



GRAFTech
GrafTech International Ltd.

Product

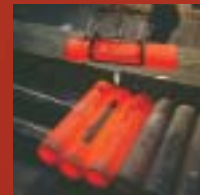
GRAFTech

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 about 60 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.



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.

> END MARKET USE:
steel
non-ferrous



> END MARKET USE:
aluminum



> END MARKET USE:
semiconductor
transportation
power storage
aerospace



> END MARKET USE:
electronics
transportation
fluid sealing
fire protection
fuel cell power generation



> END MARKET USE:
silicon
phosphorous
ferro-alloys
iron



Overview

SYNTHETIC GRAPHITE LINE OF BUSINESS

■ GRAPHITE ELECTRODES

Graphite electrodes are key components in the conductive power systems used in the production of steel in electric arc furnaces, 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.

■ CATHODES

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, Alcan, 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.

■ ADVANCED GRAPHITE MATERIALS

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.

NATURAL GRAPHITE LINE OF BUSINESS—ADVANCED ENERGY TECHNOLOGY INC.

■ ELECTRONIC THERMAL MANAGEMENT PRODUCTS

■ FUEL CELL MATERIALS & COMPONENTS

■ GASKET AND SEALING PRODUCTS

The natural graphite line of business develops highly engineered products for high growth markets. Our products include eGRAF® electronic thermal management products designed to aid in the cooling of chip sets and other heat generating components in computers, cell phones, and other electronic devices. Also, 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 GRAFCELL® natural graphite-based materials and components for PEM fuel cells for power generation. 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.

CARBON LINE OF BUSINESS

■ CARBON ELECTRODES

■ REFRACTORIES

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.

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.



Craig S. Shular
Chief Executive Officer and President

Growing Our

To Our Shareholders:

2003—IN REVIEW

We set out five major objectives for 2003—return to profitability, reduce debt, sell non-strategic assets, commercialize advantaged technologies and achieve cost savings targets. Our team successfully delivered on each one of these objectives.

RETURN TO PROFITABILITY

GrafTech increased its total revenues by approximately 20% to \$712 million in 2003. Profitability improved significantly to net income of \$16 million⁽¹⁾ before non-recurring items in 2003 as compared to a net loss of \$14 million⁽²⁾ before non-recurring items in 2002. Net loss as reported was \$24 million in 2003 as compared to a loss of \$18 million in 2002.

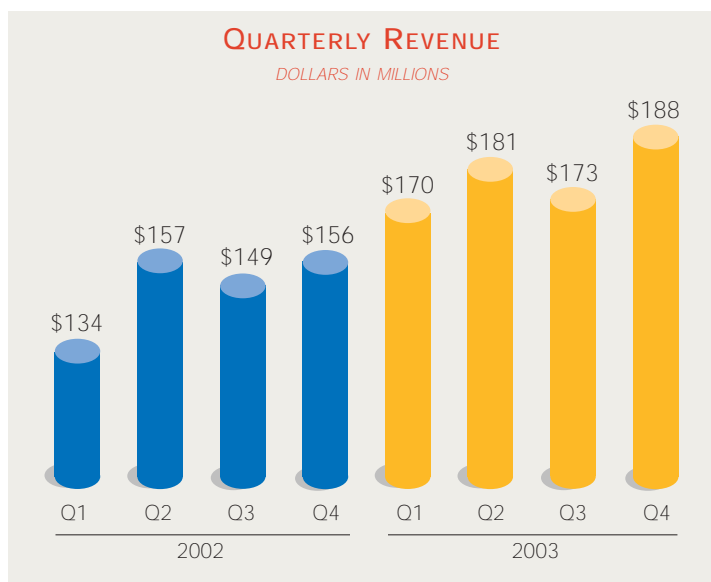
The improvements were driven by higher graphite electrode sales volume and prices and cost savings initiatives. With supply demand conditions tight in our graphite electrode business in 2003, average selling prices increased by 12 percent. We also expanded capacity at our world class, low cost plant in Mexico, which facilitated increasing our graphite electrode sales volume by 11 percent to 200,500 metric tons versus 2002. As a result of the increased sales volume, we increased our market share in the global graphite electrode market to about 21 percent from 19 percent in 2002.

DEBT REDUCTION AND ASSET SALES

In the fourth quarter, we executed a successful equity issue, raising net proceeds of \$190 million, which were utilized to pay down debt. We also executed other debt reduction actions during the year, which included \$24 million of non-strategic asset sales and the exchange of equity for \$55 million of our 10.25% senior notes. As a result of these actions, we strengthened our financial position and ended 2003 with net debt of \$483 million⁽³⁾ (total debt of \$503 million), the lowest in our history as a public company.

COMMERCIALIZE ADVANTAGED TECHNOLOGIES

We made progress in our efforts to commercialize our advantaged technologies. Our electronic thermal management (ETM) sales revenues grew as a result of obtaining orders from industry leaders such as Sony, Samsung,





Competitive Advantages

Hitachi, IBM, and Intel. ETM revenues were \$2 million in 2003, as compared to \$500 thousand in 2002. We were successful in penetrating diverse applications such as laptop computers, cell phones, digital cameras and flat screen plasma televisions.

One of our ETM products received R&D Magazine's prestigious R&D 100 Award in 2003. Each year, this award recognizes the top 100 most technologically significant products and advancements in the world, across all industries, that exhibit a step change in performance in the markets they serve.

In addition, we obtained \$1.4 million in cash grants from the State of Ohio to support the commercialization of GrafTech's fuel cell technologies. We will use the grants primarily to develop high volume manufacturing processes for flow field plates utilizing our proprietary GRAFCCELL® advanced natural graphite. In 2003, our sales to the fuel cell industry were approximately \$1.5 million.

COST SAVINGS PROGRAM

Under our cost savings program, we achieved \$19 million of cost savings in 2003, despite increasing energy and raw material costs over the course of the year. We met this goal, in part, by taking several actions to position our Company for long-term competitiveness and profitability. Among other actions, we:

- Completed the expansion of our Monterrey, Mexico graphite electrode manufacturing capacity from 40,000 metric tons to 60,000 metric tons. This is the largest graphite electrode facility in the world and provides us with a low cost facility to meet the large demand in NAFTA.

2003 Objectives

Achievement

Return to Profitability

✓ Increased net income^(1,2) before non-recurring items by \$30 million

Debt Reduction

✓ Net debt reduced from \$706 million⁽⁴⁾ in 2002 to \$483 million⁽³⁾ in 2003

Commercialize Electronic Thermal Management Products

✓ Sales increased from \$500 thousand to \$2 million, forecasted to grow to \$8 million in 2004

\$16 million Cost Savings Goal

✓ \$19 million achieved

Sell Non-Strategic Assets

✓ \$24 million sold

- Completed several productivity improvement programs in our global production facilities, which allow us to reduce cycle time, lower scrap rates and increase volume.
- Initiated and completed voluntary and selective severance programs in the U.S., which reduced our salaried workforce by 27 percent.
- Froze the U.S. and other non-U.S. defined benefit pension plans and replaced these plans with efficient defined contribution plans.
- In the U.S., redesigned our healthcare benefit plans for both active employees and retirees.



Industry-Leading

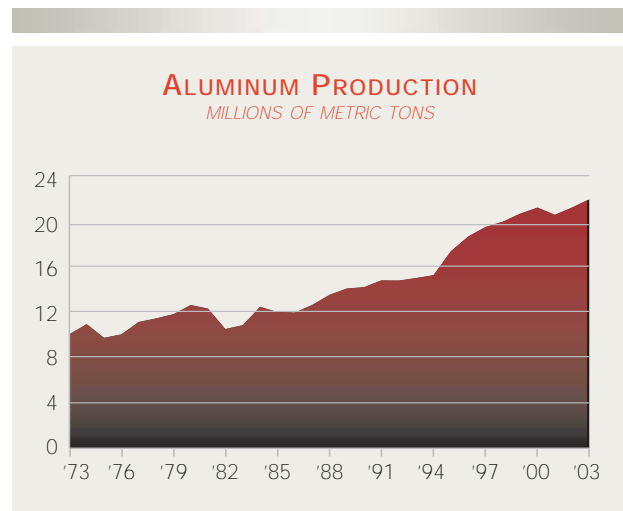
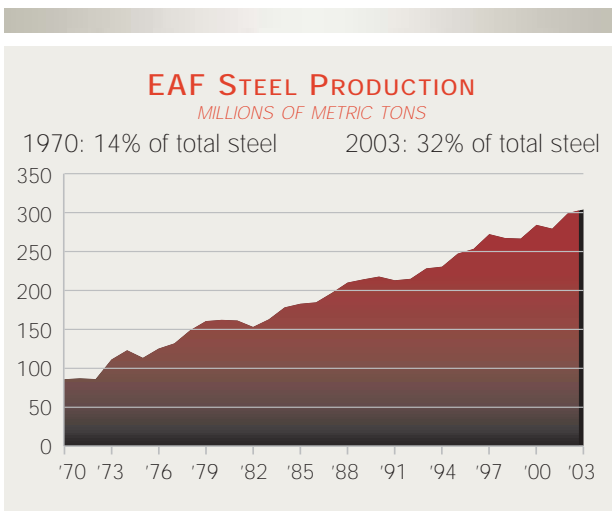
On the cost savings front, we maintain a relentless commitment to continuous productivity improvements and plan to deliver approximately \$60 million of cumulative recurring annual pretax cost savings by the end of 2004. Key components of our cost savings initiatives for 2004 include variable cost reductions, plant productivity programs, and interest, tax and overhead reductions.

SYNTHETIC GRAPHITE BUSINESS

Our strategy for the synthetic graphite business is to continue to grow the sustainable competitive advantages we have built as the world's largest manufacturer of graphite electrodes and cathodes.

Graphite electrodes and cathodes, which constituted about 80 percent of total Company sales in 2003, are products essential to the production of electric arc furnace

steel and aluminum. In 2003, we had the largest global market share for these products. We have built a uniquely positioned global manufacturing network, which we believe cannot be replicated. We believe that our network has the largest manufacturing capacity, has one of the lowest manufacturing cost structures of all our major competitors and delivers the highest level quality products. Over the last few years, we have repositioned our production platform. We shut down four of our higher cost graphite electrode manufacturing facilities and redeployed capacity to our six remaining, lower cost facilities. The repositioning of our network allows us to deliver the same graphite electrode sales volume that we delivered over the past few years with a lower fixed cost base. During 2003, with the completed expansion of our production capacity in Mexico and ongoing productivity programs, we successfully increased our graphite electrode



2003 VERSUS 2002: NET SALES ↑ 20%. .NET INCOME^(1,2) ↑ \$30 MILLION.
(before non-recurring items)

Corporate Headquarters
Wilmington, Delaware, USA

Synthetic Graphite

Salvador, Brazil
São Paulo, Brazil
Beijing, China
Hong Kong, China
Calais, France
Notre Dame, France
Malonno, Italy
Saronno, Italy
Monterrey, Mexico
Moscow, Russia
Vyazma, Russia
Meyerton, South Africa
Pamplona, Spain
Etoy, Switzerland
Sheffield, England, UK
Clarksburg, West Virginia, USA
Clarksville, Tennessee, USA

**Natural Graphite —
Advanced Energy Technology**
Lakewood, Ohio, USA

Carbon
Columbia, Tennessee, USA
Lawrenceburg, Tennessee, USA

Technology Centers
Parma, Ohio, USA
Vénissieux, France



Position

production capability from 190,000 metric tons to more than 220,000 metric tons.

We believe that our unique global manufacturing network provides us with significant advantages in costs, proximity to customers, timely and reliable delivery and operational flexibility. This also allows us to best satisfy the requirements of our large growing customers created by the continuing consolidation trend in the steel and aluminum industries.

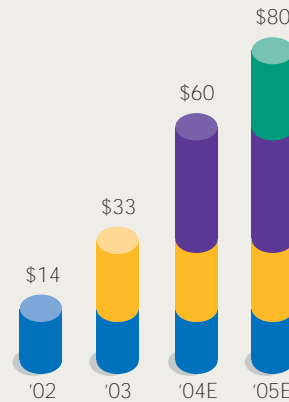
In 2003, each of our six graphite electrode plants set production records while at the same time achieving record safety performance.

Our products and services are among the highest quality available in the industry. We believe that improvements in overall quality create significant efficiencies for us, provide us the opportunity to increase sales and market share, and deliver production efficiencies for our customers.

ADVANTAGED TECHNOLOGIES

Based on over 100 years of experience, we believe that we are the industry leader in graphite and carbon materials science and high temperature processing know-how and that we operate the premier research, development and testing facilities in our industry. Our capability and technology in this area has enabled us to develop new products to exploit fast growing markets like electronic thermal management and fuel cells.

ANNUAL CUMULATIVE COST SAVINGS PROGRAM



Our intellectual property portfolio is extensive, with over 310 U.S. and foreign patents and 280 U.S. and foreign pending patent applications, which we believe is more than any of our major competitors. Among our competitors, we hold the largest number of patents for natural graphite as well as the largest number of patents relating to the use of natural graphite for PEM fuel cell applications. Over one third of our patents were granted during the past four years.



eGraf® Thermal Technology

ELECTRONIC THERMAL MANAGEMENT

Our eGRAF® thermal management products are designed to manage the increasing thermal needs of today's electronics market. As electronic devices continue to decrease in size, heat dissipation becomes a more critical variable in electronic performance. As demonstrated in the diagrams, GTI's eGRAF® thermal management product has significantly reduced the temperature of the laptop, which increases overall performance and improves product lifespan.



Without eGraf®

Commercializing Ad

ELECTRONIC THERMAL MANAGEMENT PRODUCTS—THERMAL INTERFACE, SPREADERS AND HEAT SINKS

Our eGRAF® natural graphite products provide value-added solutions to the heat dissipation challenges of the electronics industry. Overall, electronic devices continue to increase in power, generating more heat, which must be managed in increasingly smaller applications. Our eGRAF® products compete primarily with copper and aluminum products. eGRAF® products match the thermal performance of copper, which is currently the most frequently used solution for demanding applications, but weigh about 80 percent less than copper and are significantly lower in cost. Relative to aluminum, our products are cost competitive, have significantly better thermal performance and are about 30 percent lighter.

ELECTRONIC THERMAL MANAGEMENT

Our strategy is to work with electronics industry leaders to develop customized thermal management solutions for their most demanding applications. Electronics manufacturers are currently experiencing constraints in the development of more advanced devices because of the limitations of current thermal management products and technologies to dissipate the higher levels of heat generated. We have developed and are continuing to develop and introduce highly engineered advanced natural graphite products that satisfy this need. We expect that the superior ability of our products to manage heat will allow our customers to redesign electronic devices to reduce cost, size and weight while improving performance.

We increased ETM revenues to over \$2 million in 2003 versus \$500 thousand in 2002. More importantly, we expect the ETM business to grow to \$8 million in 2004 as our commercialization efforts continue.

We believe that the global thermal management component market for computers, servers, televisions, cell phones, and other communications, industrial, military, office and automotive equipment is an estimated \$1.8 billion today. We are targeting the most demanding applications where we can provide to our customers value-added solutions that exceed the performance of existing heat dissipation products. Our target market is approximately \$300 million today and growing at an estimated 20 percent per year, offering us significant opportunity for growth.

FUEL CELLS

Fuel cells continue to be an important part of our long-term growth strategy. We are the leading manufacturer of natural graphite products for proton exchange membrane (PEM) fuel cells and fuel cell systems. We manufacture GRAFCELL® flow field plates and gas diffusion layers for transportation, stationary and portable fuel cell applications.

2003 ETM eGRAF® Highlights:

- Intel® approved eGRAF® thermal interface for use in applications for several processors, including the Pentium®4 processor
- Commercialized products for use in Sony Vaio and IBM notebook computers produced in Japan, Samsung's plasma display televisions and IBM's new high-end Regatta Unix Servers
- Received prestigious R&D 100 Award for ETM product
- Published white paper with IBM on advanced graphite-based heat sink technology.



**R&D 100 AWARD
FOR eGRAF® HEAT SINKS**

This prestigious award recognized one of our eGRAF® thermal management products, which is used to dissipate heat in electronics applications.

vantaged Technologies



We continue to work with our strategic partner, Ballard Power Systems, the world leader in PEM fuel cells, under our exclusive development and collaboration agreement that continues through 2011 and our exclusive product supply agreement that continues through 2016. Three of Ballard's customers, DaimlerChrysler, Ford and Honda, have begun to introduce worldwide fleet demonstrations of 150 fuel cell vehicles, powered by Ballard® fuel cells which use our GRAFCELL® products. These 150 vehicles



represent about 85 percent of the fuel cell vehicles expected to be operational worldwide by the end of 2004.

LOOKING AHEAD

In 2004, we expect significant earnings and cash flow improvement over 2003 levels. We have executed graphite electrode price increases for 2004 and expect sales volume growth of about 5 percent over 2003. We believe that improved profitability and cash flow will also be achieved as we progress towards our goal of \$80 million in cumulative recurring annual pretax cost savings by the end of 2005. We expect to face pressure from higher raw material and energy costs this year; however, we will direct our cost savings efforts to work towards mitigating these impacts.

We are excited about our growth opportunities in electronic thermal management and look forward to reporting further progress throughout the year as we continue to grow our business with industry leaders.

In January, we took advantage of the convertible bond market and further strengthened our financial position by executing a \$225 million convertible debenture issue with a 1.625% coupon.

At GrafTech, our global culture is unified by a commitment to operational excellence that is responsive to the ever-changing challenges and needs of our customers. We have worked very hard to build our position as the #1 global, low cost producer in our major businesses. Our industry-leading position and our embedded philosophies of superior quality, service and reliability are the foundation for future growth. We are committed to enhancing shareholder value



by building upon this advantaged position and managing our businesses to deliver maximum long-term cash flow growth.

In conclusion, we would like to thank our employees and their families for their contributions and sacrifices that made 2003 a success. Their commitment enabled us to meet our annual goals and establish a solid foundation for GrafTech's future growth.

On behalf of the Board of Directors and our management team, we would like to thank our stakeholders for their support during the past year.

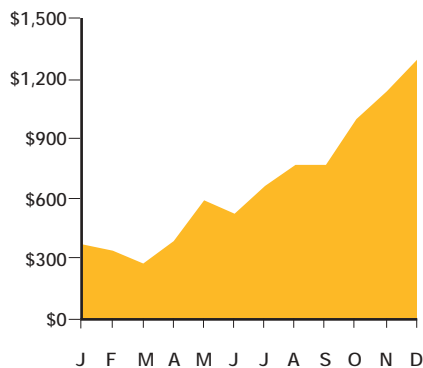
Sincerely,

C. S. Shular

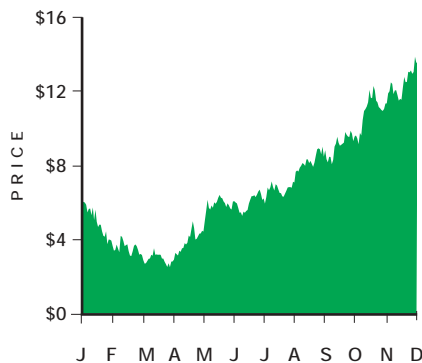
Craig S. Shular
Chief Executive Officer and President
 March 15, 2004

- (1) Calculated beginning with the 2003 net loss, as reported in accordance with U.S. Generally Accepted Accounting Principles (GAAP), of \$24 million, plus \$19 million (\$27 million before tax) of restructuring and impairment charges and \$29 million (\$32 million before tax) of charges for antitrust investigations and related lawsuits and claims, less \$7 million (\$12 million before tax) of other (income) expense, net, and \$1 million gain on discontinued operations.
- (2) Calculated beginning with the 2002 net loss, as reported in accordance with GAAP, of \$18 million, plus \$16 million (\$23 million before tax) of restructuring and impairment charges, less \$6 million of special tax benefit associated with GrafTech's legal and tax restructuring and \$6 million (\$9 million before tax) of other (income) expense, net.
- (3) Calculated beginning with December 31, 2003 total debt as reported in accordance with GAAP of \$502 million of long-term debt and \$1 million of short-term debt, plus \$18 million fair value of hedged debt obligation, less \$4 million of unamortized bond premium and \$34 million of cash and cash equivalents.
- (4) Calculated beginning with December 31, 2002 total debt as reported in accordance with GAAP of \$713 million of long term debt and \$18 million of short term debt, less \$8 million fair value of hedged debt obligation, \$6 million of unamortized bond premium and \$11 million of cash and cash equivalents.

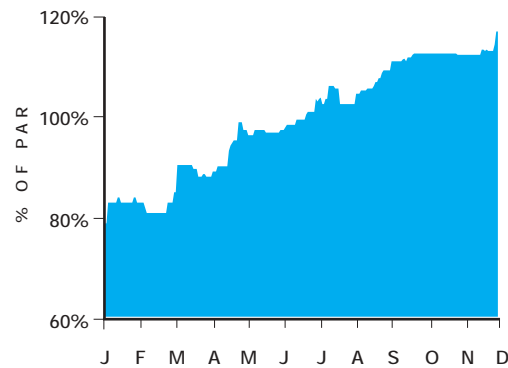
2003 MARKET CAPITALIZATION
 IN MILLIONS



2003 GTI STOCK PERFORMANCE



2003 BOND PERFORMANCE



Corporate and Investor Information

BOARD OF DIRECTORS

Gilbert E. Playford
Chairman of the Board

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)*

Harold E. Layman
Audit & Finance Committee

Ferrell P. McClean
Audit & Finance Committee

Michael C. Nahl
*Audit & Finance Committee
(Chairman); Nominating &
Governance Committee*

Craig S. Shular
*Chief Executive Officer and
President*

CORPORATE HEADQUARTERS
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Brandywine West Building
Wilmington, DE 19803

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Investor.Relations@graftech.com

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WEB SITE
www.graftech.com

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

STOCKHOLDER PROFILE
At February 27, 2004, there were
93,735,669 shares of common
stock outstanding, 109 stockhold-
ers of record and approximately
8,300 beneficial owners.

COMMON STOCK PRICE
The closing price of our common
stock was \$13.50 on December 31,
2003, 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

2003	HIGH	LOW
First Quarter	\$ 5.89	\$ 2.57
Second Quarter	\$ 6.30	\$ 2.39
Third Quarter	\$ 8.94	\$ 5.50
Fourth Quarter	\$13.82	\$ 8.23

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 26, 2004, at 10:00 a.m. at the Sheraton Suites 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 2003 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>

INDEPENDENT AUDITORS
Deloitte.
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.





graphite electrodes



cathodes



natural graphite



carbon electrodes

GRAFTech
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