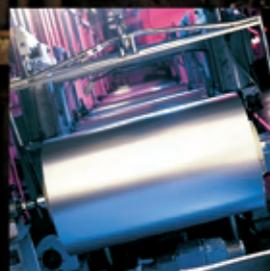
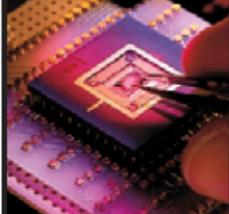


GrafTech International Ltd. 2002 Annual Report



PRODUCT OVERVIEW

SYNTHETIC GRAPHITE LINE OF BUSINESS—GRAPHITE POWER SYSTEMS

SYNTHETIC GRAPHITE LINE OF BUSINESS—GRAPHITE POWER SYSTEMS			End-Market Use
<p>Graphite Electrodes</p> 	<p>Graphite electrodes are key components in the conductive power systems used in the production of steel in electric arc furnaces, the steelmaking technology used by all mini-mills, the long-term growth sector of the steel industry. Electrodes act as conductors of electricity in a furnace, generating sufficient heat to melt scrap metal and other raw materials. There is currently no commercially viable substitute for graphite electrodes in electric arc furnaces. Graphite electrodes are also used to refine steel in ladle furnaces and in other smelting processes.</p>	<p>steel non-ferrous</p>	
<p>Cathodes</p> 	<p>Graphite and carbon cathodes are key components in the conductive power systems used in aluminum smelting furnaces. We have used our expertise in graphite technology and high temperature industrial applications together with the technology of our strategic partner, Pechiney, the world's leading provider of aluminum smelting technology, to develop significant improvements in graphite cathodes. Graphite cathodes are the preferred technology for new smelting furnaces in the aluminum industry because they allow for substantial improvements in process efficiency.</p>	<p>aluminum</p>	
<p>Advanced Graphite Materials</p> 	<p>Advanced graphite materials are highly engineered synthetic graphite products. The product line includes a wide range of molded, isomolded, and extruded products used in the semiconductor, transportation, aerospace, and other industries.</p>	<p>semiconductor transportation power storage aerospace</p>	

NATURAL GRAPHITE LINE OF BUSINESS—ADVANCED ENERGY TECHNOLOGY

<p>Fuel Cell Materials & Components Electronic Thermal Management Industrial Heat Management Gasket and Sealing Applications</p> 	<p>The natural graphite line of business develops highly engineered products for high growth markets. As part of our strategic alliance with Ballard Power Systems, we have an exclusive development and collaboration agreement and an exclusive supply agreement to commercialize graphitic materials and components for PEM fuel cells for power generation. In December 2000, we introduced and began selling our new eGRAF™ thermal management products designed to aid in the cooling of chip sets and other heat generating components in computers, communications equipment, and other electronic devices. Our natural graphite products also include flexible graphite, which is an excellent gasket and sealing material that to date has been used primarily in high temperature and corrosive environments in the automotive, chemical and petrochemical markets.</p>	<p>fuel cell power generation transportation power storage electronics fire protection fluid sealing energy resistance</p>
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CARBON LINE OF BUSINESS—ADVANCED CARBON MATERIALS

<p>Carbon Electrodes Refractories</p> 	<p>Carbon electrodes are key components in the conductive power systems necessary to produce ferro-nickel, thermal phosphorous, and silicon metal for the production of aluminum. Carbon electrodes are used and consumed in a manner similar to that of graphite electrodes although at lower temperatures and with different consumption rates.</p> <p>Refractories refers to a variety of carbon, graphite, and semi-graphite block and brick products which protect the walls of blast furnaces, submerged arc furnaces, and cupolas against thermal, mechanical, and chemical attack. We are the only manufacturer of hot-pressed carbon and semi-graphite brick and we make the largest carbon refractory block in the world, up to 180 inches in length and weighing approximately 7,500 pounds.</p>	<p>silicon phosphorous ferro-alloys iron</p>
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GrafTech International is organized in 3 distinct lines of business. Each line of business groups together those product lines that share common raw materials, production facilities, and customers. This aligns our production capabilities and resources with market opportunities, increases productivity and streamlines the Company's structure.

To Our Shareholders:



Craig S. Shular
President and Chief Executive Officer

GrafTech is a global leader in graphite and carbon-based products and services, a position built on over 100 years of experience in the research and development of these materials. From 13 manufacturing facilities in 7 countries, we sell to more than 70 countries. We believe we have built the best, low cost, global production platform in our industry to serve our customers around the world. We believe we possess a number of advantaged technologies, and are working to exploit and commercialize their potential to generate revenue growth. These include technologies which uniquely position us in the emerging fuel cell and electronic thermal management markets. We are focused on strengthening and enhancing our industry leading position by aggressively managing our assets to maximize cash flow and profitability.

2002

2002 was a very challenging year in our industry and our financial results were disappointing. Our total revenues in 2002 were \$613 million, 6% lower than in 2001. Net loss before non-recurring charges for 2002 was \$3^(a) million as compared to income of \$20^(b) million in 2001. Net loss as reported for 2002 was \$18 million as compared to a loss of \$87 million in 2001.

Sales volume in our two key businesses, graphite electrodes and cathodes, increased 4% and 10%, respectively, from 2001. However, we were unable to offset a 10% decline (in average dollar terms) in graphite electrode pricing in 2002. Graphite electrode price declines were driven by the supply/demand imbalance in our industry and were exacerbated by global economic weakness. In addition, our advanced graphite materials and natural graphite businesses faced significant weakness in their electronics, transportation and semiconductor end markets.

Despite the economic environment, we continued to build upon our competitive advantages during the year:

- We completed the initial 10,000 metric ton expansion of our state-of-the-art Monterrey, Mexico graphite electrode plant as we continue to leverage our competitively advantaged production network. The completion of an additional 10,000 metric tons in March,

#1 IN GRAPHITE ELECTRODES & CATHODES	
	
<p><i>Graphite electrodes are the only products capable of conducting electricity into the electric arc furnace steelmaking process.</i></p>	<p><i>Our graphite cathodes are the #1 choice by Pechiney, the leader in aluminum smelting technology.</i></p>

2003 will make our Monterrey plant, at 60,000 metric tons of capacity, the largest graphite electrode plant in the world and provide us with a low cost facility to meet demand from the large NAFTA market. Also, as part of our global production rationalization plans, we mothballed our high cost Caserta, Italy graphite electrode plant.

“We seek to exceed customer expectations through continuous improvement in quality, service and productivity.”

- We expanded cathode production capabilities at our low cost Salvador, Brazil plant. Our Salvador plant is the only non-captive producer of cathode blocks for the aluminum industry in the Americas.
- We made significant advances in our product quality and services. In recognition of our superior product quality and customer service levels, we obtained numerous awards from our customers including the first "International Steel Supplier" award from Arcelor, the world's largest steel maker; the "Best Supplier" award from Alcoa-South America, the world's largest aluminum maker; and "Preferred Supplier" recognition from Ballard Power Systems, the world's leader in proton exchange membrane (PEM) fuel cells.

SUPPLIER AWARDS
<p style="text-align: center;">Arcelor Alcoa - South America Ballard Power Systems Dana Corporation</p>

- We developed and commercialized a variety of new products to enable us to serve our customers better. We developed a next generation supersize electrode for the most demanding steel producing furnaces. We also made advances on the commercial front with our eGRAF™ electronic thermal management products. We made our first commercial sales of our eGRAF™ heat spreaders/sinks in 2002 and our eGRAF™ thermal interface products were approved by customers for over 75 applications.
- Our ongoing research and development efforts resulted in the issuance of 17 new patents. We are the industry leader in synthetic and natural graphite patents.
- We exceeded all corporate safety goals during the year while running our graphite electrode and cathode facilities at capacity and setting numerous individual facility production records.
- We achieved \$14 million of savings under our 2002 major cost savings plan. Major activities under this plan in 2002 included the closure of high cost production facilities, expansion of low cost production facilities, employee benefit plan redesign and corporate, legal and tax restructuring.

GRAFTECH COST SAVINGS TARGETS				
(Pretax dollars in millions)	2002 (actual)	2003	2004	2005
Cumulative Recurring Annual Cost Savings	\$14	\$30	\$60	\$80

- Our successful completion of the sale of \$550 million of 10-year senior notes significantly improved our debt amortization profile and extended our next scheduled material principal payment to 2007.

Looking Ahead
Growing Our Industry Leading Position

We have reached our industry leading position by providing customers with outstanding products sourced from our advantaged global production platform. We are committed to growing this position. The level of technical support we provide to our customers is unsurpassed in our industry. We have an excellent global customer technical service team supported by one of the best research and development teams in the industry. We intend to build upon these strengths.

Exploiting advantaged technologies in markets with exceptional growth opportunities

Our investment in technology has developed products and solutions with significant potential for revenue growth. Two of the larger growth areas for GrafTech are in the fuel cell power generation and the electronic thermal management markets.

We believe the emerging fuel cell industry represents a major growth opportunity for GrafTech. Our long-term relationship with Ballard Power Systems, the industry leader in PEM fuel cells, is the centerpiece of our strategy in fuel cells. Our GRAFCELL® advanced flexible graphite continues to be the preferred material in Ballard's Mark 900 series fuel cell stack. Our technology and expertise in natural graphite has positioned us to participate in the global movement to commercialize fuel cell technology, a movement that is supported by governments and industry-leading companies.

In the past year, major automotive manufacturers have advanced the introduction of fuel cell vehicles. Honda and Toyota accelerated the release of their FCX and FCHV vehicles, respectively, in 2002, a year ahead of schedule. In addition, DaimlerChrysler has 60 Mercedes-Benz "F-Cell" vehicles and 30 Citaro buses scheduled for release this year. GrafTech's GRAFCELL® advanced flexible graphite is designed into the Ballard fuel cells powering the Honda and DaimlerChrysler vehicles.





We have the largest technical service team in the industry and we will continue to grow this valuable asset.



KEY FUEL CELL INITIATIVES

GrafTech is positioned to participate in the global commercialization of proton exchange membrane fuel cell technologies which is gaining momentum with the support of governments and leading automakers around the world:

- Major automakers including Ford, DaimlerChrysler, Nissan, Toyota, Honda and General Motors are accelerating introductions of their fuel cell vehicles.
- The U.S. government proposed spending \$1.7 billion over the next 5 years on fuel cell and hydrogen technologies through its "Freedom CAR" and "Freedom FUEL" programs.
- Japan announced tax initiatives to promote fuel cell commercialization

"GrafTech is making significant progress in gaining marketplace acceptance for its advantaged technologies which represents opportunities for significant growth in cash flow."

During the year, our eGRAFT™ electronic thermal management products, which bring valuable, cost effective solutions to the heat dissipation challenges of the electronics industry, achieved commercial success. In 2002, we obtained orders from industry leading electronics companies like IBM, Hitachi, Nortel and Agilent for our newly developed eGRAFT™ product line. We intend to continue to advance our technologies in these areas and commercialize advantaged products.

OUR FUEL CELL INDUSTRY POSITION

Partnered with Ballard, the industry leader:

- Long term development agreement through 2011
- Long term exclusive supply agreement through 2015
- 2.5% ownership in GTI subsidiary acquired by Ballard in 2001

Financial Position

As we look ahead to 2003 and beyond, our goals of maximizing cash flow, accelerating the commercialization of our advantaged technologies and reducing debt remain paramount. We are focused on delivering significant earnings and cash flow improvement over 2002 levels. In our primary business of graphite electrodes, we expect improving trends in all facets of the business. We have executed graphite electrode price increases for 2003 and our graphite electrode volume should improve by about 5% over 2002. A critical component of improving profitability is our \$80 million cost savings plan. We are actively engaged in multiple, ongoing plant and overhead productivity improvement projects. We intend to deliver \$16 million in additional savings in 2003, which would bring our cumulative savings to \$30 million at the end of 2003, as we progress towards our \$80 million target by 2005. We will aggressively seek additional opportunities to improve our productivity in all lines of business.

A Personal Note

We would like to thank Gil Playford for leading our company through the many challenges faced during his tenure as CEO and for establishing a strong team and platform from which GrafTech can continue to grow. We are pleased that he will continue in his role as Chairman.

We would also like to thank Tom Marshall, as he retires from GrafTech's Board of Directors, for his numerous contributions over the past 5 years.

Lastly, we would like to thank our customers and employees for their support and contributions during the year. We intend to relentlessly pursue our objectives to meet the expectations of our stakeholders.

Sincerely,

Craig S. Shular
President and Chief Executive Officer

Corporate and Investor Information

Corporate Headquarters

GrafTech International Ltd.
Brandywine West Building
1521 Concord Pike, Suite 301
Wilmington, DE 19803

E-Mail Address

Investor.Relations@graftech.com

Telephone

(302) 778-8227

Web Site

www.graftech.com

Stock Exchange Listing

Our common stock is listed on the NYSE under the symbol GTI.

Stockholder Profile

At February 28, 2003, there were 56,707,875 shares of common stock outstanding, 188 stockholders of record and approximately 3,500 beneficial owners.

Common Stock Price Information

The closing price of our common stock was \$5.96 on December 31, 2002, the last trading day of our last fiscal year. The quarterly high and low closing prices of our common stock were as follows:

2002	High	Low
First Quarter	14.30	9.80
Second Quarter	14.05	11.00
Third Quarter	11.85	7.05
Fourth Quarter	7.60	3.82

Dividend Policy

It is the current policy of our Board of Directors to retain earnings to finance plans and operations and repay debt and legal obligations. There are no plans to declare or pay dividends at this time, and payment of dividends is restricted under our principal credit facilities and our senior note indenture.

Annual Meeting

The Annual Meeting of Stockholders will be held on May 28, 2003, at 10:00 a.m. at the Corporate Headquarters in Wilmington, Delaware.

Stockholder Contact and Form 10-K

Stockholders and prospective investors are welcome to call or write us with questions or requests for additional information. Copies of our Form 10-K filed with the SEC for 2002 accompany this annual report and are incorporated by reference herein. Inquiries should be directed to Investor Relations at our corporate headquarters.

Transfer Agent

Computershare Investor Services LLC
(312) 588-4282

Web Site:

<http://www.computershare.com>

Address Stockholder Inquiries to:
Shareholder Communications Unit
P.O. Box A3504
Chicago, IL 60609-3309

E-Mail Address:

web.queries@computershare.com

Send Transfer Requests to:

Transfer Services Unit
P.O. Box 2388
Chicago, IL 60690-2388

Send Address Changes to:

Account Maintenance Unit
P.O. Box A3480
Chicago, IL 60690-3480

Independent Auditors

Deloitte & Touche LLP
Philadelphia, PA

Risks and Uncertainties

This annual report contains forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. The cautionary disclosure relating to forward-looking statements, the risk factors and the preliminary notes contained in the Form 10-K which accompanies this annual report also apply to and are incorporated in this annual report.

Board of Directors

Gilbert E. Playford
Chairman

R. Eugene Cartledge
Nominating & Governance Committee
(Chairman); Organization, Compensation
& Pension Committee

Mary B. Cranston
Nominating & Governance Committee;
Organization, Compensation, & Pension
Committee

John R. Hall
Organization, Compensation & Pension
Committee (Chairman); Nominating and
Governance Committee

Harold Layman
Audit & Finance Committee

Thomas Marshall
(retired effective May 28, 2003)
Organization, Compensation & Pension
Committee

Ferrell P. McClean
Audit & Finance Committee

Michael C. Nahl
Audit & Finance Committee (Chairman)

Craig S. Shular
President & Chief Executive Officer

Footnotes a and b refer to page 1 of this document

^(a) Calculated beginning with the 2002 net loss, as reported in accordance with U.S. Generally Accepted Accounting Principles (GAAP) of \$18 million plus \$2 million (\$3 million before tax) of global realignment expenses, \$16 million (\$23 million before tax) of restructuring and impairment charges and \$3 million of extraordinary charges less \$6 million of special tax benefit associated with GrafTech's legal and tax restructuring.

^(b) Calculated beginning with the 2001 net loss, as reported in accordance with GAAP of \$87 million plus \$1 million (\$2 million before tax) of global realignment expenses, \$10 million (before and after tax) of antitrust investigations and related lawsuits and claims, \$67 million (\$92 million before tax) of restructuring and impairment charges and \$29 million of special tax charges associated with GrafTech's legal and tax restructuring.

GRAFCELL and eGRAF are trademarks of Advanced Energy Technology Inc.

Corporate Headquarters
Wilmington, Delaware, USA

Synthetic Graphite Line of Business

Salvador, Brazil
São Paulo, Brazil
Beijing, China
Calais, France
Notre Dame, France
Vénissieux, France
Hong Kong
Caserta, Italy
Malonno, Italy
Monterrey, Mexico

Moscow, Russia
Vyazma, Russia
Meyerton, South Africa
Pamplona, Spain
Etoy, Switzerland
Sheffield, England, UK
Columbia, Tennessee, USA
Clarksburg, West Virginia, USA
Clarksville, Tennessee, USA
Irvine, California, USA

Natural Graphite Line of Business — Advanced Energy Technology

Lakewood, Ohio, USA
Parma, Ohio, USA

Technology Centers

Parma, Ohio, USA

Vénissieux, France

Carbon Line of Business

Columbia, Tennessee, USA
Lawrenceburg, Tennessee, USA

LEGEND

- Headquarters
- Manufacturing
- Sales Office

WORLD-WIDE OPERATIONS





carbon electrodes



cathodes



superior technical service



fuel cell applications



world-class research and development

GrafTech International Ltd.
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1521 Concord Pike, Suite 301
Wilmington, DE 19803