



**GRAFTech**  
GrafTech International Ltd.

GrafTech International Ltd. is a world leader in graphite material science with more than 120 years of experience in the carbon and graphite industry.

## Product Overview

### GRAPHITE ELECTRODES

Graphite electrodes, our core business, 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. The electrodes conduct electric current to generate an approximately 10,000 degrees centigrade arc, producing enough heat to melt scrap metal. The electrodes are consumed in this process, one every eight to ten hours. Currently there is no commercially viable substitute for graphite electrodes in electric arc furnaces. Having led the development of electrode technology since the 1930s, we have developed an extensive knowledge base in graphite and carbon science and the steelmaking process. Our technical service team, unmatched in the industry, is in our customers' shops, analyzing and optimizing electrode and furnace operation to maximize productivity. Graphite electrodes are also used to refine steel in ladle furnaces and in other smelting and non-ferrous processes.

**End-Market Use:** Production of steel and non-ferrous metals



### ADVANCED GRAPHITE MATERIALS

Advanced graphite materials are highly engineered synthetic graphite products used in many industrial areas due to their unique properties and the ability to tailor them to specific solutions. Applications are often in very high-temperature and other challenging environments. Advanced graphite materials are processed using various technologies to create and differentiate these specialty products. These include forming technologies and providing high-value services such as specialty surface treatments, purification and custom machining. Within the advanced graphite materials segment, our Industrial Heat Management product line is used as high-temperature insulation in markets such as aerospace, solar and polysilicon.

**End-Market Use:** Semiconductor, solar energy, aerospace, transportation, defense and nuclear industries



## NATURAL GRAPHITE AND CARBON MATERIALS

### Natural Graphite – Advanced Energy Technology Inc.

The natural graphite line of business develops highly engineered products for fast-growing markets.

#### Electronic Thermal Management Products

- eGRAF® electronic thermal management solutions are designed to aid in the cooling of chip sets and other heat-generating components in computers, cell phones, flat panel displays and other electronic devices.

#### Fuel Cell Materials

- GRAFCELL® fuel cell components, developed in collaboration with Ballard Power Systems Inc., have been instrumental in the development and commercialization of next-generation fuel cells.

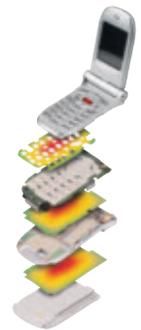
### Fluid Sealing and Automotive Products

- GRAFOIL® sealing solutions provide an excellent gasket and sealing material that has been used primarily in high-temperature and corrosive environments in the automotive, chemical and petrochemical markets.

### Carbon Refractories

Refractories refer to a variety of engineered and precision machined carbon, graphite and semi-graphite products which protect the walls of blast furnaces, submerged arc furnaces and cupolas against thermal, mechanical and chemical attack. Our unique technology results in products that exhibit high strength, low permeability and high conductivity for a more efficient, superior-performing, long-lasting hearth wall installed in hundreds of modern furnaces worldwide.

**End-Market Use:** Electronics, fuel cell power generation, transportation, chemical, ferro-alloys and iron industries



# GRAFTECH ADVANTAGES

## STRONG INDUSTRY FUNDAMENTALS

- Demand for our products is increasing, with strong growth in steel
- GrafTech's end markets include electric arc furnaces, the growth sector of the steel industry
- Electrodes are a consumable – one every eight to ten hours
- No commercially viable substitute for graphite electrodes

## LEADING MARKET POSITION

- Major player in graphite electrode market
- Five graphite electrode manufacturing facilities strategically located on four continents, with customers in 80 countries
- Largest global technical service team in the industry

## SUSTAINABLE COMPETITIVE ADVANTAGES

- Unique, advantaged global manufacturing network cannot easily be replicated
- Economies of scale offer cost advantages
- 120 years of R&D experience and process know-how
- Nearly 800 patents and patent-pending applications

## COMMERCIALIZING ADVANTAGED TECHNOLOGIES

- Pioneered advanced electronic thermal management solutions
- Expertise in fuel cell development and commercialization recognized with a U.S. Department of Energy grant
- Four consecutive R&D 100 awards for products with demonstrable technological significance and innovation

## STRENGTHENING CASH FLOW

- Net debt reduced by \$180 million, to \$509 million<sup>(3)</sup> in 2006
- Free cash flow before antitrust and restructuring was \$69 million<sup>(4)</sup>, a year-over-year improvement of nearly \$100 million
- Cash conversion cycle improvement
- Deleveraging remains a priority
- No scheduled debt payments required before 2010



Craig S. Shular  
Chairman, Chief Executive Officer  
and President

## DEAR FELLOW SHAREHOLDERS:

In 2006, GrafTech reached an important turning point from many vantage points. Significant debt reduction, turning cash flow positive for the first time in several years, and advancement of the quality and performance of our products represent some of the year's most notable highlights. GrafTech's 2006 results reflect our commitment to build sustainable competitive advantages, leverage our low-cost global manufacturing network to best serve our customers, commercialize new technologies and maximize cash flow.

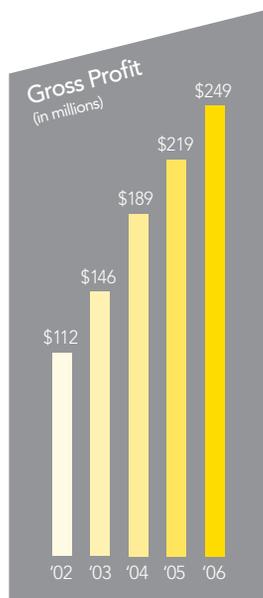


## FINANCIAL HIGHLIGHTS

	2002	2003	2004	2005	2006
<b>Income Statement Data</b>					
(In millions, except per-share data)					
Revenue	\$ 506	\$ 619	\$ 742	\$ 773	\$ 855
Gross Profit	\$ 112	\$ 146	\$ 189	\$ 219	\$ 249
EBIT before special items <sup>(1)</sup>	\$ 29	\$ 60	\$ 103	\$ 122	\$ 134
Interest Expense	\$ 50	\$ 36	\$ 32	\$ 44	\$ 47
Income (Loss) from continuing operations before special items <sup>(1)</sup>	\$ (14)	\$ 12	\$ 44	\$ 50	\$ 59
Diluted income per share before special items <sup>(1) (2)</sup>	\$ (0.26)	\$ 0.18	\$ 0.43	\$ 0.48	\$ 0.57
Weighted average shares outstanding (diluted) <sup>(2)</sup>	56	68	111	112	112

### Financial Ratios

Gross Margin	22.1%	23.6%	25.5%	28.3%	29.1%
EBIT Margin	5.7%	9.7%	13.9%	15.8%	15.7%



## OVERVIEW OF 2006 RESULTS

GrafTech's revenues increased 11 percent to \$855 million in 2006. Gross profit increased 14 percent to \$249 million. Earnings before interest and taxes (EBIT) before special items rose 10 percent to \$134 million. Our team was effective in achieving targeted productivity improvements, and we successfully limited graphite electrode production cost increases to less than 7 percent for the second consecutive year. This was accomplished despite significant petroleum based raw material cost increases. In addition, our investments in quality have begun to pay off, as the performance and consistency of our products have never been better.

GrafTech made significant progress in 2006 against its stated goal of debt reduction. We completed the year with net debt of \$509 million<sup>(3)</sup>, representing a \$180 million improvement over year-end 2005. Approximately one-third of this effort was a result of operating cash flow; the remaining two-thirds was obtained through proceeds from the sale of our non-strategic cathode business. This progress positions us well to capitalize on future strategic opportunities and grow our company.



## IMPROVING PRODUCTIVITY

At the start of 2006, we announced a number of productivity initiatives designed to improve GrafTech's competitive position as a low-cost, high-quality producer and to allow us to better serve our customers. We have successfully executed on these plans and have consolidated production operations, as well as overhead and office locations. The move of our corporate headquarters to Parma, Ohio, was part of this effort, and has allowed for a number of synergies with corporate, business management, sales, and research together in one location.

The actions taken to improve efficiencies across our global manufacturing network have resulted in increased productivity performance per employee, and have yielded significant economies of scale in the resulting larger and dedicated graphite electrode plants. As a result of these consolidations, the average size of our graphite electrode plants has grown to nearly 45,000 metric tons of capacity per year. GrafTech is well positioned to best serve its global steel customers in their local markets with proven, high-quality products and superior technical service.



*"This marks the fourth consecutive year the company was awarded an R&D 100 Award..."*

## INDUSTRY-LEADING INNOVATION

### R&D 100 Awards

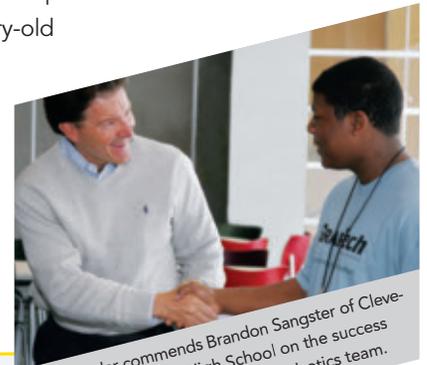
- **2003**  
eGRAF®  
Heat Sink
- **2004**  
eGRAF®  
SPREADERSHIELD™
- **2005**  
Apollo™ Electrode
- **2006**  
GRAFOAM®  
Carbon Foam

GrafTech was the recipient of a number of prestigious awards and grants in 2006. This marks the fourth consecutive year the company was awarded an R&D 100 Award, this year for GRAFOAM® carbon foam, a lightweight, strong material with composite tooling, sandwich panel, and high-temperature applications for aerospace and military defense manufacturers.

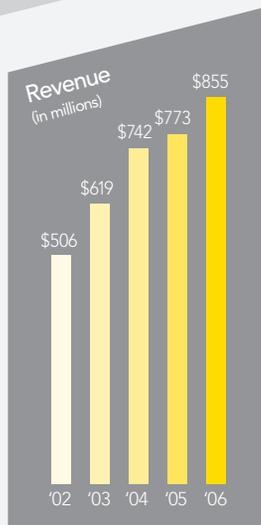
In addition, we received our first federal grant in recognition of our considerable expertise in fuel cell development: \$1.6 million from the U.S. Department of Energy to work on product development and commercialization in this future market. We also received \$3.9 million in research grants from the State of Ohio to support our continuing development of electronic thermal management solutions, an area in which we have successfully commercialized a number of products. These grants and awards position GrafTech to build on its century-old tradition of commercializing advantaged graphite and carbon technologies.



GrafTech team wins fourth consecutive R&D 100 award for GRAFOAM® carbon foam.



Craig Shular commends Brandon Sangster of Cleveland's East Technical High School on the success of the GrafTech-sponsored FIRST robotics team.





## OUTLOOK

2006  
2007  
WELL POSITIONED

Our company enters 2007 well positioned for growth. In January, we made our final antitrust payment, and have now completed this nine-year-old legacy item. From this point forward, the cash flow we generate will be used to grow our company, improve our competitiveness and better serve our customers, with the goal of creating long-term value for our shareholders. In February 2007, we retired \$120 million of our most expensive debt, our 10.25 percent senior notes, resulting in an improvement in our leverage ratio and to our overall financial position. As part of our ongoing effort to improve our capital structure, we completed a second call of our senior notes, for an additional \$15 million, retired in March 2007.

We believe the key industries we serve are poised for another solid year in 2007, and we expect strong demand in our end markets. Investment in the quality of our products is paying off, productivity initiatives have improved the competitiveness of our production platform and we have our best balance sheet in years. We remain focused on delivering solid performance in 2007 and creating long-term value for our shareholders.

The success achieved last year would not have been possible without the continuing support and hard work of our entire global team. We thank them and their families for their dedication and commitment to GrafTech.

Lastly, we thank our customers, suppliers and you, our shareholders, for your continuing support.

*C. S. Shular*

Craig S. Shular  
Chairman, Chief Executive Officer and President  
March 30, 2007

(1) 2006 numbers exclude \$17 million of special charges related to restructuring, antitrust investigations and related lawsuits and claims, impairment loss on long-lived assets and other (income) expense, net, net of tax. 2005 numbers exclude a \$149 million special non-cash tax charge and \$22 million of special charges related to restructuring, antitrust investigations and related lawsuits and claims, impairment loss on long-lived assets and other (income) expense, net, net of tax. 2004 numbers exclude a \$28 million special non-cash tax charge and \$1 million of special charges related to restructuring, antitrust investigations and related lawsuits and claims, impairment loss on long-lived assets and other (income) expense, net, net of tax and \$3 million interest benefit, net, from accelerated amortization of gains on interest rate swaps, net of tax. 2003 numbers exclude \$42 million of special charges related to restructuring, antitrust investigations and related lawsuits and claims, impairment loss on long-lived assets and other (income) expense, net, net of tax, a \$1 million gain on composite tooling discontinued operations; and \$4 million interest benefit, net from accelerated amortization of gains on interest rate swaps, net of tax. 2002 numbers exclude \$11 million of special charges related to restructuring, antitrust investigations and related lawsuits and claims, impairment loss on long-lived assets and other (income) expense, net, net of tax and a \$6 million of special tax benefit associated with GrafTech's legal and tax restructuring.

(2) Diluted income per share before special items and weighted average shares outstanding (diluted) include 13.6 million shares underlying our contingently convertible debentures and exclude approximately \$5 million (before and after tax) in 2006, \$5 million (\$3 million after tax) in 2005 and 2004 in contingently convertible debenture interest expense.

(3) 2006 numbers include \$666 million of total debt less \$6 million of fair value adjustments for hedge instruments, \$1 million of unamortized bond premium, and \$150 million of cash and cash equivalents.

(4) 2006 numbers include \$64 million cash flow provided by operating activities less \$46 million of capital expenditures and \$12 million change in accounts receivable factoring, resulting in free cash flow of \$30 million. Legacy payments of \$38 million are added back to arrive at free cash flow before antitrust and restructuring.

## CORPORATE AND INVESTOR INFORMATION

### BOARD OF DIRECTORS

**Craig S. Shular**  
Chairman, Chief Executive Officer  
and President

**R. Eugene Cartledge**  
Presiding Director; 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**  
Organization, Compensation &  
Pension Committee

**Ferrell P. McClean**  
Audit & Finance Committee

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

**Frank A. Riddick, III**  
Audit & Finance Committee

### CORPORATE HEADQUARTERS

GrafTech International Ltd.  
12900 Snow Road  
Parma, OH 44130

### E-MAIL ADDRESS

Investor.Relations@graftech.com

### TELEPHONE

216-676-2000

### WEB SITE

www.graftech.com

### STOCK EXCHANGE LISTING

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

### STOCKHOLDER PROFILE

At January 31, 2007, there were  
101,512,454 shares of common stock  
outstanding, 118 stockholders of  
record and approximately 5,400  
beneficial owners.

### 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 23, 2007, at 10:00  
a.m. at the Corporate Headquarters in  
Parma, Ohio.

### 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 2006 include  
this annual report. Inquiries should be  
directed to Investor Relations at our  
Corporate Headquarters.

### TRANSFER AGENT

Computershare Investor Services LLC  
312-588-4282  
www.computershare.com

### TRUSTEE OF CONVERTIBLE SENIOR DEBENTURES & SENIOR NOTES

U.S. Bank National Association  
1-800-934-6802

### INDEPENDENT AUDITORS

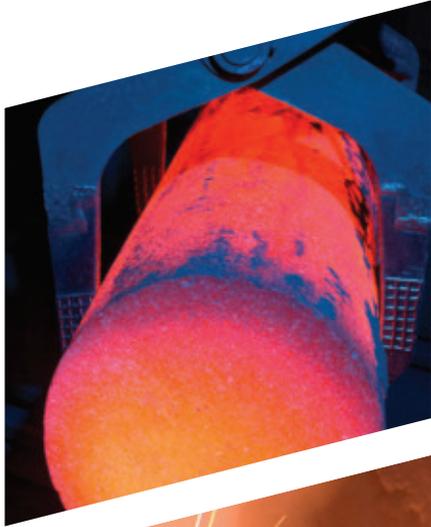
PricewaterhouseCoopers, LLP

### 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.

### COMMON STOCK PRICE

Date	Closing Price	Market Cap (in millions)
December 30, 2005	\$ 6.22	\$ 608.6
December 29, 2006	\$ 6.92	\$ 681.3
March 30, 2007	\$ 9.08	\$ 896.8



**GRAFTech**  
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