

A photograph of a worker in a blue hard hat and safety gear operating machinery in an industrial setting. The worker is positioned in the center-right of the frame, looking towards the camera. The machinery is blue and white, with various pipes and cables. The background is a clear blue sky with some light clouds. The overall scene is brightly lit, suggesting a sunny day.

CARBO

C E R A M I C S

2 0 0 3 A N N U A L R E P O R T

D E L I V E R I N G

MORE

DELIVERING MORE

The oil and gas reserves that provide energy to fuel the economies of the world are typically found within the pores of hard rock formations. In order to get oil or gas to flow freely from these tight rock formations into a wellbore, and ultimately to the earth's surface, the majority of wells must be hydraulically fractured. Hydraulic fracturing is the most widely used method of stimulating production from oil and gas wells. The hydraulic fracturing process consists of pumping fluids down a natural gas or oil well at pressures sufficient to create fractures in the hydrocarbon-bearing rock formation. A granular material, called proppant, is suspended and transported in the fluid and fills the fracture, "propping" it open once high-pressure pumping stops. The proppant-filled fracture creates a permeable channel through which the hydrocarbons can flow more freely. Because of their uniform size and shape, and their ability to withstand high temperatures and pressures, high-quality ceramic proppants manufactured by CARBO Ceramics often result in significant increases in production rates when compared to less expensive sand and resin-coated sand proppants. As CARBO Ceramics spreads this message to oil and gas producers worldwide, new opportunities are created to sell more ceramic proppant – allowing CARBO Ceramics to deliver more to our customers and shareholders.

COMPANY PROFILE

CARBO Ceramics is the world's leading producer of ceramic proppant, which is used in the hydraulic fracturing of natural gas and oil wells. The superior attributes of our products, coupled with an extensive distribution network, strong technical support, and exceptional customer service, have made CARBO Ceramics the worldwide leader among ceramic proppant suppliers. Serving markets worldwide, we are focused on meeting the increasing demands of the oil and natural gas industry with continual improvement in manufacturing capacity, distribution, and technical support. CARBO Ceramics is also the world's leading provider of fracture diagnostic services and hydraulic fracture simulation software through our subsidiary, Pinnacle Technologies, Inc.

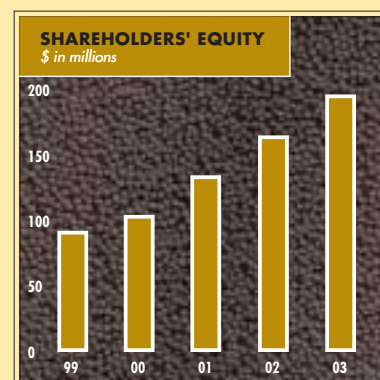
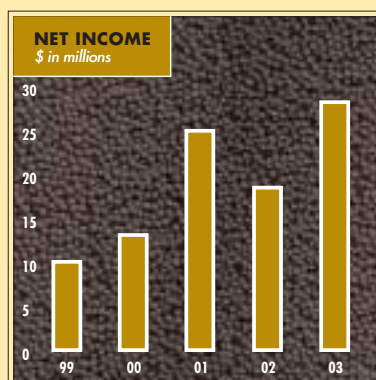
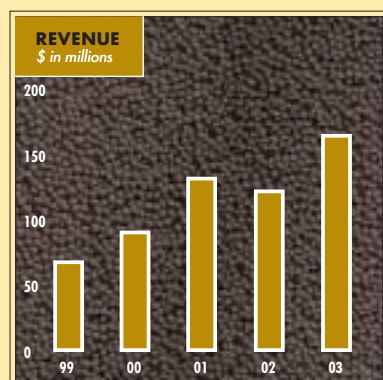
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FINANCIAL HIGHLIGHTS

(In thousands, except per share amounts)

Years Ended December 31,	2003	2002	2001	2000	1999
Summary Statement of Income Data					
Revenues	\$ 169,936	\$ 126,308	\$ 137,226	\$ 93,324	\$ 69,738
Gross profit	72,934	51,636	58,251	35,561	28,020
Operating profit	47,014	30,680	39,575	23,157	16,259
Income before income taxes	47,087	31,243	40,681	23,425	15,971
Net income	29,569	19,714	26,198	14,830	10,512
Diluted earnings per share	\$ 1.88	\$ 1.28	\$ 1.74	\$ 1.00	\$ 0.71
Average shares outstanding - diluted	15,689	15,375	15,042	14,826	14,712
Summary Balance Sheet Data					
Current assets	\$ 92,709	\$ 64,867	\$ 76,502	\$ 47,415	\$ 23,809
Total assets	235,124	199,610	159,029	125,422	106,980
Current liabilities	16,432	17,940	11,127	9,415	7,457
Shareholders' equity	200,139	168,585	136,942	106,140	93,400
Other Data					
Depreciation and amortization	\$ 10,393	\$ 7,815	\$ 6,776	\$ 6,767	\$ 4,632
Capital expenditures	21,975	27,356	11,296	1,603	14,027



LETTER TO SHAREHOLDERS

EXCITING TIMES IN THE BUSINESS

It's an exciting time to be in the proppant business. As a shareholder in CARBO Ceramics, it's even more exciting to be a part of this dynamic company. Last year was a record year for us, as we adhered to one of our major core values - setting aggressive goals, then striving to exceed them. This annual report details our progress in 2003 and our plans for the future. However, before you advance to the details, let me share a few highlights.

An increase in global drilling and fracturing activity, and the continued momentum of our technical sales effort resulted in record sales volume for the company in 2003. The 578 million pounds of product we sold in 2003 represented an increase of 32 percent from the previous year and beat our previous annual record by 14 percent. Sales increased worldwide with North American volumes increasing 21 percent and overseas shipments doubling from the previous year. This impressive growth continued to validate the effectiveness of ceramic proppant in improving production rates for the owners of oil and natural gas wells around the globe.

Our earnings also reached record levels in 2003. Driven by our record sales volume and improved efficiency in our manufacturing and distribution operations, we generated a record \$29.6 million in net income or \$1.88 per share. The increased investment we made in our distribution network paid dividends as we moved more product by rail rather than truck, lowering freight costs and improving distribution performance. We also lowered costs in our manufacturing operations by improving the reliability and increasing the throughput of our facilities.

NEW OPPORTUNITIES WORLDWIDE

We have continued to make great progress in expanding beyond North America. Our Luoyang, China, facility originated its first shipment in January of 2003.

By June, this facility was operating at its full design capacity and our Board of Directors approved the construction of a second production line, which is scheduled to be completed in mid-2004.

Last September, I accompanied U.S. Commerce Secretary Don Evans to a U.S. - Russia Commercial Energy Summit in St. Petersburg, Russia. As Russia represents an increasingly attractive opportunity, our mission focused on the benefits of open trade and the rewards of an increased global energy supply, promoted by U.S. - Russian cooperation. The visit represents a watershed in our company's history. It generated important contacts in Russia and set the table for an increase in our sales and distribution activities there. By January 2004, we registered CARBO Ceramics Eurasia LLC with the Russian government, established a sales office in Moscow, and began exploring the feasibility of constructing distribution and manufacturing facilities in Russia.

PULLING TOGETHER TO DELIVER MORE

Since its introduction in the 1950s, hydraulic fracturing has proven to be the most cost effective way of increasing production in oil and gas wells. By pumping fluid and proppant into a well at high pressure, operators create fractures in underground rock formations, and transport proppant into the fractures to "prop" them open and allow hydrocarbons to flow more freely to the wellbore and to the surface. Essentially, the fracture is the drain that connects the reservoir to the well. We believe strongly that improving the hydraulic fracturing process and creating a more effective fracture from which to drain reserves is the key to lowering overall development costs in the future.

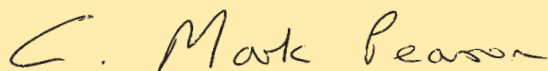
Our technical marketing campaign and related field trials have clearly demonstrated that, under a variety of reservoir conditions, ceramic proppant improves fracture conductivity, resulting in an increase in

production rates and an increase in the total reserves recovered when compared to sand-based proppants. Simply put, placing ceramic proppant in the fracture means less oil and natural gas is left in the ground.

We acquired Pinnacle Technologies in 2002 because we believe in the importance of effectively engineering hydraulic fractures. Pinnacle helps producers of oil and gas improve fracture efficiency and optimize reservoir development through its proprietary fracture mapping and reservoir monitoring services. Lower overall field development costs are driven by proper placement of the wells within a reservoir, proper placement and design of fractures in each well, and maximizing flow rates through the fractures. Together, the products and services of CARBO Ceramics provide all three of these critical factors. The synergy between Pinnacle and our proppant business will continue to expand as more producers come to realize the value of fracture optimization in their operations.

In 2004, CARBO Ceramics will continue to pursue our strategy of expanding our manufacturing base, growing global distribution, developing new products, and building our business across North America and throughout the world. Our sales, service, manufacturing, distribution, research, and administrative teams will work together to continue to build the infrastructure necessary to expand our presence worldwide. Looking back, 2003 was a very good year. Looking forward, we anticipate continued growth with our sights set on delivering more in 2004.

Thank you to all of our shareholders for your continued interest and support.



C. Mark Pearson
President and Chief Executive Officer



C. Mark Pearson
*President and
Chief Executive Officer*



Paul Vitek
*Senior Vice President and
Chief Financial Officer*



Mark Edmunds
*Vice President,
Operations*



Chris Wright
*President, Pinnacle
Technologies, and Vice
President, CARBO Ceramics*

SUCCESS IN THE FIELD IS CREATING DEMAND FOR CARBO CERAMICS' PRODUCTS AND SERVICES WORLDWIDE.

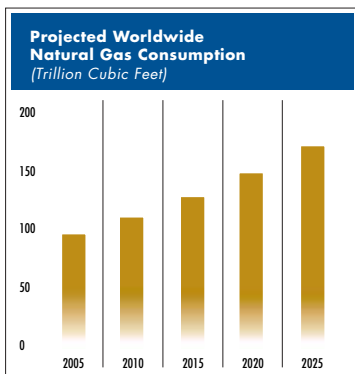
Considering the volatility of world energy markets, oil and gas producers have a difficult job. They must constantly focus on improving efficiency while finding and developing reserves in increasingly difficult environments. Our customer-focused mission statement is clear – we enhance our customers' profitability by consistently providing high-quality, cost-effective products and services. When the cost-benefit ratio of all aspects involved in developing oil and gas reserves is scrutinized, CARBO Ceramics consistently delivers value-adding products and services to oil and gas producers.

Our primary product is a simple one. Ceramic proppants are small, spherical beads that are used in the hydraulic fracturing of oil and gas wells. While sand-based proppant is less expensive than ceramic proppant and has historically been more widely used, we are consistently demonstrating the cost-effectiveness of our products in the field. Ceramic proppant is stronger, more durable and more uniform in size and shape when compared to sand-based proppant. The strength of ceramic proppant in deep wells and its uniform size and shape in shallower wells result in increased production rates and, more importantly, improved cash flow for well operators.

For CARBO Ceramics, anticipated increases in natural gas drilling represent a significant opportunity. Currently, more than 90 percent of active rigs in the U.S. are drilling for natural gas and approximately 85 percent of our worldwide shipments in 2003 were for use in the stimulation of natural gas wells. According to the Energy Information Administration's International Energy Outlook 2003 (IEO2003), worldwide natural gas consumption is projected to be nearly double the 2001 total of 90 trillion cubic feet, with developing nations leading the growth. In the IEO2003 reference case, U.S.

natural gas demand is expected to increase by 1.8 percent per year.

In Eastern Europe and the former Soviet Union, natural gas consumption is expected to increase 2.9 percent per year into 2025. Significant increases in natural gas demand are also expected in China as that country focuses on improving the air quality in its major metropolitan areas.



Source: EIA/System for the Analysis of Global Energy Markets (2003)

A photograph of an industrial facility at night, illuminated by warm yellow lights. Large, vertical pipes and structures dominate the scene. A worker in a dark uniform and a red hard hat stands in the middle ground, looking towards the right. The overall atmosphere is industrial and focused.

P U R S U I N G

MORE

CARBO Ceramics' products continue to gain market share, primarily in natural gas fields across North America. However, as world energy producers focus on improving efficiency in their development of new oil and gas reserves, many new opportunities are emerging for CARBO Ceramics.



S E L L I N G

MORE

Our focus on manufacturing quality products for use in a wide variety of reservoirs and providing outstanding customer service and technical support is resulting in increased sales worldwide.

While the increased demand for natural gas will result in more wells being drilled, it is also critical that overall development costs be minimized by getting more gas out of each well drilled. Fracturing with high-conductivity ceramic proppant is a key component to improving individual well performance and increasing reservoir recovery rates.

CARBO CERAMICS ACHIEVED RECORD SALES IN 2003 AND ANTICIPATES FURTHER GROWTH IN THE FUTURE.

While the worldwide growth in natural gas demand is expected to generate increased demand for all proppant, we will continue to work diligently to capture a greater share of the proppant market. With an expanded, education-based technical marketing program, we will continue to demonstrate the effectiveness of ceramic proppant with results-based case studies clearly demonstrating to exploration and production companies the benefits of our products in a variety of reservoirs.

Using computer models, we are able to forecast both the potential increase in well productivity and the return on investment using the well depth, closure stress, permeability, and other reservoir characteristics specific to any well. The models also compare the cost and performance of various proppants, including sand-based and ceramic proppants.

To validate the economic benefits indicated by these computer models, we have partnered with several companies to conduct field trials in strategic geographic regions, such as the U.S. Rocky Mountains and East Texas. Documented results from these field trials clearly show that ceramic proppants will increase productivity, and generate greater economic return, in many reservoirs. Our ongoing field trials with major natural gas producers helped boost our sales in Canada, the Rocky Mountains and East Texas, with total 2003 North American sales volume increasing 21 percent over 2002. In 2003, our ceramic proppant was used by 19 of the top 20 natural gas producers in the U.S.

We have continued to expand our sales and distribution efforts overseas, where our sales volume increased 100 percent in 2003. Russia, the North Sea, Western Europe and the Middle East were all significant areas of sales activity. Sales into Russia and Southeast Asia were largely supported by product shipped from our manufacturing facility in Luoyang, China. In January 2004, we opened sales and service offices in Yekaterinburg and Moscow to better position ourselves to serve the growing Russian market.



CARBO Ceramics has continued to expand its field trial activity. Eight new field trials were initiated in 2003.

With natural gas expected to be the fastest growing component of world energy consumption, exploration and production companies will continue to increase their emphasis on developing natural gas reserves around the world. We will continue to build our technical marketing program to validate the effectiveness of ceramic proppant as these companies increasingly recognize the importance of maximizing production from each well.

BUILDING CAPACITY BETTER POSITIONS CARBO CERAMICS TO MEET WORLD DEMAND.

The manufacturing capacity we added in 2002 played a major role in our ability to capitalize on market opportunities in 2003. Our new manufacturing facility in Luoyang, China, which was completed in late 2002, began shipping product last January. Within six months of its opening, the plant was running at 100 percent of its design capacity. The ability of this facility to efficiently produce and distribute quality products has been a critical factor contributing to our recent sales growth in the European and Asian markets. Based on the success of our initial investment in China, our Board of Directors approved, in July 2003, the construction of a second production line. This production line is expected to be complete by mid-2004, and will double our capacity in China to 90 million pounds per year.

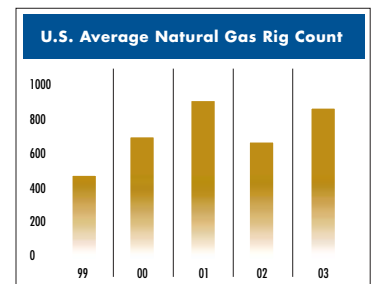
Domestically, we also realized benefits in 2003 from the addition of 75 million pounds of capacity through the optimization of our McIntyre, Georgia, plant and another 20 million pounds from the

addition of a third kiln to our New Iberia, Louisiana, plant. These expansions supported our record sales volume in 2003.

In January 2004, our Board of Directors approved the construction of a \$62 million manufacturing facility in Wilkinson County, Georgia. This facility is designed to have 250 million pounds



CARBO Ceramics expects to increase manufacturing capacity to almost one billion pounds by the end of 2005.



Source: Baker Hughes



P R O D U C I N G

M O R E

The ability of CARBO Ceramics to continue to increase the market share of ceramic proppant depends largely on our ability to manufacture more product. We will continue to expand our manufacturing capacity worldwide.

S E E I N G

MORE



Pinnacle Technologies' proprietary products and services provide operators valuable tools for improving hydraulic fracturing and completion practices. The improved visibility of fractures and formations afforded by the use of these products and services helps our customers see more, so they can more efficiently develop reservoirs.

of annual production capacity initially and can be easily expanded as demand warrants in the future. The facility is strategically located adjacent to the significant raw material reserves we have acquired in the region and is expected to be operational by the end of 2005. The decision to move forward with this major expansion reflects our optimism about the demand for our products going forward.

All told, our planned manufacturing expansions will increase capacity to nearly one billion pounds per year by the end of 2005, positioning us to supply the anticipated growth in the global proppant market.

PINNACLE TECHNOLOGIES BRINGS NEW OPPORTUNITIES TO LIGHT.

Producing hydrocarbons from underground reservoirs is a challenging and expensive endeavor. Hydraulic fracturing is by far the most widely used technique to enhance hydrocarbon production from a wellbore. Pinnacle Technologies provides the industry's most advanced diagnostic tools to "see" what is happening underground during the hydraulic fracturing process and subsequent production.

In 2003, Pinnacle made significant strides in expanding the application of its services. Most notably, our microseismic mapping business grew more than 200 percent from the previous year, driven by enhanced data processing and field operations that allowed more accurate results, quicker turnaround, and application in a wider range of mapping environments than previously possible. In addition, the company's surface tilt mapping service was performed on fractures deeper than 16,000 feet, expanding the range of application for Pinnacle services to include most onshore wells.

As the industry's only full service provider of fracture mapping and consulting services, Pinnacle also sells the world's most widely used hydraulic fracture simulation software, FracproPT®. Sales of FracproPT continue to gain market share worldwide and the product is now available in Chinese, Russian, Spanish, and English language versions.

Globally, Pinnacle's long-term reservoir monitoring technology continues to advance, as new projects were initiated in the U.S., Canada, Indonesia, and Venezuela. In Malaysia,



Pinnacle Technologies' fracture mapping and reservoir monitoring products and services provide precision measurement of fracture growth and fluid flow within the reservoir.

Pinnacle led a two-year effort to design, supervise, and evaluate a substantial fracturing campaign offshore for ExxonMobil and Petronas. Our efforts were recognized with an award presented by

Petronas Carigali, a subsidiary of Petronas, for contributing to a \$10 million cost savings and greater than anticipated returns in the fracture stimulation program in the Angsi field.

Since CARBO Ceramics acquired Pinnacle in 2002, Pinnacle has increased its revenue every quarter. The combination of Pinnacle's unique product and service offerings and CARBO's high conductivity ceramic proppants uniquely qualifies our company to provide value-enhancing services to oil and gas producers around the world.



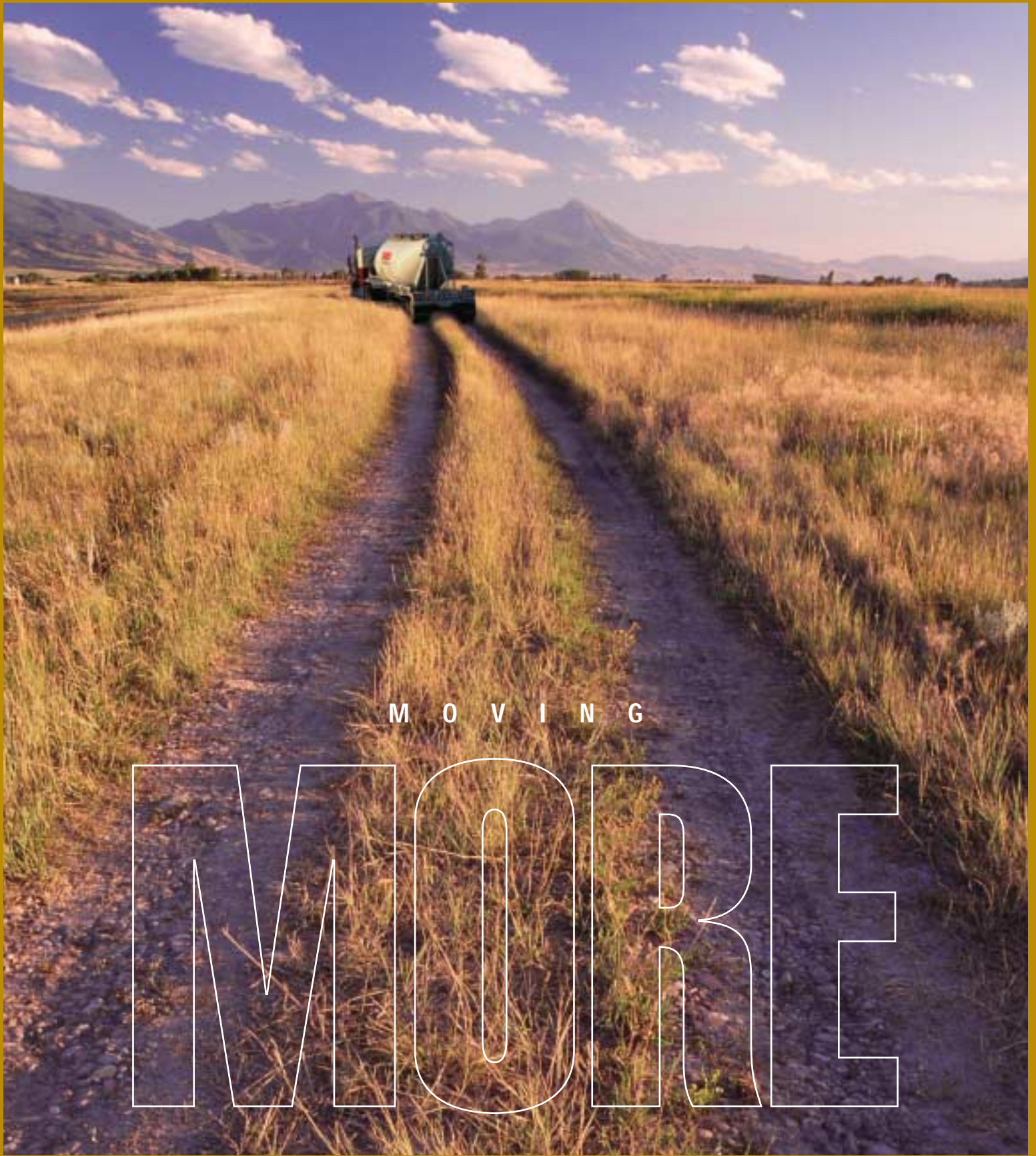
Pinnacle Technologies' award-winning work in the South China Sea helped our customer achieve significant cost savings and generate gas production above expectations.

CONTINUOUS INVESTMENT IN DISTRIBUTION IMPROVES CUSTOMER SERVICE.

A large part of providing value to our customers is consistently delivering quality products to the field in a timely fashion. A constant focus on improving our distribution process is an important differentiator and an ongoing commitment at CARBO Ceramics.

Last year, we continued to invest in and made great progress in expanding and streamlining our distribution channels. We added storage capacity in key North American markets and increased the size of our rail fleet by 20 percent. This continued investment in North America permits us to be just-in-time suppliers, further increasing the value provided to our customers.

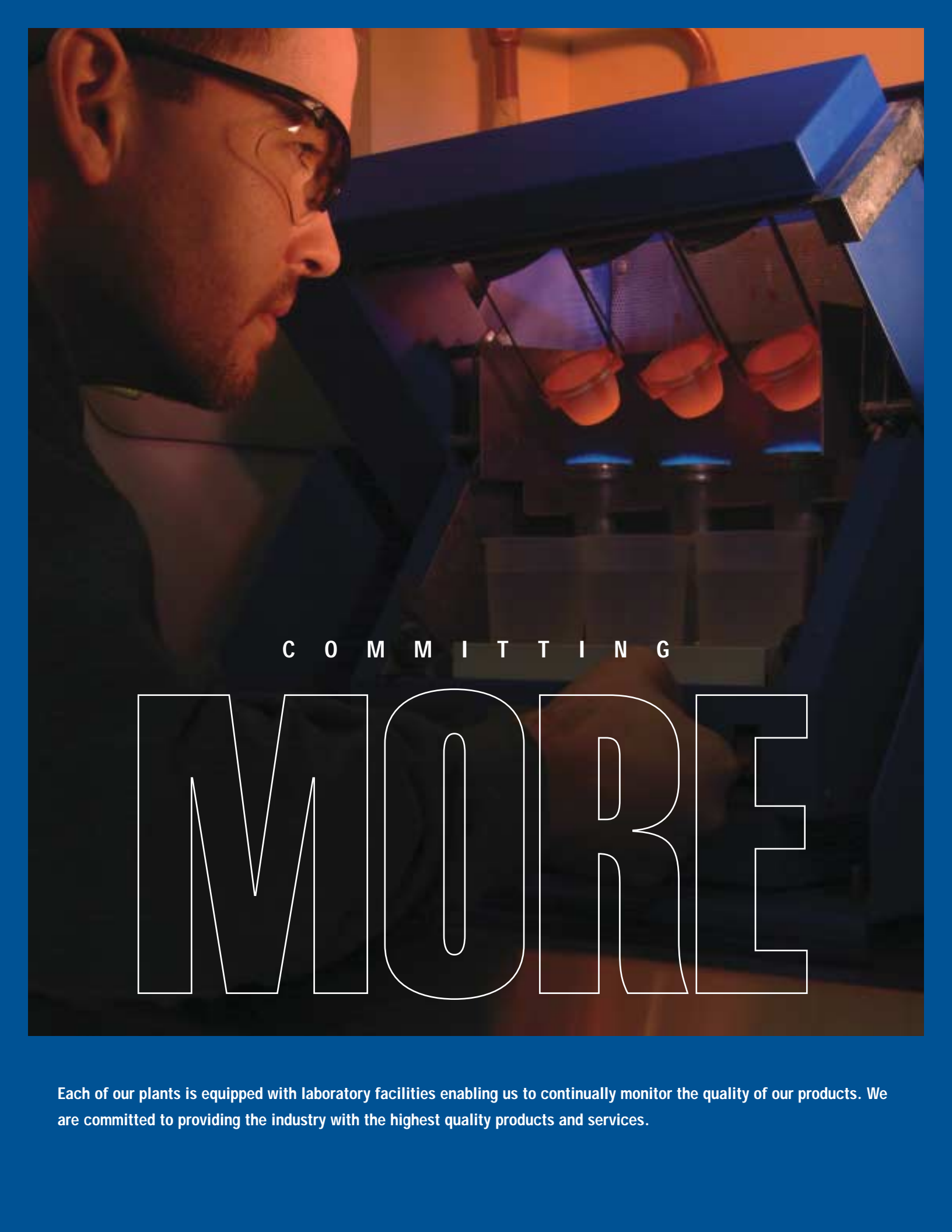
We will continue to expand our distribution capabilities in 2004. By mid-year, we expect to establish a warehouse in Russia to serve the growing market in that country. This facility will be added to our 11 stocking and distribution facilities worldwide, including strategic hubs in the U.S., Canada, Europe, Asia, Australia, and the Middle East. This distribution network represents the most extensive in the proppant industry, offering customers worldwide just-in-time delivery of our products.



M O V I N G

MORE

Being an efficient provider of ceramic proppants to the industry requires streamlined distribution to support our promise of just-in-time delivery on a global scale.

A man wearing safety glasses is looking intently at a piece of laboratory equipment. The equipment has several glowing orange and blue lights. The background is dark and industrial.

C O M M I T T I N G

MORE

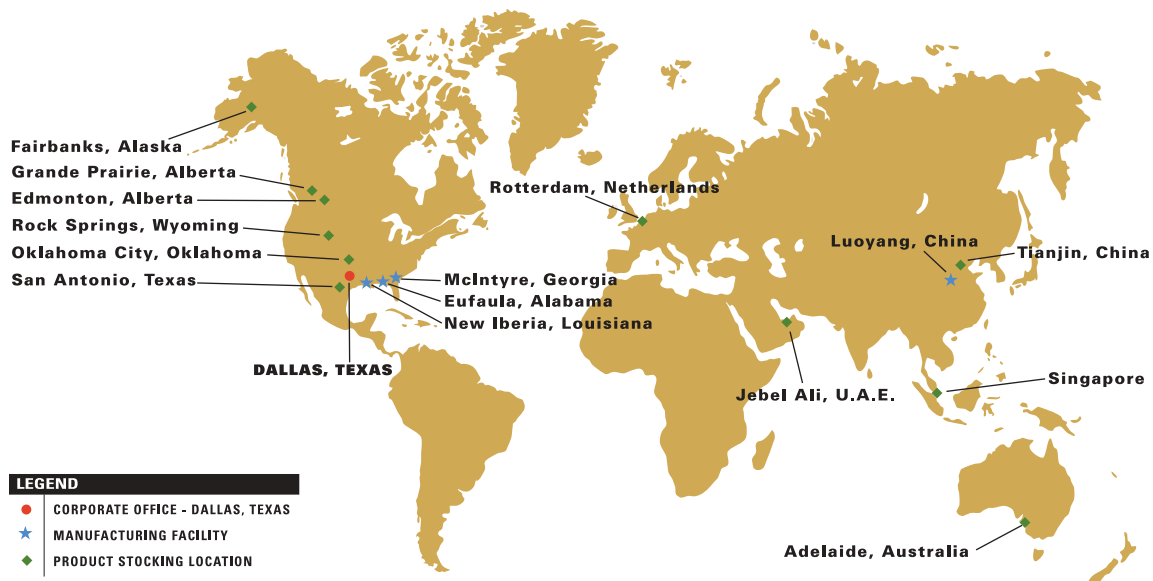
Each of our plants is equipped with laboratory facilities enabling us to continually monitor the quality of our products. We are committed to providing the industry with the highest quality products and services.

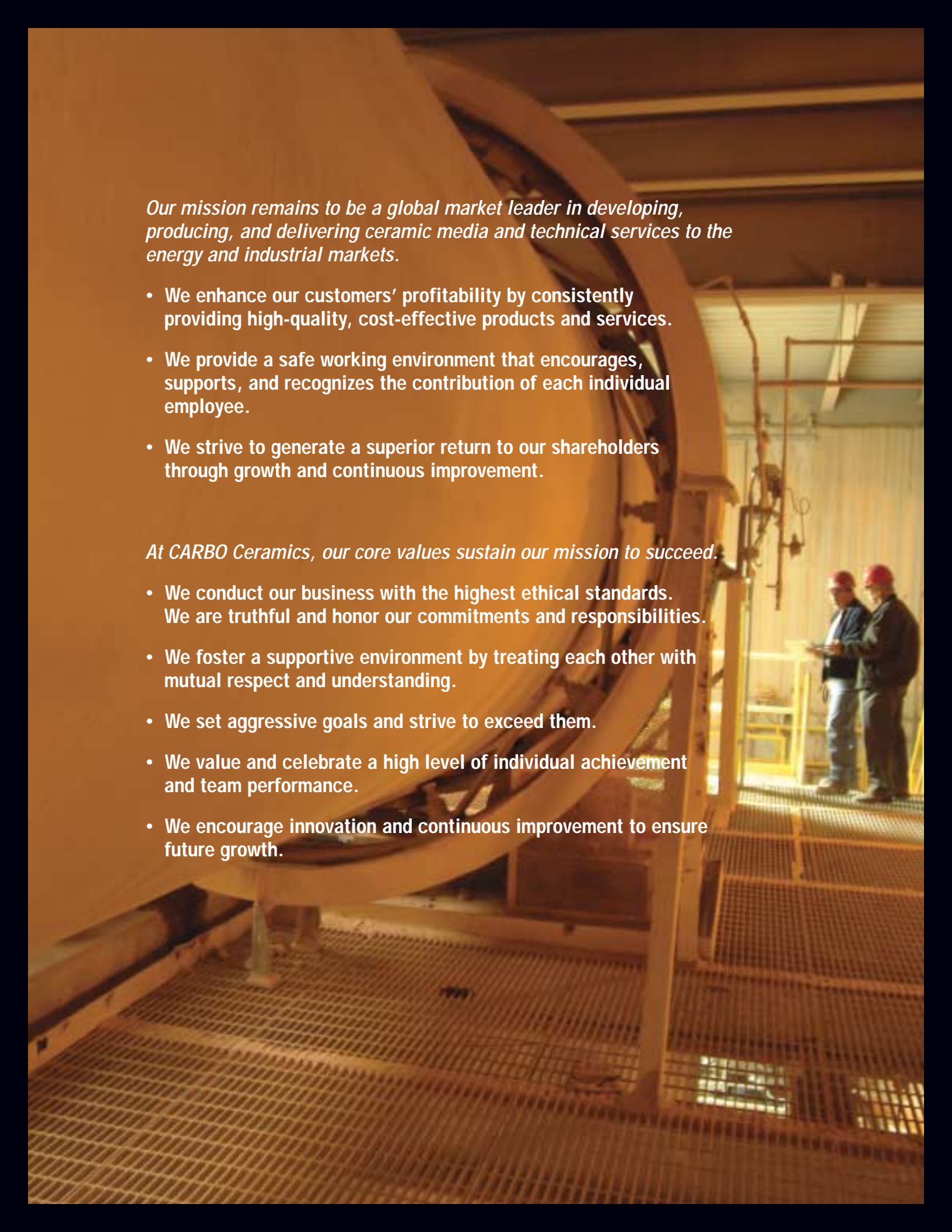
CARBO CERAMICS IS COMMITTED TO IMPROVING ITS PRODUCTS AND SERVICES.

At CARBO Ceramics, we are faced with exciting challenges and opportunities. As economies around the globe advance, we expect to see an increase in the demand for energy sources, specifically natural gas. Our products and services help producers of oil and gas reduce development costs and improve production rates, and we are committed to delivering that message. In recent years, our people and financial resources have been committed to increasing the demand for our products and services, expanding global production and distribution capacity, improving customer service and developing new products and services. That commitment will not change as we move forward in 2004 with new initiatives already underway to improve customer service in the field, increase manufacturing capacity and develop new value-adding products and services.



CARBO Ceramics is committed to providing the highest level of customer service.





Our mission remains to be a global market leader in developing, producing, and delivering ceramic media and technical services to the energy and industrial markets.

- We enhance our customers' profitability by consistently providing high-quality, cost-effective products and services.
- We provide a safe working environment that encourages, supports, and recognizes the contribution of each individual employee.
- We strive to generate a superior return to our shareholders through growth and continuous improvement.

At CARBO Ceramics, our core values sustain our mission to succeed.

- We conduct our business with the highest ethical standards. We are truthful and honor our commitments and responsibilities.
- We foster a supportive environment by treating each other with mutual respect and understanding.
- We set aggressive goals and strive to exceed them.
- We value and celebrate a high level of individual achievement and team performance.
- We encourage innovation and continuous improvement to ensure future growth.

CORPORATE INFORMATION

BOARD OF DIRECTORS

William C. Morris
Chairman of the Board
Chairman, J. & W. Seligman & Co., Inc.

Claude E. Cooke, Jr.
of Counsel
Baker Botts L.L.P.

John J. Murphy
Former Chairman of the Board
Dresser Industries

H. E. Lentz, Jr.
Advisory Director
Lehman Brothers Inc.

Dr. C. Mark Pearson
President and Chief Executive Officer
CARBO Ceramics Inc.

Robert S. Rubin
Senior Vice President
Bank One Corporation

CORPORATE OFFICERS

Dr. C. Mark Pearson
President and Chief Executive Officer

Paul G. Vitek
Senior Vice President, Finance & Administration
and Chief Financial Officer

Mark L. Edmunds
Vice President, Operations

Christopher A. Wright
Vice President

CORPORATE OFFICES

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(972) 401-0090

STOCK EXCHANGE LISTING

The New York Stock Exchange
Symbol: CRR

TRANSFER AGENT AND REGISTRAR

Mellon Investor Services, L.L.C.
Overpeck Centre
85 Challenger Road
Ridgefield Park, New Jersey 07660
(800) 635-9270

INDEPENDENT AUDITORS

Ernst & Young LLP
New Orleans, Louisiana

FORM 10-K

A copy of the company's Annual Report to the Securities and Exchange Commission (Form 10-K) is available free of charge by contacting:

Paul G. Vitek
Senior Vice President, Finance & Administration
CARBO Ceramics Inc.
6565 MacArthur Boulevard, Suite 1050
Irving, Texas 75039

The certifications required by Section 302 of the Sarbanes-Oxley Act of 2002 were filed as exhibits to the Form 10-K.

ANNUAL MEETING

The company's Annual Meeting of Shareholders will be held at 9:00 a.m. on April 13, 2004, at The Mansion on Turtle Creek, 2821 Turtle Creek Boulevard, Dallas, Texas.

INVESTOR RELATIONS

Additional corporate information is available from our Web site at www.carboceramics.com or by e-mailing the company at IR@carboceramics.com.



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