(23.6)	196.3	1.4	197.7
Appropriation of net loss for 2002			(23.6)			(26.7)	(50.3)	0.1	(50.2)
Other recognized gains and losses			2.7		2.7		2.7	(1.2)	1.5
Capital increase	0.8	0.2					1.0		1.0
Exchange differences			(33.1)	(33.1)			(33.1)		(33.1)
Balance at Dec. 31, 2003	56.8	111.5	(1.4)	(41.9)	2.7	(50.3)	116.6	0.3	116.9

The accompanying notes are an integral part of these Consolidated Financial Statements

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SGL CARBON Aktiengesellschaft
Notes to the Consolidated Financial Statements
(in millions)

1. Summary of Accounting Policies
Description of business

SGL CARBON Aktiengesellschaft (SGL Carbon or the company) together with its subsidiaries (the SGL Carbon Group) is a global manufacturer of carbon and graphite products. See note 28 for further information on business activities.

Basis of presentation

The consolidated financial statements of the SGL Carbon Group have been prepared in accordance with the International Financial Reporting Standards (IFRSs) formerly known as the International Accounting Standards (IASs) issued by the International Accounting Standards Board (IASs), incorporating the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC). All standards to be applied for fiscal year 2003 have been complied with. References to IFRSs/IASs relate to the IFRSs/IASs in force, as amended. Application of the IFRSs/IASs was possible because consolidated financial statements prepared in accordance with internationally accepted accounting standards such as the IFRSs/IASs qualify as exempting consolidated financial statements as defined by section 292a of the HGB (German Commercial Code) introduced in 1998.

As in the previous year, the 2003 consolidated financial statements were prepared in euros ( ) and are presented in millions of euros (m), rounded to the nearest 0.1 million.

Consolidation methods

The annual financial statements of the companies consolidated were prepared in accordance with uniform accounting policies. Interim financial statements are used for one subsidiary with a differing balance sheet date. Except for four subholding companies and two small companies, all financial statements have been audited and certified by independent auditors.

Subsidiaries are consolidated using the purchase method of accounting, under which the acquisition cost of the interests in the subsidiaries is eliminated against the equity of the subsidiaries attributable to the parent company at the date of acquisition. Hidden reserves or liabilities are recognized, and any remaining excess of cost of acquisition over net assets acquired is recognized as goodwill from capital consolidation and reduced by straight-line amortization over its expected useful life. In accordance with IAS 22, any negative goodwill is deducted from goodwill on the face of the balance sheet and amortized in other operating income over the useful life of the amortizable asset. Goodwill arising prior to 1994 has been charged directly to reserves.

Companies or joint ventures representing an interest of between 20% and 50% and over which the parent company has a significant influence are accounted for at equity.

Intercompany receivables and liabilities, intercompany profits and losses, as well as intragroup sales revenue, expenses and income are eliminated. In accordance with IAS 12, deferred tax assets and liabilities are recognized for temporary differences arising from consolidation.

Foreign currency translation

Foreign currency receivables and liabilities in the single-entity financial statements are translated at the middle rates at the balance sheet date. The associated derivatives are measured separately at their fair values at the balance sheet date in accordance with IAS 39.

The annual financial statements of companies domiciled outside the eurozone are translated into euros in accordance with IAS 21. For all SGL Carbon Group companies, translation is effected on the basis of the local currency, as the companies are classified as foreign entities. Balance sheet items of annual financial statements that

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are not prepared in euros are translated at the middle rates prevailing at the balance sheet date; income statement items are translated at average rates for the year.

Exchange differences resulting from the application of different exchange rates in the income statements and the balance sheets, as well as differences from the translation of net assets at rates differing from those applied in the prior-year period, are taken directly to retained earnings. Changes in the exchange rates of currencies that are material to the consolidated financial statements are presented below:

Foreign currency 1 =	**ISO-Code**	**Spot rate 12/31/2003**	**Spot rate 12/31/2002**	**Anual average rate 2003**	**2002**
US-Dollar	USD	1.2610	1.0415	1.1309	0.9448
British Pound	GBP	0.7070	0.6502	0.6919	0.6288
Canadian-Dollar	CAD	1.6290	1.6385	1.5818	1.4826
Polish Zloty	PLN	4.7170	4.0202	4.4561	3.8894

Financial instruments

The SGL Carbon Group uses all standard financial instruments such as interest rate swaps, interest rate options, forreign currency forwards and foreign currency options only for hedging purposes and to reduce risk.

All financial derivatives are measured at cost when the transaction is executed. They are subsequently remeasured at their fair values at the balance sheet date. The hedged balance sheet items are also measured individually at their fair values at the balance sheet date. Presentation in the income statement is based on the underlying transaction. Cash flows from future US dollar transactions were hedged for fiscal year 2004. The gains or losses on the effective portions of the hedges are recorded directly in equity after deduction of deferred taxes and reported separately under other comprehensive income.

Intangible assets

Purchased intangible assets are carried at cost and amortized over an expected useful life of three years. Purchased goodwill is capitalized and amortized over its expected useful life of 20 years. Internally generated intangible assets are capitalized at cost and amortized using the straight-line method over their expected useful life where future economic benefits are expected to flow to the Company. Development costs are only capitalized in individual cases and are generally expensed directly when incurred. The costs incurred in adapting the SAP R/3 system to produce an integrated Group-wide system will be capitalized and amortized over its estimated useful life following completion in 2004.

Property, plant and equipment

Property, plant and equipment is capitalized at cost depreciated on a straight-line basis. Production costs also include an appropriate share of materials and production overheads. Borrowing costs are not included in production costs. Repair costs are expensed directly when incurred. Contracts in which the lessee bears all significant opportunities and risks from the use of the leased asset, and which are hence classified as finance leases, are carried at their fair values or, if lower, at the net present value of the minimum lease payments. All other leases are treated as operating leases and, as a result, the lease payments are expensed when incurred. The range of standard useful lives is as follows: buildings 10 to 41 years, technical equipment and machinery 4 to 25 years, other equipment, operating and office equipment 3 to 15 years.

Additions to items of movable plant and equipment in the first half of the year are depreciated at the full-year rate; additions in the second half of the year are depreciated at half the full-year rate. Low-value assets are written off in full in the year of acquisition and reported as disposals in the statement of changes in noncurrent assets. The resulting effects on net assets, financial position and results of operations are insignificant.

Noncurrent financial assets

Noncurrent financial assets are carried at cost, net of any write-downs incurred. Significant equity investments are carried at equity. Companies no longer consolidated are carried at their net book value. Interest-free and low-interest long-term receivables are discounted at a standard market rate for risk-free instruments.

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Inventories

Inventories are carried at cost using the weighted average cost method and written down to the lower net realizable value where required. Net realizable value is the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale. Specific valuation allowances are also charged for inventory risks. In addition to directly attributable costs, production costs also include appropriate shares of materials and production overheads, as well as depreciation and write-downs. Directly attributable costs include labor costs, including pensions, amortization and directly attributable material costs. Borrowing costs are not capitalized. Construction contracts whose outcome can be reliably estimated and which have a material effect are measured using the percentage of completion method in accordance with IAS 11.

Advertising and sales promotion expenses as well as other customer-related expenses are expensed directly when incurred. Provisions are recognized for the estimated cost of product warranties after the date of sale of the product concerned.

Receivables and other current assets

Receivables and other current assets trade and other receivables are carried at their principal amount, net of any bad debt allowances calculated on the basis of the probable default risk. Bills receivable and other long-term receivables are discounted.

The carrying amounts of assets are reviewed where there are indications that the carrying amount of an asset exceeds its value in use or net selling price (impairment test). The carrying amount is written down if it is higher than the recoverable amount.

Provisions for pensions and other employee benefits

Provisions for pensions and other employee benefits from defined benefit plans are measured by independent actuaries using the projected unit credit method and reflect future salary and pension increases in accordance with IAS 19. The interest component of the addition to pension provisions is carried under net financing costs. Payments under defined contribution plans are recognized as expenses at the time of payment.

Other provisions

Other provisions are recognized in accordance with IAS 37 for obligations to third parties that will probably be required to be settled, and where the amount of the obligation can be reliably estimated. Long-term provisions are discounted. Restructuring provisions are recognized where a formal restructuring plan has been adopted and publicly announced in sufficient detail. The accounting for our stock option plans and recognition of provisions for obligations from stock option plans are described in note 31.

The SGL Carbon Group recognizes provisions for environmental protection obligations where it is probable that such an obligation exists and its amount can be reasonably estimated. Any possible insurance compensation payments are not deducted when recognizing such liabilities.

Liabilities

Liabilities are carried at their notional amount or at the higher redemption amount at the balance sheet date. Interestfree or low-interest liabilities due after more than one year are discounted to the balance sheet date. One-time fees for long-term loan agreements are amortized over the term of the loan agreement.

Deferred income

Government grants are recognized only if there is sufficient certainty that the SGL Carbon Group will comply with the conditions attached to them and that the grants will be received. The amounts are carried in deferred income and recognized as income as the associated expenses are incurred.

Income and expenses

Income and expenses of the fiscal year are recognized when realized and incurred. Sales revenue is recognized at the time of transfer of risk, generally after delivery of the products or rendering of the services, net of any discounts and rebates granted. The percentage of completion method in accordance with IAS 11 is applied to significant construction contracts. Operating expenses are recognized when the service is utilized or at the time when

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they are incurred. Interest income and expenses are accrued. Dividends are generally recognized at the time of distribution.

To enhance the quality of presentation of earnings power, costs relating to antitrust proceedings and restructuring are disclosed separately on the income statement.

Deferred taxes

Deferred income taxes are calculated using the balance sheet liability method. Deferred tax assets and liabilities are presented separately on the balance sheet to reflect the future tax effect of temporary differences between the carrying amounts of assets and liabilities in the financial statements and in the tax return. Deferred tax assets and liabilities are calculated on the basis of the tax rates expected to be enacted when the temporary differences reverse. The effects of changes in tax rates are recognized at the time new tax laws are enacted. Deferred tax assets are only recognized for tax loss carryforwards where future utilization is probable.

Estimates and assumptions

Preparation of financial statements requires management in certain cases to make estimates and assumptions regarding the amounts of receivables, liabilities and provisions, the disclosure of contingent liabilities and reported amounts of income and expenses. Actual amounts may differ from those estimates.

2. Explanation of significant differences between German accounting principles and the International Accounting Standards in the SGL CARBON Group

The significant differences between the IFRSs/IASs and the German Commercial Code (HGB) that are relevant to the SGL Carbon Group are as follows:

Under the HGB, goodwill may be capitalized and amortized over generally 15 years or eliminated directly against the reserves (as was the case in the SGL Carbon Group until 1994). The IFRSs/IASs require goodwill to be capitalized and amortized over a maximum of 20 years. The cost of integrating the company acquired is not a component of the cost of acquisition in accordance with the IFRSs/IASs. The resulting goodwill and goodwill amortization charges are correspondingly lower.

Under the IFRSs/IASs, internally generated intangible assets are capitalized if future economic benefits are expected to flow to the enterprise.

Depreciation of movable items of plant and equipment had to be changed to the straight-line method of depreciation. Leased items of property, plant and equipment that are attributable to the SGL Carbon Group as the beneficial owner in accordance with the criteria set out in IAS 17 are capitalized and depreciated. The associated liabilities are expensed.

Leased items of property, plant and equipment that are attributable to the SGL Carbon Group as the beneficial owner in accordance with the criteria set out in IAS 17 are capitalized and depreciated. The associated liabilities are expensed.

Foreign currency translation under the HGB is based on the imparity principle: foreign currency receivables must be translated at the rate prevailing at the transaction date or at the lower rate at the balance sheet date. Foreign currency liabilities must be translated at the rate prevailing at the transaction date or at the higher rate at the balance sheet date. The IFRSs/IASs require all foreign currency receivables and liabilities to be translated at the middle rate at the balance sheet date. Any resulting gains and losses are recognized in income.

Deferred taxes are recognized and measured using the balance sheet liability method in accordance with IAS 12, in contrast to the HGB. Under this method, assets and liabilities from amounts of future income taxes recoverable or payable must be recognized using the future enacted tax rates.

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This also includes the recognition of deferred tax assets from tax loss carryforwards if it is probable that taxable profits will be available against which the deferred tax asset can be utilized.

Under the IFRSs/IASs, pension provisions are calculated to reflect future salary and pension increases (projected unit credit method). A corridor approach is used for the recognition of actuarial gains and losses. Under German law, the provision is calculated using the net present value method in accordance with section 6a of the EstG (German Income Tax Act). IFRSs/IASs pension provisions are generally higher than HGB pension provisions.

Recognition of provisions under the IFRSs/IASs requires that future utilization of the provision is probable. Under the HGB, provisions may also be recognized for possible obligations. The IFRSs/IASs do not permit provisions for future internal expenses.

Under the IFRSs/IASs, long-term provisions and liabilities must be discounted, producing a lower carrying amount. The accrued interest on the liability relating to the North American antitrust proceedings calculated each quarter reduces net profit or increases net loss before tax in subsequent years compared with the HGB result.

3. Acquisitions and basis of consolidation

As of January 1, 2001, all shares in SGL ACOTEC Ltda., São Paulo (Brazil) formerly KCH-ANCOBRAS Ltda. were acquired in exchange for a 38% interest in Larrondo Inversiones S.L. at a purchase price of €1.8 million.

In addition, the interest in SGL ACOTEC (Wuhan) Co. Ltd., Wuhan (China), was increased from 70% to 90%. €0.9 million was paid for the acquisition of the 20% interest to the partner continuing to hold the 10% interest.

Tokai Carbon Co. Ltd., Tokyo (Japan), a third-party enterprise, acquired a 49% interest in the joint venture which has been operating under the name SGL Tokai CARBON Ltd., Shanghai (China), since July 2002. The 51% interest remaining in the hands of SGL Carbon is carried at cost and is not consolidated.

All shares in SGL PanTrac Gesellschaft für elektrische Kontakte mbH, Berlin (PanTrac), were sold to E-CARBON S.A., Brussels (Belgium), a third-party enterprise, and were transferred in January 2003. PanTrac was still fully consolidated in the consolidated financial statements for fiscal year 2002.

The electrical contacts (EC) business belonging to SGL Risomesa S.p.A., Milan (Italy), was sold to the Schunk Group by way of a contract in March 2003 and the company was deconsolidated. The business activities retained by SGL had been previously transferred to SGL CARBON Specialties and continue to be consolidated.

SGL ANGRAPH Sp. z o.o, Nowy Sacz (Poland), has been consolidated since the beginning of the fiscal year. Four small Acotec companies are no longer consolidated as they are insignificant in overall for the presentation of net assets, financial position and results of operations of the SGL Carbon Group.

The remaining interests in ZEW Zaklady Elektrod Weglowych S.A., Racibórz (Poland), were acquired in 2003 and the company was then renamed SGL CARBON POLSKA S.A. At the end of fiscal year 2003, SGL CARBON S.A., Nowy Sacz (Poland), was merged with SGL CARBON POLSKA S.A., Racibórz (Poland).

Basis of consolidation

All significant subsidiaries under the legal or constructive control of SGL Carbon have been consolidated. At December 31, 2003, seven (2002: eight) German and 36 (2002: 43) foreign subsidiaries were consolidated in addition to SGL Carbon AG. Compared with 2002, four foreign subsidiaries were consolidated for the first time, and six foreign subsidiaries were merged. In addition, one German and one foreign subsidiary were sold, and four foreign subsidiaries were no longer consolidated because they were deemed to be insignificant. The two subsidiaries consolidated for the first time are companies that were previously unconsolidated. 26 subsidiaries were not

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consolidated because they are insignificant overall for the presentation of net assets, financial position and results of operations. One joint venture was carried at equity. The significant consolidated subsidiaries are listed on page 96.

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Consolidated income statement and consolidated balance sheet disclosures

Note 28 presents a breakdown of sales revenue by Business Area.

4. General and administrative expenses
During the year under review, general and administrative expenses were reduced further compared with the previous year. The savings are primarily due to a reduction in variable remuneration components and lower costs at Group companies in the United Kingdom and North America resulting from exchange rate effects.

5. Other operating income/expenses, net
Other operating income is primarily composed of income from the disposal of noncurrent assets (€4.0 million) among other things, resulting from the sale of the electrical contacts business, income from the reversal of provisions (€2.9 million), the amortization of negative goodwill (€2.7 million), exchange rate gains (€1.8 million), income from changes in bad debt allowances on receivables (€1.2 million), and insurance compensation (€0.4 million).

The major items of other operating expenses are amortization of goodwill (€6.6 million), exchange rate losses (€4.6 million), additions to provisions (€1.5 million), and losses on the disposal of noncurrent assets (€1.0 million).

6. Costs relating to antitrust proceedings and restructuring expenses

	2003	**2002**	**2001**
	€m	**€m**	**€m**
Cost relating to antitrust proceedings	**19.5**	22.0	35.0
Restructuring expenses	**10.4**	8.3	41.0
	29.9	30.3	76.0

The costs relating to antitrust proceedings relate primarily to an increase in the provisions for fines of €27.8 million and €23.6 million imposed by the European competition authorities in fiscal years 2002 and 2003, respectively.

The restructuring expenses in fiscal year 2003 relate to workforce reduction expenses of €3.7 million incurred in the CG Business Area in Italy, Germany and Poland, expenses of €2.7 million incurred in the GS Business Area in relation to the closure of a facility in France in particular, as well as expenses totaling €2.0 million in the CP Business Area due to measures implemented in Germany and France, costs of €1.8 million in SGL T for adjustments at HITCO, and other expenses amounting to €0.2 million.

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7. Net financing costs

	2003 €m	2002 €m	2001 €m
Net investment income	**(4.7)**	(1.8)	3.2
Interest on other securities, other interest and similar income	**3.4**	2.2	2.5
(thereof from subsidiaries)	***(0 .0)***	*(0.2)*	*(0.0)*
Interest on borrowings and other interest expense	**(26.9)**	(27.4)	(28.4)
Interest expense relating to the European Commission	**(5.6)**	0.0	0.0
Imputed interest on liabilities from antitrust proceedings	**(6.2)**	3.4	(2.7)
Interest component of additions to pension provisions	**(10.5)**	(10.4)	(9.9)
Interest expense, net	**(45.8)**	(32.2)	(38.5)
Amortization of capitalized financing costs	**(16.1)**	0.0	0.0
Amortization of capitalized costs for the convertible bond	**(1.5)**	(0.6)	(0.6)
Foreign currency translation of North American antitrust liabilities	**12.4**	16.3	(6.7)
Foreign currency hedging costs for North American antitrust liabilities	**(12.2)**	(11.8)	1.6
Expenses for guarantees to the European Commission	**(2.4)**	(0.9)	0.0
Other financial expenses	**(3.0)**	5.5	(7.5)
Other financial expenses / net financial incom e	**(22.8)**	8.5	(13.2)
Total	**(73.3)**	(25.5)	(48.5)

Net financing costs include non-cash expenses amounting to €26.6 million. At the end of 2003, we deferred the interest potentially payable in connection with the European antitrust fines. Other net financing costs/net financial income relate to net exchange rate gains and losses on financial transactions and to write-offs of refinancing costs totaling €16.1 million capitalized at the end of 2002/beginning of 2003. The costs incurred in 2003 for the refinancing in 2004 of the syndicated loans and the high-yield bond were also deferred and will be amortized over the estimated term of the loans.

8. Other disclosures

Costs of material	**2003 € m**	2002 € m	2001 € m
Cost of raw materials and consumables used and of good purchased and held for resale	**240.0**	242.2	297.1
Cost of purchased services	**58.5**	61.3	78.2
	298.5	303.5	375.3

Staff Costs	**2003 € m**	2002 € m	2001 € m
W ages and salaries	**261.1**	298.1	326.0
Social security contributions, retirement and other benefit costs	**84.5**	70.1	77.2
(thereof for pensions)	**(20.5)**	(18.7)	(17.3)
	345.6	368.2	403.2

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Other taxes

Other taxes are reported in the appropriate functional expense. The total expense was €6.9 million in 2003 and €9.8 million in 2002.

Breakdown of employees

Annual average number of employees	**2003**	2002	2001
Production and auxiliary plants	**5,034**	5,465	6,103
Sales and marketing	**593**	638	655
Research	**232**	307	487
Administration, other functions	**1,218**	1,294	1,246
	7,077	7,704	8,491

The reduction in the average number of employees is due to the additional restructuring measures implemented in the year under review, particularly in the CG and CP Business Areas, and to changes in the basis of consolidation.

9. Income tax expense

Deferred tax assets from tax loss carryforwards are generally recognized in the IFRS/IAS consolidated financial statements on the basis of five-year projected earnings before taxes of the individual consolidated companies. The projections reflect uncertainties about certain assumptions and other general conditions and, in exceptional cases, deferred tax assets from tax loss carryforwards have not been recognized.

The tax expense is composed as follows

	2003	2002	2001
	m	m	m
Current Income tax expense			
Germany	**0.1**	(2.1)	(5.6)
Rest of World	**(14.4)**	(5.7)	(16.8)
Deferred Taxes			
Germany	**22.0**	11.1	(1.6)
Rest of World	**6.4**	0.3	(5.2)
Income tax (expense) / income	**14.1**	3.6	(29.2)

Deferred tax assets from tax loss carryforwards in Scotland were still not recognized in the period under review. As a result of the turnaround in our businesses in the USA, a portion of the loss carryforwards there were recognized on the basis of a conservative estimate. This turnaround was due to the completion of our restructuring program in CG and GS in 2003, and the price increases in our core graphite electrode business which were successfully implemented in the US market. This led to a tax income of €10.0 million in 2003.

German corporations are subject to a standard 25% rate of corporation tax for profits distributed and retained. In September 2002, the rate of German corporation tax for fiscal 2003 was increased to 26.5%. The impact of this tax increase, which was limited to one year, was not of material importance and has therefore not been included in the calculation of deferred taxes. A solidarity surcharge of 5.5% is added to the corporation tax rate, resulting in an aggregate corporate tax rate for 2002 and 2003 of 26.4%. German corporations are also subject to a

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trade tax. The trade tax rate depends on the municipality in which the company has its operating facilities. Trade tax generally amounts to between approximately 15% and 20% of the taxable trading profit, depending on the municipality s tax assessment rate. Trade tax is deductible as an operating expense in the calculation of the company s income that is subject to corporation tax. Including the average trade tax burden of 12%, the German income tax rate amounts to a total of 38.4%.

m	**2003**	2002	2001
Net loss before tax	**(64.3)**	(27.2)	(65.8)
Expected tax income at 38.4%	**24.7**	10.4	25.3
Change in expected tax expense due to:			
- non-deductable expenses			
(incl. goowill amortization) and tax-exempt income	**(7.3)**	(7.6)	(16.4)
- Taxation differences at foreign companies	**(0.4)**	3.3	(0.5)
- Prior-period taxes	**0.4**	4.0	(5.2)
- Effects of change in tax rate	**0.0**	0.0	(0.7)
- Change in valuation allowance against deferred tax assets	**0.7**	(11.4)	(31.6)
- Other	**(4.0)**	4.9	(0.1)
= Effective tax benefit (+) / (expense)	**14.1**	3.6	(29.2)

Since the income tax burden differs from country to country, these taxation differences are disclosed separately in the reconciliation above. The prior-period taxes are the result of refunds for taxes paid in the past due to successful appeals to the tax authorities. The valuation allowance charged on deferred tax assets relates primarily to the nonrecognition of deferred tax assets in Scotland in fiscal years 2002 and 2003 and the loss carryforwards in the USA, which were partially recognized for the first time in 2003. The partial recognition of loss carryforwards in the USA in the amount of €10.0 million was offset against the valuation allowance on deferred tax assets, which was initially calculated at €(9.3) million, resulting in the positive balance of €0.7 million disclosed here.

10. Earnings per share (EPS)

Basic earnings per share are calculated by dividing the net profit or loss attributable to SGL Carbon shareholders (2003: € (50.3) million; 2002: €(23.6) million; 2001: € (95.2) million) by the weighted average number of shares outstanding (2003: 22,148,078; 2002: 21,813,930 2001: 21,530,563). The weighted average number of shares outstanding is calculated from the number of shares outstanding at January 1 plus the new shares issued in February 2003 (see note 19).
In both fiscal years, share options were outstanding (see note 31). The diluted earnings per share in accordance with IAS 33.40 were identical to the basic earnings per share; this was due in particular to the net loss recorded in both fiscal years.

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11. Intangible assets

m	**Dec. 31, 2003** Industrial rights, software and similar rights	**Dec. 31, 2003** Goodwill	**Dec. 31, 2003** Negative goodwill	**Dec. 31, 2003** Total	Dec. 31, 2002 Industrial rights, softw are and similar rights	Dec. 31, 2002 Goodwill	Dec. 31, 2002 Negative goodwill	Dec. 31, 2002 Total
Historical cost:								
Balance at Jan. 1	**34.4**	**132.2**	**(11.4)**	**155.2**	24.0	140.6	(8.3)	156.3
Change in basis of consolidation	**(0.3)**	**(4.5)**	**4.6**	**(0.2)**	0.0	0.0	0.0	0.0
Currency translation	**(1.2)**	**(11.0)**	**0.3**	**(11.9)**	(1.0)	(8.5)	(3.1)	(12.6)
Additions	**12.9**	**0.6**	**0.0**	**13.5**	12.0	0.1	0.0	12.1
Disposals	**(1.5)**	**(0.3)**	**4.1**	**2.3**	(0.6)	0.0	0.0	(0.6)
Balance at Dec. 31	**44.3**	**117.0**	**(2.4)**	**158.9**	34.4	132.2	(11.4)	155.2
Cumulative am ortization:								
Balance at Jan. 1	**21.5**	**36.9**	**(7.0)**	**51.4**	18.5	31.3	(4.7)	45.1
Change in basis of consolidation	**(0.2)**	**(0.6)**	**2.9**	**2.1**	0.0	0.0	0.0	0.0
Currency translation	**(1.2)**	**(4.0)**	**0.3**	**(4.9)**	(1.2)	(1.8)	0.0	(3.0)
Additions	**3.8**	**6.6**	**(2.7)**	**7.7**	4.8	7.4	(2.3)	9.9
Disposals	**(0.5)**	**0.0**	**4.1**	**3.6**	(0.6)	0.0	0.0	(0.6)
Balance at Dec. 31	**23.4**	**38.9**	**(2.4)**	**59.9**	21.5	36.9	(7.0)	51.4
Carrying amount at Dec. 31	**20.9**	**78.1**	**0.0**	**99.0**	12.9	95.3	(4.4)	103.8

Industrial rights, software and similar rights are mainly comprised of purchased and internally developed software. Additions in the year under review relate mainly to the development of a standardized Group-wide SAP system (SGL ONE). The aim of the SGL ONE project is to replace a large number of legacy systems with a single, fully integrated global SAP system. A total of €9.3 million was capitalized in 2003 for the SGL ONE project (2002: €4.9 million). Negative goodwill is amortized in the income statement over the expected remaining useful life. Goodwill amortization is contained in other operating expenses. There was no requirement for write-downs from impairment testing.

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12. Property, plant and equipment

m	Land, land rights and buildings	Technical equipment and machinery	Other equipm ent, operating and office equipment	Advance payments and assets under development	Total
Historical cost:					
Balance at Jan. 1, 2003	372.0	1,023.9	131.4	29.6	1,556.9
Change in basis of consolidation	(1.3)	(1.0)	(2.0)	0.1	(4.2)
Currency translation	(16.8)	(53.5)	(2.6)	(1.2)	(74.1)
Reclassifications	0.0	0.0	0.0	0.0	0.0
Additions	4.9	35.4	3.4	(10.9)*	32.8
Disposals	(3.3)	(35.9)	(7.4)	(0.1)	(46.7)
Balance at Dec. 31, 2003	355.5	968.9	122.8	17.5	1,464.7
Cumulative depreciation					
Balance at Jan. 1, 2003	203.7	764.8	110.9	0.2	1,079.6
Change in basis of consolidation	(0.7)	(1.8)	(1.5)	0.0	(4.0)
Currency translation	(5.3)	(31.0)	(1.9)	0.0	(38.2)
Reclassifications	0.4	(0.4)	0.0	0.0	0.0
Additions	9.4	48.4	6.7	0.0	64.5
Disposals	(3.1)	(35.4)	(7.2)	0.0	(45.7)
Balance at Dec. 31, 2003	204.4	744.6	107.0	0.2	1,056.2
Carrying amount at Dec. 31, 2003	151.1	224.3	15.8	17.3	408.5
Historical cost:					
Balance at Jan. 1, 2002	395.8	1,106.6	142.5	52.9	1,697.8
Change in basis of consolidation	(10.9)	(36.4)	(8.5)	0.0	(55.8)
Currency translation	(19.3)	(61.4)	(3.2)	(2.2)	(86.1)
Reclassifications	10.1	0.0	0.0	(10.1)	0.0
Additions	2.6	43.7	6.1	(10.9)*)	41.5
Disposals	(6.3)	(28.6)	(5.5)	(0.1)	(40.5)
Balance at Dec. 31, 2002	372.0	1,023.9	131.4	29.6	1,556.9
Cumulative depreciation					
Balance at Jan. 1, 2002	214.5	811.3	118.3	0.2	1,144.3
Change in basis of consolidation	(10.0)	(34.3)	(8.5)	0.0	(52.8)
Currency translation	(7.1)	(38.1)	(2.2)	0.0	(47.4)
Reclassifications	0.0	0.0	0.0	0.0	0.0
Additions	10.3	52.4	8.6	0.0	71.3
Disposals	(4.0)	(26.5)	(5.3)	0.0	(35.8)
Balance at Dec. 31, 2002	203.7	764.8	110.9	0.2	1,079.6
Carrying amount at Dec. 31, 2002	168.3	259.1	20.5	29.4	477.3

* Balance of additions of €19.9 million and reclassifications to operational equipment of €30.8 million.

Investments in property, plant and equipment declined by €8.7 million in the year under review, from €41.5 million to €32.8 million. Material additions relate to the replacement of capital assets for our plants in Germany, the United States, Poland and Italy. Capitalized leased assets relate to land and buildings and to technical equipment, and amount to €1.1 million at December 31, 2003.

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13. Noncurrent financial assets

	Investments in subsidiaries m	Noncurrent financial instruments m	Other noncurrent financial assets m	Total m
Historical cost:				
Balance at Jan. 1, 2003	32.8	2.5	5.4	40.7
Change in basis of consolidation	1.2	0.0	0.0	1.2
Currency translation	(1.5)	0.0	(0.1)	(1.6)
Reclassifications	0.0	0.0	0.0	0.0
Additions	1.0	0.0	0.7	1.7
Disposals	(1.7)	0.0	(0.5)	(2.2)