



**Igniting**   
**T H E P O W E R**



2004 VERSUS 2003: SALES ↑ 19% . . NET INCOME<sup>(1)</sup> ↑  
(before special items)

**G**rafTech 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 graphite and carbon material science. From 13 manufacturing facilities on four continents, we sell to customers in 80 countries. We believe we have built a unique global production platform to serve our customers that cannot be replicated by any of our competitors. 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 electronic thermal management and emerging fuel cell markets. We are focused on aggressively managing our assets to maximize cash flow and profitability, thereby strengthening and enhancing our industry-leading position.

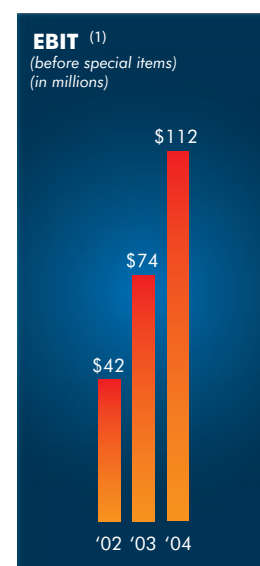
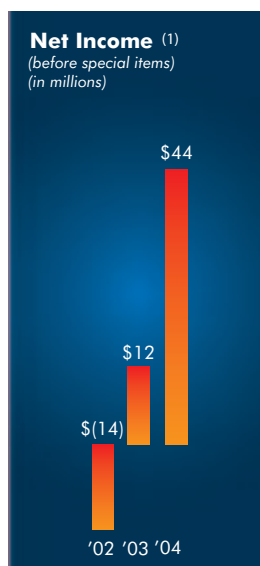
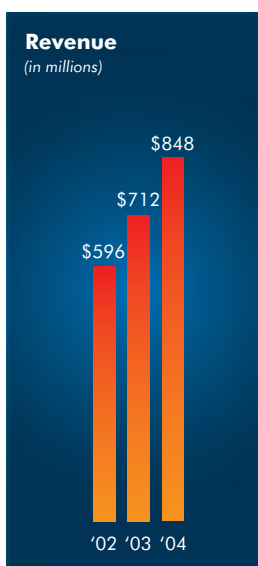


GrafTech International is organized into distinct lines of business based on product lines that share common raw materials, production facilities, and customers. This aligns our production capabilities and resources with market opportunities, increases productivity and streamlines the Company's structure.

# Financial Highlights

## Three Year Overview

	2002	2003	2004
<b>Income Statement Data:</b>			
(Dollars in millions, except per share data)			
Revenue	\$ 596	\$ 712	<b>\$848</b>
Gross profit	135	168	<b>210</b>
EBIT before special items <sup>(1)</sup>	42	74	<b>112</b>
Depreciation	28	31	<b>35</b>
EBITDA before special items <sup>(1)</sup>	70	105	<b>147</b>
Interest expense	60	45	<b>39</b>
Net income (loss) before special items <sup>(1)</sup>	(14)	12	<b>44</b>
Diluted income per share before special items <sup>(1) (2)</sup>	\$(0.25)	\$0.18	<b>\$0.43</b>
Weighted average shares outstanding (diluted) <sup>(2)</sup>	56	68	<b>111</b>
<b>Financial Ratios:</b>			
Gross margin	23%	24%	<b>25%</b>
EBIT margin	7%	10%	<b>13%</b>
EBITDA margin	12%	15%	<b>17%</b>



# Igniting the



Craig S. Shular  
 Chief Executive Officer  
 and President

## VISION

Our vision is to increase customer leadership better and faster than our competition, through the creation, innovation and manufacture of graphite and carbon material science-based solutions.

## To Our Stakeholders:

GrafTech's 2004 results reflect success in exploiting our sustainable competitive advantages by leveraging our unique global manufacturing network, increasing our leading worldwide market share and commercializing our advantaged graphite and carbon technologies.

### 2004 Overview

GrafTech increased total revenues to \$848 million in 2004, up 19 percent over 2003. EBITDA (before special items)<sup>(1)</sup> increased to \$147 million, an increase of \$42 million or 40 percent over 2003. Our team achieved these results by driving productivity improvements from our existing assets and penetrating new product and geographic market segments. These successes allowed for gross profit improvements despite continued upward pressure on our raw material costs throughout 2004.

Demand for our graphite electrodes remained strong throughout the year, complementing our productivity achievements and resulting in record

shipments from our facilities. As a result of productivity and process improvements, our graphite electrode sales volume has increased by approximately 23 percent since 2002.

Over the past two years, we have built a global electronic thermal management (ETM) business that is penetrating markets that are growing in excess of 20 percent per year. Our technologically advantaged ETM business demonstrated excellent growth in 2004, with revenues growing to \$12 million, versus \$2 million in 2003. We are excited about ETM's long-term revenue opportunities. Our ETM products and solutions have enabled our customers to be leaders in designing smaller, lighter and more powerful electronic devices, such as flat screen plasma televisions, laptops, cell phones, digital cameras and DVD players, where heat management issues are becoming increasingly more critical.

As we grow our businesses, deleveraging continues to be a priority for

**EBITDA** <sup>(1)</sup>  
 (before special items)  
 (in millions)



# Power of Global Leadership

us. Over the last two years, we have reduced our most expensive debt, our 10¼ percent senior notes, by over \$100 million. In 2004, we successfully completed a \$225 million convertible debenture issue, securing a very attractive 1½ percent coupon, using the proceeds to pay down more expensive debt and other obligations. More recently, we refinanced our revolving credit facility, obtaining \$215 million in liquidity and reducing our interest rate spread by over 110 basis points. Our capital structure, with no material debt payments due before 2010, provides liquidity to support the growth needs of our businesses.

## Igniting the Power of Global Leadership

We are the industry leader in graphite and carbon material science and believe we have the strongest research and development team to support future growth. Our strategic global presence allows us to take full advantage of international sourcing and supply channels, trading partnerships and business opportunities.

To serve the global needs of our customers, GrafTech operates manufacturing facilities on four continents. This advantaged network, the broadest in

our industry, assures our customers quality products and timely and reliable delivery. Our global technical service team of over 245 engineers, scientists and specialists provides leading value-added technical services to our customers.

We work every day to enable customer leadership better and faster than our competition. Our focus is to sell to applications where we believe we can differentiate and add more value relative to our competition.

## Graphite Electrodes

We believe our products and services are among the highest quality available in the industry. Over the past few years we have invested heavily to improve the stability of our production facilities to provide our customers with quality electrodes that allow them to maximize productivity in their operations. We believe the quality of our graphite electrodes has never been better.

In 2004, we achieved record production levels at our global graphite electrode manufacturing facilities through the acceleration of our productivity initiatives, including the expansion of our Pamplona, Spain

## GOAL

Our goal is to increase our throughput by maximizing the amount and speed of cash generated at the defined constraint every day.



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(before special items)

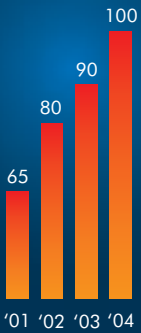
# POWER

Global Leadership



### Productivity Performance

(approximate metric tons produced per person)



plant ahead of schedule. Our Pamplona facility is the largest graphite electrode plant in Europe with 55,000 metric tons of annual capacity and is the second largest in the world, with only our 60,000 metric ton facility in Mexico producing more graphite electrodes. Through our productivity initiatives and capital investments, we increased our graphite electrode production capacity to an annual run rate of over 230,000 metric tons.

Our advantaged global production network and quality graphite electrode performance has allowed us to grow our worldwide market share from 19 percent in 2002 to 22 percent in 2004.

### Advanced Energy Technology Inc. (AET)

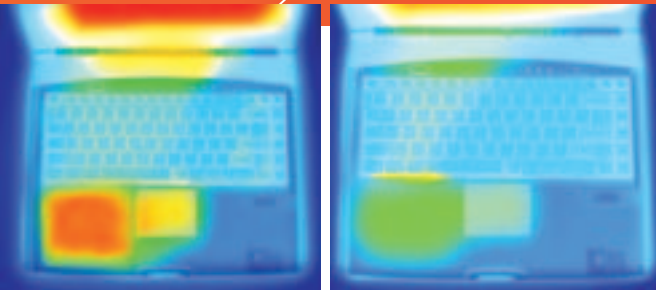
#### Electronic Thermal Management

AET's strategy is to work in concert with electronics industry leaders to develop customized thermal management solutions for their most demanding applications.

The superior ability of our products to manage and dissipate heat enables our customers to redesign electronic devices, reducing cost, size and weight while improving performance.

In 2004, we successfully obtained orders for our eGRAF<sup>®</sup> thermal management products for use in electronic devices manufactured by industry leaders, including Dell, Sony, Samsung, Panasonic, Nokia, Hitachi, Agilent and Cisco.





Without eGraf

With eGraf thermal technology

Discovery, development and implementation of leading edge technologies are key to GrafTech's success.



Our products penetrated fast-growing end markets such as laptop computers, flat screen plasma televisions, cell phones, digital cameras, and liquid crystal display (LCD) applications. Our eGRAF<sup>®</sup> SpreaderShield<sup>™</sup> product is utilized to dissipate heat in the Sony VAIO X505 notebook computer,

the thinnest and lightest laptop sold in the marketplace today, weighing 1.8 pounds. The Sony VAIO X505 does not employ a fan or air vents to manage thermal requirements, a design enabled by our eGRAF SpreaderShield thermal management product.

## Worldwide Operations

We have production facilities on four continents and sell to customers in 80 countries.

### CORPORATE HEADQUARTERS

Delaware (Wilmington)

### RESEARCH AND DEVELOPMENT

France (Vénissieux)

Ohio (Parma)

### SALES OFFICES

Brazil (Sao Paulo)

China (Beijing, Hong Kong and Shanghai)

France (Notre Dame)

Italy (Saronno)

Russia (Moscow)

Singapore

Switzerland (Etoy)

United States (Clarksville, Columbia and Cleveland)

### MANUFACTURING FACILITIES

#### U.S. Locations

Ohio (Cleveland)

Tennessee (Clarksville, Columbia and Lawrenceburg)

West Virginia (Clarksburg)

#### International Locations

Brazil (Salvador)

France (Calais and Notre Dame)

Italy (Malonno)

Mexico (Monterrey)

Russia (Vyazma)

South Africa (Meyerton)

Spain (Pamplona)



## R&D 100 AWARD FOR eGRAF<sup>®</sup> THERMAL MANAGEMENT PRODUCTS

In 2003 and 2004, this prestigious award recognized our eGRAF<sup>®</sup> thermal management products, used to dissipate heat in electronics applications, as one of the 100 most technologically significant commercialized products each year.



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# POWER

Global Leadership

THE EMPLOYEES OF  
GRAFTECH ARE UNITED  
IN THEIR DEDICATION  
TO COMMON GOALS:  
CONTINUALLY  
IMPROVING PRODUC-  
TIVITY, MAXIMIZING  
CASH FLOW AND  
DELIVERING THE  
HIGHEST LEVELS OF  
QUALITY AND VALUE  
TO OUR CUSTOMERS.



Our team received the prestigious R&D 100 Award for the second consecutive year for our newly commercialized ETM products. We also received the Electronic Design News award for one of the top 100 new products of 2004.

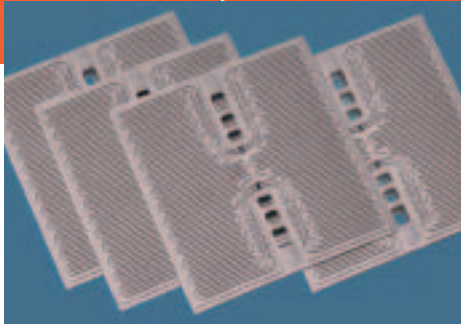
We are targeting the most demanding thermal management applications where we can provide our customers with value-added solutions that exceed the performance of existing heat dissipation products. Our target market is about \$350 million and we expect it to grow at an annual rate in excess of 20 percent over the next three years.

### Fuel Cells

The fuel cell market is an attractive longer-term opportunity for GrafTech and we believe we are well positioned to participate in the growth of this market as fuel cell technologies advance towards mass commercialization. The fuel cell market continues to receive support from government organizations throughout the world as concerns with environmental and energy supply issues increase. Ballard Power Systems Inc., the world's leader in PEM fuel cells, is a key strategic partner of GrafTech. Our GRAFCELL® advanced flexible







GrafTech flow-field plates



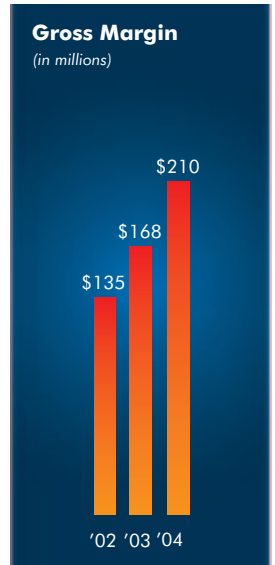
European Fuel Cell Bus Project, powered by Ballard fuel cells

graphite materials are utilized in Ballard® fuel cells under an exclusive supply arrangement through 2016. These fuel cells will power 120 vehicles manufactured by Ford and DaimlerChrysler, including approximately 60 vehicles under the U.S. Department of Energy's Hydrogen Economy Initiative. In addition, Ballard fuel cells are powering successful commercial bus programs in 10 European cities, Beijing, China and Perth, Australia, all utilizing our GRAFCELL materials.

### Outlook

We believe that global economic conditions will continue to be strong this year, resulting in increased production of steel and aluminum. Our advantaged global production and sales platform positions us to capitalize on this strength. In 2005, we expect our net sales to increase by over ten percent as compared to 2004.

The Company continues to face upward pressure on raw material costs across all of its businesses, in



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# Igniting The Power

particular petroleum coke, energy and freight. We have entered into firm price contracts for 75 percent of our 2005 graphite electrode production costs, excluding the impact of currency, and will continue to drive productivity improvements in an effort to offset cost increases.

Our team remains committed to growing GrafTech's market share, realizing global productivity and efficiency initiatives and delivering the highest quality products to maximize the growth and acceleration of our cash flow.

### In Closing

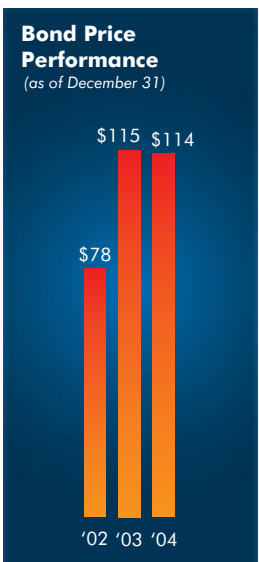
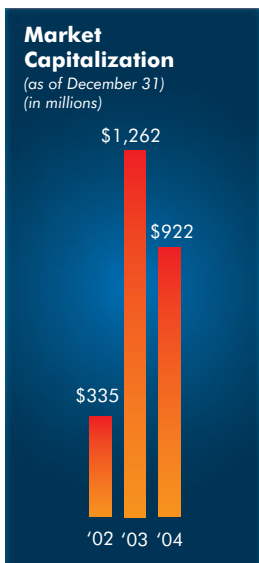
Our business successes in 2004 would not have been possible without the hard work of our global team and the support of their families. We thank them for their strong commitment and dedication to GrafTech.

We have built a Board of Directors with a broad range of experience. In September 2004, we welcomed Frank A. Riddick, III to GrafTech's Board. Frank brings with him strong business and financial experience in diverse environments. In early 2005, Gil Playford retired as the Company's Non-Executive Chairman of the Board. Gene Cartledge, who has been a Director of GrafTech since 1996, replaced Gil as Non-Executive Chairman.

Lastly, we thank our customers, suppliers and stakeholders for their continued support.

Sincerely,

Craig S. Shular  
 Chief Executive Officer and President  
 March 28, 2005



(1) 2004 numbers exclude \$28 million special non-cash tax charge; \$14 million (\$21 million before tax) of other expense, net; \$1 million benefit (a nominal benefit before tax) from restructuring and impairment; \$11 million benefit, before and after tax, from antitrust reserve adjustment; and \$3 million interest benefit, net, from accelerated amortization of gains on interest rate swaps, net of tax. 2003 numbers exclude \$19 million (\$27 million before tax) of restructuring and impairment charges; \$29 million (\$32 million before tax) of charges for antitrust investigations and related lawsuits and claims; \$7 million (\$12 million before tax) of other income, net; \$1 million gain on discontinued operations; and \$4 million interest benefit, net, from accelerated amortization of gains on interest rate swaps, net of tax. 2002 numbers exclude \$16 million (\$23 million before tax) of restructuring and impairment charges; \$6 million of special tax benefit associated with GrafTech's legal and tax restructuring and \$6 million (\$9 million before tax) of other income, net.

(2) Diluted income per share before special items and weighted average shares outstanding (diluted) include 13.6 million shares of common stock underlying GrafTech's contingent convertible debt; diluted income per share before special items excludes approximately \$3 million, after tax, of convertible debenture interest expense.

# Corporate and Investor Information

## Board of Directors

R. Eugene Cartledge  
*Chairman of the Board;*  
*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 & Governance*  
*Committee*

Harold E. Layman  
*Audit & Finance Committee*

Ferrell P. McClean  
*Audit & Finance Committee*

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

Frank A. Riddick, III

Craig S. Shular  
*Chief Executive Officer and President*

## Corporate Headquarters

GrafTech International Ltd.  
 1521 Concord Pike, Suite 301  
 Brandywine West Building  
 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 March 31, 2005, there were 97,603,624 shares of common stock outstanding, 100 stockholders of record and approximately 9,500 beneficial owners.

## Common Stock Price

The closing price of our common stock was \$9.46 on December 31, 2004, the last trading day of our last fiscal year. The quarterly high and low closing prices of our common stock were as follows:

2003	High	Low
First Quarter	\$ 5.89	\$ 2.57
Second Quarter	\$ 6.30	\$ 2.39
Third Quarter	\$ 8.94	\$ 5.80
Fourth Quarter	\$13.82	\$ 8.23

2004	High	Low
First Quarter	\$14.95	\$11.77
Second Quarter	\$15.50	\$ 7.97
Third Quarter	\$13.95	\$ 9.35
Fourth Quarter	\$14.03	\$ 8.14

## 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 25, 2005, 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 2004 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

PricewaterhouseCoopers, 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.



**GRAF***Tech*  
*GrafTech International Ltd.*

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