

GRAFTECH INTERNATIONAL LTD

Form 10-Q

April 28, 2016

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

for the quarterly period ended March 31, 2016

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

for the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 1-13888

GRAFTECH INTERNATIONAL LTD.

(Exact name of registrant as specified in its charter)

Delaware 27-2496053  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification Number)

Suite 300 Park Center I 44131  
6100 Oak Tree Boulevard (Zip code)  
Independence, OH  
(Address of principal executive offices)  
Registrant's telephone number, including area code: (216) 676-2000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer  Accelerated Filer

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Non-Accelerated Filer  Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Exchange Act Rule 12b-2). Yes  No

As of April 15, 2016, 100 shares of common stock, par value \$.01 per share, were outstanding.

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## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

## GRAFTECH INTERNATIONAL LTD. AND SUBSIDIARIES

## CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in thousands)

Unaudited

	Successor As of December 31, 2015	As of March 31, 2016
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$6,927	\$9,832
Accounts and notes receivable, net of allowance for doubtful accounts of \$304 as of December 31, 2015 and \$486 as of March 31, 2016	102,815	91,407
Inventories	295,462	282,270
Prepaid expenses and other current assets	21,674	24,978
Total current assets	426,878	408,487
Property, plant and equipment	660,880	676,839
Less: accumulated depreciation	23,347	39,877
Net property, plant and equipment	637,533	636,962
Deferred income taxes	15,327	17,151
Goodwill	172,059	173,117
Other assets	170,218	164,823
Total assets	\$1,422,015	\$1,400,540
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$49,478	\$47,246
Short-term debt	4,772	9,779
Accrued income and other taxes	9,039	4,612
Rationalizations	3,048	1,813
Other accrued liabilities	29,779	36,950
Total current liabilities	96,116	100,400
Long-term debt	362,455	360,038
Other long-term obligations	95,485	94,851
Deferred income taxes	57,430	58,460
Contingencies – Note 10		
Stockholders' equity:		
Preferred stock, par value \$.01, 10,000,000 shares authorized, none issued	—	—
Common stock, par value \$.01, 225,000,000 shares authorized, 100 shares issued as of December 31, 2015 and March 31, 2016	—	—
Additional paid-in capital	854,337	854,337
Accumulated other comprehensive (loss) income	(10,257	) 2,380
Accumulated deficit	(33,551	) (69,926 )
Total stockholders' equity	810,529	786,791
Total liabilities and stockholders' equity	\$1,422,015	\$1,400,540
See accompanying Notes to Condensed Consolidated Financial Statements		



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GRAFTECH INTERNATIONAL LTD. AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS  
 (Dollars in thousands, except per share amounts)  
 (Unaudited)

	Predecessor For the Three Months Ended March 31, 2015	Successor For the Three Months Ended March 31, 2016
<b>CONSOLIDATED STATEMENTS OF OPERATIONS</b>		
Net sales	\$ 207,211	\$ 124,665
Cost of sales	186,448	122,999
Lower of cost or market inventory adjustment	—	11,537
Gross profit (loss)	20,763	(9,871 )
Research and development	2,431	1,530
Selling and administrative expenses	26,290	18,117
Rationalizations	2,494	131
Impairments	35,381	—
Operating loss	(45,833 )	(29,649 )
Other expense (income), net	393	246
Interest expense	8,921	7,180
Interest income	(73 )	(12 )
Loss before provision for income taxes	(55,074 )	(37,063 )
Provision for income taxes	534	(688 )
Net loss	\$ (55,608 )	\$ (36,375 )
<b>STATEMENTS OF COMPREHENSIVE LOSS</b>		
Net loss	\$ (55,608 )	\$ (36,375 )
Other comprehensive loss:		
Foreign currency translation adjustments	(29,611 )	12,504
Commodities and foreign currency derivatives and other, net of tax of (\$154) and \$0, respectively	845	133
Other comprehensive (loss) income, net of tax:	(28,766 )	12,637
Comprehensive loss	\$ (84,374 )	\$ (23,738 )

See accompanying Notes to Condensed Consolidated Financial Statements

GRAFTECH INTERNATIONAL LTD. AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
 (Dollars in thousands)  
 (Unaudited)

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	Predecessor For the Three Months Ended March 31, 2015	Successor For the Three Months Ended March 31, 2016
Cash flow from operating activities:		
Net loss	\$ (55,608 )	\$ (36,375)
Adjustments to reconcile net loss to cash provided by operations:		
Depreciation and amortization	20,570	19,458
Impairments	35,381	—
Lower of cost or market inventory adjustment, net of depreciation	—	9,962
Deferred income tax provision	2,973	(485 )
Post-retirement and pension plan changes	1,262	1,046
Stock-based compensation	1,572	—
Interest expense	3,764	1,576
Other charges, net	(2,757 )	(750 )
Increase (decrease) in working capital*	21,991	16,523
Increase in long-term assets and liabilities	(6,430 )	(1,231 )
Net cash provided by operating activities	22,718	9,724
Cash flow from investing activities:		
Capital expenditures	(13,601 )	(8,414 )
Proceeds from the sale of assets	521	404
Derivative instrument settlements, net	(7,603 )	(253 )
Net cash used in investing activities	(20,683 )	(8,263 )
Cash flow from financing activities:		
Short-term debt, net	1	5,001
Revolving Facility borrowings	27,000	19,000
Revolving Facility reductions	(32,000 )	(23,000 )
Principal payments on long-term debt	(33 )	(34 )
Purchase of treasury shares	(41 )	—
Revolving Facility refinancing fees	(2,247 )	—
Other	(54 )	—
Net cash (used in) provided by financing activities	(7,374 )	967
Net change in cash and cash equivalents	(5,339 )	2,428
Effect of exchange rate changes on cash and cash equivalents	(1,250 )	477
Cash and cash equivalents at beginning of period	17,550	6,927
Cash and cash equivalents at end of period	\$ 10,961	\$ 9,832
* Net change in working capital due to the following components:		
Accounts and notes receivable, net	\$ 1,040	\$ 14,249
Inventories	11,978	4,871
Prepaid expenses and other current assets	7,525	(2,873 )
Decrease in accounts payable and accruals	(2,483 )	(3,285 )
Rationalizations	(846 )	(1,301 )
Increase in interest payable	4,777	4,862
Net change in working capital	\$ 21,991	\$ 16,523

See accompanying Notes to Condensed Consolidated Financial Statements





PART I (CONT'D)

GRAFTECH INTERNATIONAL LTD. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(1) Organization and Summary of Significant Accounting Policies

A. Organization

GrafTech International Ltd. (the "Company") is one of the world's largest manufacturers and providers of high quality synthetic and natural graphite and carbon based products. References herein to "GTI," "we," "our," or "us" refer collectively to GrafTech International Ltd. and its subsidiaries. We have seven major product categories: graphite electrodes, refractory products, needle coke products, advanced electronics technologies, advanced graphite materials, advanced composite materials and advanced materials.

On February 26, 2016, the Company announced it plans to realign its two business segments. Industrial Materials will now be comprised of graphite electrodes and needle coke products. Engineered Solutions will now be comprised of advanced graphite materials, advanced composite materials, advanced electronic technologies, and refractory products. Refractory products was previously included in the Industrial Materials business segment. Advanced materials products will now be a part of the business segment where these products are produced.

This realignment of the business segments will allow the Company to better direct its resources and simplify its operations. The Industrial Materials business segment will continue to focus on being the lowest cost producer providing the best quality of graphite electrodes in a very challenging market. The Engineered Solutions business segment will continue to leverage the intellectual property of carbon and graphite material science to innovate and commercialize advanced technologies and new products in high growth markets.

The Company also announced that it plans to review strategic alternatives for its Engineered Solutions business segment. In 2015, the segment, on a pro forma basis as newly defined, had sales of \$154 million or 22% of the total Company's sales. There can be no assurance that the review of strategic alternatives will result in a transaction. If a transaction were to occur, the Company would conduct a complete review and assessment of its corporate services and structure to bring them into alignment with its new size and sharper focus. We are currently in the early stages of this process and the Engineered Solutions business segment does not qualify as discontinued operations as of March 31, 2016.

B. Basis of Presentation

The interim Consolidated Financial Statements are unaudited; however, in the opinion of management, they have been prepared in accordance with Rule 10-01 of Regulation S-X and in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The December 31, 2015 financial position data included herein was derived from the audited consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2015 (the "Annual Report") but does not include all disclosures required by GAAP. These interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements, including the accompanying notes, contained in the Annual Report.

The unaudited consolidated financial statements reflect all adjustments (all of which are of a normal, recurring nature) which management considers necessary for a fair statement of financial position, results of operations, comprehensive income and cash flows for the interim periods presented. The results for the interim periods are not necessarily indicative of results which may be expected for any other interim period or for the full year.

C. Predecessor and Successor Reporting

On August 17, 2015, the Company was acquired by affiliates of Brookfield Asset Management Inc. (see Note 2 "Preferred Share Issuance and Merger"). We elected to account for the acquisition under the acquisition method of accounting. Under the acquisition method of accounting, the assets and liabilities of GTI were adjusted to their fair market value as of August 15, 2015, as this was the day that Brookfield effectively took control of the Company. Our consolidated statements of operations subsequent to the Merger include amortization expense relating to the fair value adjustments and depreciation expense based on the fair value of the Company's property, plant and equipment that had previously been carried at historical cost less accumulated depreciation. Therefore, the Company's financial

information prior to the Merger is not comparable to the financial information subsequent to the Merger. As a result, the financial statements and certain note presentations are separated into two distinct periods, the period

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PART I (CONT'D)

GRAFTECH INTERNATIONAL LTD. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

before the consummation of the Merger (labeled "Predecessor") and the period after the date of Merger (labeled "Successor"), to indicate the application of the different basis of accounting between the periods presented.

D. New Accounting Standards

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers. This ASU supersedes the revenue recognition requirements in Accounting Standards Codification 605—Revenue Recognition and most industry-specific guidance throughout the Codification. This ASU requires that an entity recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This ASU was expected to be effective for fiscal years beginning after December 15, 2016, and for interim periods within those fiscal years. On July 9, 2015, the FASB deferred the effective date to fiscal years beginning after December 15, 2017. We are in the process of assessing the impact of the adoption of ASU 2014-09 on the Company's financial position, results of operations and cash flows.

In April 2015, the FASB issued ASU 2015-3, Simplifying the Presentation of Debt Issuance Costs, which requires debt issuance costs to be presented in the balance sheet as a direct deduction from the carrying value of the associated debt liability. The standard is effective for financial statements issued for fiscal years beginning after December 15, 2015 with early adoption permitted. We had no capitalized bank fees as of December 31, 2015. We adopted this ASU as of January 1, 2016, and resulted in no significant impact on the Company's financial position, results of operations or cash flows.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). Under this new guidance, a company will now recognize most leases on its balance sheet as lease liabilities with corresponding right-of-use assets. This ASU is effective for us beginning after January 1, 2019. The Company is currently evaluating the impact of the adoption of this standard on its financial position, results of operations or cash flows.

(2) Preferred Share Issuance and Merger

Preferred Stock

On August 11, 2015, the Company issued and sold to BCP IV GrafTech Holdings LP ("Parent"), an affiliate of Brookfield Asset Management Inc. ("Brookfield") (i) 136,616 shares of a new Series A Convertible Preferred Stock, par value \$0.01 per share (the "Series A Preferred Stock"), convertible into 19.9% of the shares of common stock of the Company outstanding immediately prior to such issuance and (ii) 13,384 shares of a new Series B Convertible Preferred Stock, par value \$0.01 per share (the "Series B Preferred Stock," and, together with the Series A Preferred Stock, the "Preferred Stock"), for an aggregate purchase price of \$150,000,000 in cash (the "Purchase Price"), under the Investment Agreement dated May 4, 2015 (the "Investment Agreement") between the Company and Brookfield.

The closing of such issuance and sale occurred after the satisfaction of the closing conditions set forth in the Investment Agreement.

Pursuant to the Investment Agreement, the Company reimbursed Brookfield for \$500,000 of out-of-pocket fees and expenses (including fees and expenses of legal counsel) incurred by Brookfield in connection with the transaction.

The proceeds from the issuance and sale were used by the Company, along with funds available under the Company's \$40 million delayed draw term loan facility, senior revolving credit facility and cash on hand, to prepay the Company's \$200 million Senior Subordinated Notes due November 30, 2015.

Merger Agreement

On May 18, 2015, the Company entered into an Agreement and Plan of Merger (the "Merger Agreement"), dated May 17, 2015, with Parent and Athena Acquisition Subsidiary Inc. a wholly owned subsidiary of Parent ("Acquisition Sub"). Pursuant to the Merger Agreement, on May 26, 2015, Parent commenced a cash tender offer to purchase any and all of the outstanding shares of common stock, par value \$0.01 per share (the "Shares"), of the Company, at a purchase price of \$5.05 per Share in cash (the "Offer Price"), on the terms and subject to the conditions set forth in the Offer to Purchase, dated May 26, 2015 (together with any amendments and supplements thereto, the "Offer to Purchase") and in the related Letter of Transmittal (the "Letter of Transmittal" and, together with the Offer to Purchase,

the "Offer").

On August 14, 2015, Acquisition Sub accepted for payment all Shares validly tendered in the Offer and not withdrawn prior to the expiration of the Offer, and payment of the Offer Price for such Shares was made promptly. On August 17, 2015, Acquisition Sub merged with and into the Company, with the Company surviving as a wholly-owned subsidiary of Parent (the "Merger").

Pursuant to the Merger Agreement, upon consummation of the Merger, each Share that was not tendered and accepted pursuant to the Offer (other than canceled shares, dissenting shares and shares held by the Company's subsidiaries or Parent's subsidiaries (other than Acquisition Sub)) was canceled and converted into cash consideration in an amount equal to the Offer Price.

Business Combination

The computation of the fair value of the total consideration at the date of acquisition follows:

Purchase Consideration

(In thousands except share price)

	# Shares	Unit Price	Amount
Convertible Preferred Equity			
Series A and B	150	\$1,000.00	\$150,000
Common Equity			
Common Shares	139,397	\$5.05	\$703,955
Net value of options			\$382
Total			\$854,337

Recording of assets acquired and liabilities assumed: The acquisition was accounted for using the acquisition method of accounting. Under the acquisition method, the identifiable assets acquired and the liabilities assumed are assigned a new basis of accounting reflecting their estimated fair values. The information included herein has been prepared based on the preliminary allocation of purchase price using estimates of the fair values and useful lives of assets acquired and liabilities assumed based on the best available information determined with the assistance of independent valuations, quoted market prices and management estimates.

## PART I (CONT'D)

## GRAFTECH INTERNATIONAL LTD. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

The following table summarizes the fair values of the identifiable assets acquired and liabilities assumed at the acquisition date:

Net identifiable assets acquired	
Cash	\$25,032
Accounts receivable	94,298
Inventories	344,765
Property, plant and equipment	650,405
Intangible assets	155,700
Deferred tax assets	41,606
Prepaid and other current assets	49,716
Other non-current assets	8,428
Accounts payable	(68,005 )
Short-term debt	(18,779 )
Other accrued liabilities	(53,252 )
Long-term debt	(367,811 )
Other long-term liabilities	(101,648 )
Deferred tax liabilities	(79,235 )
Net identifiable assets acquired	\$681,220

Goodwill	\$173,117
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Net assets acquired	\$854,337
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Goodwill: Goodwill of approximately \$173.1 million was recognized for the acquisition and is calculated as the excess of the consideration transferred over the net assets acquired and represents the future economic benefits arising from other assets acquired that could not be individually identified and separately recognized. Goodwill was increased by \$1.1 million in the three months ended March 31, 2016 as a result of a decreased inventory valuation of \$2.0 million offset by an increase to deferred tax assets of \$0.9 million.

## (3) Rationalizations

Throughout 2013, 2014 and 2015 the Company undertook rationalization plans in order to streamline our organization and lower our production costs. The majority of these initiatives were substantially complete as of March 31, 2016.

The rationalization liability as of March 31, 2016 was \$1.8 million consisting of the plan described below and severance payouts related to prior rationalization plans.

## 2015 Advanced Graphite Materials Rationalization

On March 2, 2015, GrafTech announced plans to further optimize the production platform for its advanced graphite materials business. These actions included the closure of our Notre Dame, France facility and further reductions in force in our Columbia, Tennessee facility and other locations totaling approximately 85 people. The 2015 Advanced Graphite Materials rationalization plan will result in approximately \$10 million of charges consisting of severance, inventory losses and other related costs. Approximately \$8 million of these costs will be cash outlays, the majority of which were disbursed in 2015. We incurred charges of \$2.6 million and \$0.4 million in the three months ended March 31, 2015 and 2016, respectively. The remaining liability associated with this plan is \$0.9 million as of March 31, 2016.

## PART I (CONT'D)

## GRAFTECH INTERNATIONAL LTD. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

## (4) Segment Reporting

We operate two reportable business segments: Industrial Materials and Engineered Solutions. On February 26, 2016, the Company announced plans to realign its business segments (see Note 1A "Organization and Summary of Significant Accounting Policies"). As a result of this realignment, our Refractory product line was moved from the Industrial Materials business segment to the Engineered Solutions business segment. Additionally, Advanced Materials products will now be a part of the business segment where these products are produced. All prior period amounts have been recast to reflect this change. Our business segments now consist of the following:

**Industrial Materials.** Our Industrial Materials segment manufactures and delivers high quality graphite electrodes and needle coke products. Electrodes are key components of the conductive power systems used to produce steel and other non-ferrous metals. Needle coke, a crystalline form of carbon derived from decant oil, is the key ingredient in, and is used primarily in, the production of graphite electrodes.

**Engineered Solutions.** The Engineered Solutions segment includes advanced electronics technologies, advanced graphite materials, advanced composite materials and refractory products. Advanced electronics technologies products consist of electronic thermal management solutions, fuel cell components and sealing materials. Advanced graphite materials are highly engineered synthetic graphite products used in many areas due to their unique properties and the ability to tailor them to specific solutions. These products are used in transportation, alternative energy, metallurgical, chemical, oil and gas exploration and various other industries. Advanced composite materials are highly engineered carbon products that are woven into various shapes primarily to support the aerospace and defense industries. Refractory products are used in blast furnaces and submerged arc furnaces due to their high thermal conductivity and the ease with which they can be machined to large or complex shapes.

The following tables summarize financial information concerning our reportable segments and all prior periods have been recast to reflect our new segmentation:

	Predecessor	Successor
	For the	For the
	Three	Three
	Months	Months
	Ended	Ended
	March 31,	March 31,
	2015	2016
	(Dollars in thousands)	
Net sales to external customers:		
Industrial Materials	\$ 162,494	\$ 95,575
Engineered Solutions	44,717	29,090
Total net sales	\$ 207,211	\$ 124,665
Operating (loss) income:		
Industrial Materials	\$(26,943 )	\$(20,247 )
Engineered Solutions	(3,348 )	(851 )
Corporate, R&D and Other expenses	(15,542 )	(8,551 )
Total operating loss	\$(45,833 )	\$(29,649 )
Reconciliation of segment operating loss to		
loss before provision for income taxes		
Other expense (income), net	\$ 393	\$ 246
Interest expense	8,921	7,180

Interest income	(73 )	(12 )
Loss before provision for income taxes	\$(55,074 )	\$(37,063 )

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## PART I (CONT'D)

## GRAFTECH INTERNATIONAL LTD. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

## (5) Benefit Plans

The components of our consolidated net pension costs are set forth in the following table:

	Predecessor For the Three Months Ended March 31, 2015	Successor For the Three Months Ended March 31, 2016
	(Dollars in thousands)	
Service cost	\$ 827	\$ 508
Interest cost	1,526	1,498
Expected return on plan assets	(1,354 )	(1,310 )
Amortization of prior service cost	1	—
Net cost	\$ 1,000	\$ 696

The components of our consolidated net postretirement costs are set forth in the following table:

	Predecessor For the Three Months Ended March 31, 2015	Successor For the Three Months Ended March 31, 2016
	(Dollars in thousands)	
Service cost	\$ 4	\$ 1
Interest cost	315	272
Amortization of prior service benefit	(43 )	—
Net cost	\$ 276	\$ 273

## (6) Goodwill and Other Intangible Assets

We are required to review goodwill and indefinite-lived intangible assets annually for impairment. Goodwill impairment is tested at the reporting unit level (for example, graphite electrodes, needle coke, etc.) on an annual basis and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value.

We received notice, in March 2015, that the market prices for needle coke were decreasing by an additional 18%, effective for the second quarter of 2015. This decline further compressed our margins for needle coke products versus our annual plan. We determined that this change, which was driven by over capacity in the market indicated that the needle coke industry is facing a deeper and longer trough than previously expected. We considered the additional price change as a triggering event and tested our needle coke goodwill for impairment as of March 31, 2015. This test resulted in an impairment charge for the remaining needle coke goodwill of \$35.4 million.

As a result of our acquisition by Brookfield, our goodwill and intangibles were revalued as of August 15, 2015. See Note 2 "Preferred Share Issuance and Merger" for description of the Merger and the results of purchase price accounting. The following tables represents the changes in the carrying value of goodwill and intangibles during the predecessor entity period of January 1, 2015 through August 14, 2015 and the successor entity from August 15, 2015 through March 31, 2016:





## PART I (CONT'D)

## GRAFTECH INTERNATIONAL LTD. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

## Goodwill

Predecessor	(Dollars in Thousands)
Balance as of December 31, 2014	\$ 420,129
Impairment	(35,381 )
Currency translation effect	(616 )
Balance as of August 14, 2015	\$ 384,132

## Successor

Balance as of August 15, 2015	\$ 170,418
Adjustments	1,641
Balance as of December 31, 2015	\$ 172,059
Adjustments (See Note 2)	1,058
Balance as of March 31, 2016	\$ 173,117

## Intangible Assets

	As of December 31, 2015			As of March 31, 2016		
	Gross Carrying Amount	Accumulated Amortization & Impairment	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization & Impairment	Net Carrying Amount
	(Dollars in Thousands)					
Trade name	\$26,800	\$ (1,048 )	\$25,752	\$26,800	\$ (1,746 )	\$25,054
Technological know-how	63,200	(3,327 )	59,873	63,200	(5,528 )	57,672
Customer –related intangible	65,700	(1,813 )	63,887	65,700	(2,913 )	62,787
Total finite-lived intangible assets	\$155,700	\$ (6,188 )	\$149,512	\$155,700	\$ (10,187 )	\$145,513

Amortization expense of acquired intangible assets was \$4.3 million in the three months ended March 31, 2015 and \$4.0 million in the three months ended March 31, 2016. Estimated amortization expense will approximate \$12.2 million in the remainder of 2016, \$15.4 million in 2017, \$14.6 million in 2018, \$13.8 million in 2019 and \$12.9 million in 2020.

## (7)Debt and Liquidity

The following table presents our long-term debt:

	As of December 31, 2015	As of March 31, 2016
	(Dollars in thousands)	
Credit Facility (Revolving Facility and Term Loan Facility)	\$98,000	\$99,000
Senior Notes	267,827	269,390
Other Debt	1,400	1,427
Total Debt	367,227	369,817
Less: Short-term Debt	(4,772 )	(9,779 )
Long-term Debt	\$362,455	\$360,038

The fair value of debt, which was determined using Level 2 inputs, was \$277.4 million versus a book value of \$369.8 million as of March 31, 2016. As a result of our acquisition by Brookfield and the resulting purchase price accounting adjustments (see Note 2 "Preferred Share Issuance and Merger"), our Senior Notes were adjusted to their fair market value as of August 15, 2015. The discount to fair value will be accreted over the remaining term of the

PART I (CONT'D)

GRAFTECH INTERNATIONAL LTD. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Notes.

Credit Facility

On April 27, 2016, Graftech and certain of its subsidiaries entered into an amendment to the Revolving Facility. See Note 14 "Subsequent Events".

On April 23, 2014, the Company and certain of its subsidiaries entered into an Amended and Restated Credit Agreement with a borrowing capacity of \$400 million and a maturity date of April 2019 (the "Revolving Facility").

On February 27, 2015, GrafTech and certain of its subsidiaries entered into a further Amended and Restated Credit Agreement that provides for, among other things, greater financial flexibility and a \$40 million senior secured delayed draw term loan facility (the "Term Loan Facility").

On July 28, 2015, GrafTech and certain of its subsidiaries entered into an amendment to the Amended and Restated Credit Agreement to change the terms regarding the occurrence of a default upon a change in control (which is defined thereunder to include the acquisition by any person of more than 25 percent of GrafTech's outstanding shares) to exclude the acquisition of shares by Brookfield (see Note 2). In addition, effective upon such acquisition, the financial covenants were eased, resulting in increased availability under the Revolving Facility. The size of the Revolving Facility was also reduced from \$400 million to \$375 million. The size of the Term Loan Facility remained at \$40 million.

The \$40 million Term Loan Facility was fully drawn on August 11, 2015, in connection with the repayment of the Senior Subordinated Notes.

As of March 31, 2016, we had \$90 million of unused borrowing capacity under the Revolving Credit Facility (after considering financial covenants restrictions and the outstanding letters of credit of \$8.1 million).

The interest rate applicable to the Revolving Facility and Term Loan Facility is LIBOR plus a margin ranging from 2.25% to 4.75% (depending on our total senior secured leverage ratio). The borrowers pay a per annum fee ranging from 0.35% to 0.70% (depending on our senior secured leverage ratio) on the undrawn portion of the commitments under the Revolving Facility.

In the event that operating cash flows fail to provide sufficient liquidity to meet our business needs, including capital expenditures, any such shortfall would need to be made up by increased borrowings under our Revolving Facility, to the extent available. We have begun to look at strategic alternatives for our Engineered Solutions businesses that could result in the sale of one or more of such businesses. Cash proceeds from such sales would be used to repay borrowings outstanding under the Term Loan Facility and Revolving Facility. We cannot assure you that we will, or will be able to, consummate any such sales on acceptable terms or at all or as to the price, terms or conditions of any such sales.

We use cash flow from operations and funds available under the Revolving Facility (subject to continued compliance with the financial covenants and representations under the Revolving Facility) as well as cash on hand as our primary sources of liquidity. The Revolving Facility matures in April 2019. As of March 31, 2016, we had outstanding borrowings drawn from the Revolving Facility of \$61.0 million and outstanding letters of credit of \$8.1 million. We also had outstanding borrowings on the Term Loan Facility of \$38.0 million as of March 31, 2016.

As of March 31, 2016, we were in compliance with all financial and other covenants contained in the Revolving Facility, as applicable. These covenants include maintaining a cash minimum interest coverage ratio of at least 1.50 to 2.50 and a maximum senior secured leverage ratio of 5.75 to 3.00, which are measured based on a rolling average of the prior four quarters. On April 27, 2016, Graftech and certain of its subsidiaries entered into an amendment to the Revolving Facility. See Note 14 "Subsequent Events".

Senior Notes

On November 20, 2012, the Company issued \$300 million principal amount of 6.375% Senior Notes due 2020 (the "Senior Notes"). The Senior Notes are the Company's senior unsecured obligations and rank pari passu with all of the Company's existing and future senior unsecured indebtedness. The Senior Notes are guaranteed on a senior unsecured

basis by each of the Company's existing and future subsidiaries that guarantee certain other indebtedness of the Company or another guarantor.

PART I (CONT'D)

GRAFTECH INTERNATIONAL LTD. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

The Senior Notes bear interest at a rate of 6.375% per year, payable semi-annually in arrears on May 15 and November 15 of each year. The Senior Notes mature on November 15, 2020.

The Company is entitled to redeem some or all of the Senior Notes at any time on or after November 15, 2016, at the redemption prices set forth in the indenture. In addition, prior to November 15, 2016, the Company may redeem some or all of the Senior Notes at a price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, plus a "make whole" premium determined as set forth in the indenture. The Company is also entitled to redeem up to 35% of the aggregate principal amount of the Senior Notes before November 15, 2015 with the net proceeds from certain equity offerings at a redemption price of 106.375% of the principal amount plus accrued and unpaid interest, if any.

The indenture for the Senior Notes states that if prior to maturity, a change in control (as defined in the indenture) of the Company occurs and thereafter certain downgrades of the ratings of the Senior Notes as specified in the indenture occur, the Company will be required to offer to repurchase any or all of the Senior Notes at a repurchase price equal to 101% of the aggregate principal amount of the Senior Notes, plus any accrued and unpaid interest. On August 17, 2015 a change in control occurred due the acquisition of shares by Brookfield (see Note 2 to the Financial Statements). However, the downgrade of the ratings of the Senior Notes, as specified in the indenture, did not occur. Therefore, the Company was not and will not be required to offer to repurchase the Senior Notes as a result of the change in control.

The indenture for the Senior Notes also contains covenants that, among other things, limit the ability of the Company and certain of its subsidiaries to: (i) create liens or use assets as security in other transactions; (ii) engage in certain sale/leaseback transactions; and (iii) merge, consolidate or sell, transfer, lease or dispose of substantially all of their assets.

The indenture for the Senior Notes also contains customary events of default, including (i) failure to pay principal or interest on the Senior Notes when due and payable, (ii) failure to comply with covenants or agreements in the indenture or the Senior Notes which failures are not cured or waived as provided in the indenture, (iii) failure to pay indebtedness of the Company, any Subsidiary Guarantor or Significant Subsidiary (each, as defined in the indenture) within any applicable grace period after maturity or acceleration and the total amount of such indebtedness unpaid or accelerated exceeds \$50.0 million, (iv) certain events of bankruptcy, insolvency, or reorganization, (v) failure to pay any judgment or decree for an amount in excess of \$50.0 million against the Company, any Subsidiary Guarantor or any Significant Subsidiary that is not discharged, waived or stayed as provided in the indenture, (vi) cessation of any Subsidiary Guarantee (as defined in the indenture) to be in full force and effect or denial or disaffirmance by any subsidiary guarantor of its obligations under its subsidiary guarantee, and (vii) a default under the Company's Senior Subordinated Notes. In the case of an event of default, the principal amount of the Senior Notes plus accrued and unpaid interest may be accelerated.

(8) Inventories

Inventories are comprised of the following:

As of	As of
December	March
31, 2015	31, 2016
(Dollars in	
thousands)	

Inventories:

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Raw materials and supplies	\$80,408	\$73,557
Work in process	136,858	133,612
Finished goods	78,196	75,101
Total	\$295,462	\$282,270

Due to decreased pricing in our graphite electrode product line we recorded a lower of cost or market inventory adjustment of \$11.5 million in the three months ended March 31, 2016.

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## PART I (CONT'D)

## GRAFTECH INTERNATIONAL LTD. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

## (9) Interest Expense

The following tables present the components of interest expense:

	Predecessor	Successor
	For the	For the
	Three	Three
	Months	Months
	Ended	Ended
	March 31,	March 31,
	2015	2016
	(Dollars in thousands)	
Interest incurred on debt	\$ 5,171	\$ 5,617
Amortization of discount on Senior Subordinated Notes	3,207	—
Accretion of fair value adjustment on Senior Notes	—	1,563
Amortization of debt issuance costs	543	—
Total interest expense	\$ 8,921	\$ 7,180

## Interest Rates

The Revolving Facility had an effective interest rate of 2.68% and 3.44% as of December 31, 2015 and March 31, 2016, respectively. The Senior Notes have a fixed interest rate of 6.375%.

## (10) Contingencies

## Legal Proceedings

We are involved in various investigations, lawsuits, claims, demands, environmental compliance programs and other legal proceedings arising out of or incidental to the conduct of our business. While it is not possible to determine the ultimate disposition of each of these matters, we do not believe that their ultimate disposition will have a material adverse effect on our financial position, results of operations or cash flows.

## Product Warranties

We generally sell products with a limited warranty. We accrue for known warranty claims if a loss is probable and can be reasonably estimated. We also accrue for estimated warranty claims incurred based on a historical claims charge analysis. Claims accrued but not yet paid and the related activity within the accrual for the three months ended March 31, 2016, are presented below:

	(Dollars in thousands)
Balance as of December 31, 2015	\$ 942
Product warranty adjustments	—
Payments and settlements	(121 )
Balance as of March 31, 2016	\$ 821

## (11) Income Taxes

We compute and apply to ordinary income an estimated annual effective tax rate on a quarterly basis based on current and forecasted business levels and activities, including the mix of domestic and foreign results and enacted tax laws. The estimated annual effective tax rate is updated quarterly based on actual results and updated operating forecasts. Ordinary income refers to income (loss) before income tax expense excluding significant, unusual, or infrequently occurring items. The tax effect of an unusual or infrequently occurring item is recorded in the interim period in which it occurs as a discrete item of tax.





## PART I (CONT'D)

## GRAFTECH INTERNATIONAL LTD. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

The following tables summarize the provision for income taxes for the three months ended March 31, 2015 and March 31, 2016:

	For the Three Months Ended March 31, 2015	For the Three Months Ended March 31, 2016
	(Dollars in thousands)	
Tax (benefit) expense	\$534	\$(688)
Pretax loss	\$(55,074)	\$(37,063)
Effective tax rates	(1.0)%	1.9%

For the three months ended March 31, 2016, the effective tax rate differs from the U.S. statutory rate of 35% primarily due to recent losses in the U.S. and Switzerland where we receive no tax benefit due to a full valuation allowance and worldwide earnings from various countries at different tax rates. The recognition of the valuation allowance does not result in, or limit the Company's ability to utilize, these tax assets in the future. The effective tax rate for the three months ended March 31, 2015 differs from the U.S. statutory rate of 35% primarily due to recent losses in the U.S. where we receive no tax benefit due to a full valuation allowance and worldwide earnings from various countries taxed at different rates.

As of March 31, 2016, we had unrecognized tax benefits of \$3.9 million, \$3.1 million of which, if recognized, would have a favorable impact on our effective tax rate.

We file income tax returns in the U.S. federal jurisdiction, and various state and foreign jurisdictions. All U.S. federal tax years prior to 2012 are generally closed by statute or have been audited and settled with the applicable domestic tax authorities. All other jurisdictions are still open to examination beginning after 2009.

We continue to assess the realization of our deferred tax assets based on determinations of whether it is more likely than not that deferred tax benefits will be realized through the generation of future taxable income. Appropriate consideration is given to all available evidence, both positive and negative, in assessing the need for a valuation allowance. Examples of positive evidence would include a strong earnings history, an event or events that would increase our taxable income through a continued reduction of expenses, and tax planning strategies that would indicate an ability to realize deferred tax assets. In circumstances where the significant positive evidence does not outweigh the negative evidence in regards to whether or not a valuation allowance is required, we have established and maintained valuation allowances on those net deferred tax assets.

## (12) Derivative Instruments

We use derivative instruments as part of our overall foreign currency and commodity risk management strategies to manage the risk of exchange rate movements that would reduce the value of our foreign cash flows and to minimize commodity price volatility. Foreign currency exchange rate movements create a degree of risk by affecting the value of sales made and costs incurred in currencies other than the U.S. dollar.

Certain of our derivative contracts contain provisions that require us to provide collateral. Since the counterparties to these financial instruments are large commercial banks and similar financial institutions, we do not believe that we are exposed to material counterparty credit risk. We do not anticipate nonperformance by any of the counter-parties to our instruments. Our derivative risk management strategy has not resulted in a material impact to our financial results in 2015 or 2016. Our derivative assets and liabilities are included within "Prepaid expenses and other current assets" and "Other current liabilities" on the Condensed Consolidated Balance Sheets and effects of these derivatives are recorded in revenue, cost of goods sold and other expense (income) on the Condensed Consolidated Statements of Operations.

## Foreign currency derivatives

We enter into foreign currency derivatives from time to time to attempt to manage exposure to changes in currency exchange rates. These foreign currency instruments, which include, but are not limited to, forward exchange contracts and purchased currency options, attempt to hedge global currency exposures such as foreign currency denominated debt, sales, receivables, payables, and purchases. Forward exchange contracts are agreements to exchange different currencies at a specified future date and at a specified rate. There was no

PART I (CONT'D)

GRAFTECH INTERNATIONAL LTD. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

ineffectiveness on these contracts designated as hedging instruments during the three months ended March 31, 2015 and 2016, respectively.

In 2015 and 2016, we entered into foreign currency derivatives denominated in the Mexican peso, South African rand, Brazilian real, euro and Japanese yen. These derivatives were entered into to protect the risk that the eventual cash flows resulting from commercial and business transactions may be adversely affected by changes in exchange rates between the U.S. dollar and the Mexican peso, euro and Japanese yen. As of March 31, 2016, we had outstanding Mexican peso, euro, and Japanese yen currency contracts with an aggregate notional amount of \$12.4 million.

The foreign currency derivatives outstanding as of March 31, 2016 matured in April 2016.

Commodity derivative contracts

We periodically enter into derivative contracts for certain refined oil products and natural gas. These contracts are entered into to protect against the risk that eventual cash flows related to these products may be adversely affected by future changes in prices. As of March 31, 2016, we had no outstanding derivative swap contracts for refined oil products or natural gas.

Net Investment Hedges

We use certain intercompany debt to hedge a portion of our net investment in our foreign operations against currency exposure (net investment hedge). Intercompany debt denominated in foreign currency and designated as a non-derivative net investment hedging instrument was \$11.8 million and \$12.5 million as of December 31, 2015 and March 31, 2016, respectively. Within the currency translation adjustment portion of other comprehensive income, we recorded a gain of \$0.7 million for the three months ended March 31, 2015 and a loss of \$0.6 million in three months ended March 31, 2016, resulting from these net investment hedges.

(13) Guarantor Information

On November 20, 2012, GrafTech International Ltd. (the "Parent") issued \$300 million aggregate principal amount of Senior Notes. The Senior Notes mature on November 15, 2020 and bear interest at a rate of 6.375% per year, payable semi-annually in arrears on May 15 and November 15 of each year. The Senior Notes have been guaranteed on a senior basis by the following wholly-owned direct and indirect subsidiaries of the Parent: GrafTech Finance Inc., GrafTech Holdings Inc., GrafTech USA LLC, Seadrift Coke LLP, Fiber Materials, Inc., Intermat, GrafTech Global Enterprises Inc., GrafTech International Holdings Inc., GrafTech DE LLC, GrafTech Seadrift Holding Corp, GrafTech International Trading Inc., GrafTech Technology LLC, GrafTech NY Inc., and Graphite Electrode Network LLC.

The guarantors of the Senior Notes, solely in their respective capacities as such, are collectively called the "Guarantors." Our other subsidiaries, which are not guarantors of the Senior Notes, are called the "Non-Guarantors."

All of the guarantees are unsecured. All of the guarantees are full, unconditional (subject to limited exceptions described below) and joint and several. Each of the Guarantors are 100% owned, directly or indirectly, by the Parent. All of the guarantees of the Senior Notes continue until the Senior Notes have been paid in full, and payment under such guarantees could be required immediately upon the occurrence of an event of default under the Senior Notes. If a Guarantor makes a payment under its guarantee of the Senior Notes, it would have the right under certain circumstances to seek contribution from the other Guarantors.

The Guarantors will be released from the guarantees upon the occurrence of certain events, including the following: the unconditional release or discharge of any guarantee or indebtedness that resulted in the creation of the guarantee of the Senior Notes by such Guarantor; the sale or other disposition, including by way of merger or consolidation or the sale of its capital stock, following which such Guarantor is no longer a subsidiary of the Parent; or the Parent's

exercise of its legal defeasance option or its covenant defeasance option as described in the indenture applicable to the Senior Notes. If any Guarantor is released, no holder of the Senior Notes will have a claim as a creditor against such Guarantor. The indebtedness and other liabilities, including trade payables and preferred stock, if any, of each Guarantor are effectively senior to the claim of any holders of the Senior Notes.

Investments in subsidiaries are recorded on the equity basis.

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PART I (CONT'D)

GRAFTECH INTERNATIONAL LTD. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

The following tables set forth condensed consolidating balance sheets as of December 31, 2015 and March 31, 2016 and condensed consolidating statements of operations and comprehensive income and statements of cash flows for the three months ended March 31, 2015 (Predecessor) and 2016 (Successor) of the Parent Guarantors and the Non-Guarantors.

## PART I (CONT'D)

## GRAFTECH INTERNATIONAL LTD. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

## CONDENSED CONSOLIDATING BALANCE SHEETS

As of December 31, 2015

(in thousands)

	Parent	Guarantors	Non-Guarantors	Consolidating Entries and Eliminations	Consolidated
<b>ASSETS</b>					
<b>Current Assets:</b>					
Cash and cash equivalents	\$—	\$646	\$6,281	\$—	\$6,927
Accounts receivable - affiliates	51,592	9,362	20,823	(81,777)	—
Accounts receivable - trade	—	20,749	82,066	—	102,815
Inventories	—	123,340	172,122	—	295,462
Prepaid and other current assets	—	8,109	13,565	—	21,674
Total current assets	51,592	162,206	294,857	(81,777)	426,878
Investment in affiliates	1,068,028	668,113	—	(1,736,141)	—
Property, plant and equipment	—	291,494	346,039	—	637,533
Deferred income taxes	—	—	15,327	—	15,327
Goodwill	—	72,399	99,660	—	172,059
Notes receivable - affiliate	—	46,074	—	(46,074)	—
Other assets	—	96,964	73,254	—	170,218
Total Assets	\$1,119,620	\$1,337,250	\$829,137	\$(1,863,992)	\$1,422,015
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>					
<b>Current Liabilities:</b>					
Accounts payable - affiliate	\$159	\$72,418	\$9,200	\$(81,777)	\$—
Accounts payable - trade	—	18,546	30,932	—	49,478
Short-term debt	—	4,636	136	—	4,772
Accrued income and other taxes	—	5,864	3,175	—	9,039
Rationalizations	—	995	2,053	—	3,048
Other accrued liabilities	2,444	11,511	15,824	—	29,779
Total current liabilities	2,603	113,970	61,320	(81,777)	96,116
Long-term debt - affiliate	38,661	—	7,413	(46,074)	—
Long-term debt - third party	267,827	93,758	870	—	362,455
Other long-term obligations	—	61,246	34,239	—	95,485
Deferred income taxes	—	248	57,182	—	57,430
Stockholders' equity	810,529	1,068,028	668,113	(1,736,141)	810,529
Total Liabilities and Stockholders' Equity	\$1,119,620	\$1,337,250	\$829,137	\$(1,863,992)	\$1,422,015





## PART I (CONT'D)

## GRAFTECH INTERNATIONAL LTD. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

## CONDENSED CONSOLIDATING BALANCE SHEETS

As of March 31, 2016

(in thousands)

	Parent	Guarantors	Non-Guarantors	Consolidating Entries and Eliminations	Consolidated
<b>ASSETS</b>					
Current Assets:					
Cash and cash equivalents	\$—	\$1,177	\$8,655	\$—	\$9,832
Accounts receivable - affiliates	51,592	12,055	22,855	(86,502)	—
Accounts receivable - trade	—	20,260	71,147	—	91,407
Inventories	—	114,633	167,637	—	282,270
Prepaid and other current assets	—	7,387	17,591	—	24,978
Total current assets	51,592	155,512	287,885	(86,502)	408,487
Investment in affiliates	1,050,838	656,876	—	(1,707,714)	—
Property, plant and equipment	—	286,386	350,576	—	636,962
Deferred income taxes	—	—	17,151	—	17,151
Goodwill	—	72,399	100,718	—	173,117
Notes receivable - affiliate	—	46,239	—	(46,239)	—
Other assets	—	92,017	72,806	—	164,823
Total Assets	\$1,102,430	\$1,309,429	\$829,136	\$(1,840,455)	\$1,400,540
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>					
Current Liabilities:					
Accounts payable - affiliate	\$198	\$74,453	\$11,851	\$(86,502)	\$—
Accounts payable - trade	—	13,859	33,387	—	47,246
Short-term debt	—	4,636	5,143	—	9,779
Accrued income and other taxes	—	3,045	1,567	—	4,612
Rationalizations	—	638	1,175	—	1,813
Other accrued liabilities	7,225	12,268	17,457	—	36,950
Total current liabilities	7,423	108,899	70,580	(86,502)	100,400
Long-term debt - affiliate	38,826	—	7,413	(46,239)	—
Long-term debt - third party	269,390	89,723	925	—	360,038
Other long-term obligations	—	59,720	35,131	—	94,851
Deferred income taxes	—	249	58,211	—	58,460
Stockholders' equity	786,791	1,050,838	656,876	(1,707,714)	786,791
Total Liabilities and Stockholders' Equity	\$1,102,430	\$1,309,429	\$829,136	\$(1,840,455)	\$1,400,540



## PART I (CONT'D)

## GRAFTECH INTERNATIONAL LTD. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

## CONDENSED CONSOLIDATING STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

For the Three Months ended March 31, 2015 (Predecessor)

(in thousands)

	Parent	Guarantors	Non-Guarantors	Consolidating Entries and Eliminations	Consolidated
Sales - affiliates	\$—	\$ 51,184	\$ 26,775	\$ (77,959 )	\$ —
Sales - third party	—	72,021	135,190	—	207,211
Net sales	—	123,205	161,965	(77,959 )	207,211
Cost of sales	—	116,589	147,818	(77,959 )	186,448
Gross profit	—	6,616	14,147	—	20,763
Research and development	—	2,431	—	—	2,431
Selling and administrative expenses	—	14,441	11,849	—	26,290
Impairments	—	35,381	—	—	35,381
Rationalizations	—	326	2,168	—	2,494
Operating (loss) income	—	(45,963 )	130	—	(45,833 )
Other expense (income), net	—	309	84	—	393
Interest expense - affiliate	—	160	—	(160 )	—
Interest expense - third party	8,162	665	94	—	8,921
Interest income - affiliate	(160 )	—	—	160	—
Interest income - third party	—	—	(73 )	—	(73 )
(Loss) income before income taxes	(8,002 )	(47,097 )	25	—	(55,074 )
Provision for income taxes	—	351	183	—	534
Equity in loss of subsidiary	(47,606 )	(158 )	—	47,764	—
Net (loss) income	\$(55,608 )	\$(47,606 )	\$(158 )	\$ 47,764	\$(55,608 )
Statements of Comprehensive Income					
Net (loss) income	\$(55,608 )	\$(47,606 )	\$(158 )	\$ 47,764	\$(55,608 )
Other comprehensive (loss) income	(28,766 )	(28,766 )	(28,830 )	57,596	(28,766 )
Comprehensive (loss) income	\$(84,374 )	\$(76,372 )	\$(28,988 )	\$ 105,360	\$(84,374 )

## PART I (CONT'D)

## GRAFTECH INTERNATIONAL LTD. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

## CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

For the Three Months Ended March 31, 2016 (Successor)

(in thousands)

	Parent	Guarantors	Non-Guarantors	Consolidating Entries and Eliminations	Consolidated
Sales - affiliates	\$—	\$44,686	\$19,730	\$ (64,416 )	\$ —
Sales - third party	—	45,655	79,010	—	124,665
Net sales	—	90,341	98,740	(64,416 )	124,665
Cost of sales	—	86,629	100,786	(64,416 )	122,999
Lower of cost or market inventory adjustment	—	2,073	9,464	—	11,537
Gross profit	—	1,639	(11,510 )	—	(9,871 )
Research and development	—	1,530	—	—	1,530
Selling and administrative expenses	—	9,563	8,554	—	18,117
Rationalizations	—	87	44	—	131
Operating income (loss)	—	(9,541 )	(20,108 )	—	(29,649 )
Other expense (income), net	6	269	(29 )	—	246
Interest expense - affiliate	198	—	—	(198 )	—
Interest expense - third party	6,344	760	76	—	7,180
Interest income - affiliate	—	(198 )	—	198	—
Interest income - third party	—	—	(12 )	—	(12 )
Loss before income taxes	(6,548 )	(10,372 )	(20,143 )	—	(37,063 )
Provision for income taxes	—	131	(819 )	—	(688 )
Equity in loss of subsidiary	(29,827 )	(19,324 )	—	49,151	—
Net (loss) income	\$(36,375 )	\$(29,827 )	\$(19,324 )	\$ 49,151	\$(36,375 )
Statements of Comprehensive Income					
Net (loss) income	\$(36,375 )	\$(29,827 )	\$(19,324 )	\$ 49,151	\$(36,375 )
Other comprehensive (loss) income	12,637	12,637	12,637	(25,274 )	12,637
Comprehensive (loss) income	\$(23,738 )	\$(17,190 )	\$(6,687 )	\$ 23,877	\$(23,738 )

PART I (CONT'D)  
 GRAFTECH INTERNATIONAL LTD. AND SUBSIDIARIES  
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
 (Unaudited)

## CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS

For the Three Months Ended March 31, 2015 (Predecessor)

(in thousands)

	Parent	Guarantors	Non-Guarantors	Consolidating Entries and Eliminations	Consolidated
Net cash provided by (used in) operating activities:	\$1,136	\$ 17,731	\$ 3,851	\$ —	\$ 22,718
Cash flow from investing activities:					
Repayments from (loans to) affiliates	(1,095 )	—	—	1,095	—
Capital expenditures	—	(8,777 )	(4,824 )	—	(13,601 )
Payments for derivative instruments	—	(6,776 )	(827 )	—	(7,603 )
Proceeds from sale of fixed assets	—	394	127	—	521
Net cash provided by (used in) investing activities	(1,095 )	(15,159 )	(5,524 )	1,095	(20,683 )
Cash flow from financing activities:					
(Repayments to) loans from affiliates	—	1,095	—	(1,095 )	—
Short-term debt borrowings	—	1	—	—	1
Revolving Facility borrowings	—	27,000	—	—	27,000
Revolving Facility reductions	—	(32,000 )	—	—	(32,000 )
Principal payments on long term debt	—	(33 )	—	—	(33 )
Purchase of treasury shares	(41 )	—	—	—	(41 )
Revolver facility refinancing	—	(2,247 )	—	—	(2,247 )
Other	—	(54 )	—	—	(54 )
Net cash provided by (used in) financing activities	(41 )	(6,238 )	—	(1,095 )	(7,374 )
Net change in cash and cash equivalents	—	(3,666 )	(1,673 )	—	(5,339 )
Effect of exchange rate changes on cash and cash equivalents	—	—	(1,250 )	—	(1,250 )
Cash and cash equivalents at beginning of period	—	5,503	12,047	—	17,550
Cash and cash equivalents at end of period	\$—	\$ 1,837	\$ 9,124	\$ —	\$ 10,961

PART I (CONT'D)  
 GRAFTECH INTERNATIONAL LTD. AND SUBSIDIARIES  
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
 (Unaudited)

## CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS

For the Three Months Ended March 31, 2016 (Successor)

(in thousands)

	Parent	Guarantors	Non-Guarantors	Consolidating Entries and Eliminations	Consolidated
Net cash (used in) provided by operating activities:	\$ (6 )	\$ 8,007	\$ 1,723	\$ —	\$ 9,724
Cash flow from investing activities:					
Repayments from affiliates	—	(6 )	—	6	—
Capital expenditures	—	(3,828 )	(4,586 )	—	(8,414 )
Payments for derivative instruments	—	—	(253 )	—	(253 )
Proceeds from sale of assets	—	391	13	—	404
Net cash provided by (used in) investing activities	—	(3,443 )	(4,826 )	6	(8,263 )
Cash flow from financing activities:					
Repayments to affiliates	6	—	—	(6 )	—
Short-term debt, net	—	1	5,000	—	5,001
Revolving Facility borrowings	—	19,000	—	—	19,000
Revolving Facility reductions	—	(23,000 )	—	—	(23,000 )
Principal payments on long term debt	—	(34 )	—	—	(34 )
Net cash (used in) provided by financing activities	6	(4,033 )	5,000	(6 )	967
Net change in cash and cash equivalents	—	531	1,897	—	2,428
Effect of exchange rate changes on cash and cash equivalents	—	—	477	—	477
Cash and cash equivalents at beginning of period	—	646	6,281	—	6,927
Cash and cash equivalents at end of period	\$ —	\$ 1,177	\$ 8,655	\$ —	\$ 9,832

## PART I (CONT'D)

## GRAFTECH INTERNATIONAL LTD. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

## (14) Subsequent Events

On April 27, 2016, GrafTech and certain of its subsidiaries entered into an amendment to the Revolving Facility. The size of the Revolving Facility was permanently reduced from \$375 million to \$225 million. New covenants were also added to the Revolving Facility, including a requirement to make mandatory repayments of outstanding amounts under the Revolving Facility and the Term Loan Facility with the proceeds of any sale of all or any substantial part of the assets included in the Engineered Solutions segment and a requirement to maintain minimum liquidity (consisting of cash, cash equivalents and availability under the Revolving Facility) in excess of \$25 million. The covenants were also modified to provide for the elimination of certain exceptions to the Company's negative covenants limiting the Company's ability to make certain investments, sell assets, make restricted payments, incur liens and incur debt; a restriction on the amount of cash and cash equivalents permitted to be held on the balance sheet at any one time without paying down the Revolving Facility; and changes to the Company's financial covenants so that until the earlier of March 31, 2019 or the Company has \$75 million in trailing twelve month EBITDA, the Company is required to maintain trailing twelve month EBITDA above certain minimums ranging from (\$40 million) to \$35 million after which the Company's existing financial covenants under the Revolving Facility will apply.

With this amendment, the Company has full access to the \$225 million Revolving Facility, subject to the \$25 million minimum liquidity requirement. As of March 31, 2016, the Company had \$61.0 million of borrowings on the Revolving Facility plus \$8.1 million of letters of credit drawn against the Revolving Facility for a total amount of \$69.1 million drawn on the Revolving Facility.

In addition to the revolving facility, the Company has \$38 million outstanding on its Term Loan Facility.

This amendment allows the Company to further explore strategic alternatives for our Engineered Solutions business segment including the complete sale or a portion thereof. As such, our Engineered Solutions business segment qualifies as available for sale as of the April 27, 2016. The carrying amount of the significant assets and liabilities of the Engineered Solutions business segment as of March 31, 2016 are approximately as follows:

	(Dollars in Millions)
Current assets	\$ 99
Long-term assets	98
Current liabilities	(13 )
Long-term liabilities	(1 )
Net Assets	\$ 183

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GRAFTECH INTERNATIONAL LTD. AND SUBSIDIARIES

(Unaudited)

Introduction to Part I, Item 2, and Part II, Item 1 and Item 1A

Important Terms. We define various terms to simplify the presentation of information in this Report. These terms, which definitions are incorporated herein by reference, are defined in “Part I – Preliminary Notes – Important Terms” of the Annual Report.

Presentation of Financial, Market and Legal Data. We present our financial information on a consolidated basis.

Unless otherwise noted, when we refer to dollars, we mean U.S. dollars.

Unless otherwise specifically noted, market and market share data in this Report are our own estimates or derived from sources described in “Part I – Preliminary Notes – Presentation of Financial, Market and Legal Data” in the Annual Report, which description is incorporated herein by reference. Our estimates involve risks and uncertainties and are subject to change based on various s, including those discussed under “Forward Looking Statements and Risks” in this Report and “Forward Looking Statements” and “Risk Factors” in the Annual Report. We cannot guarantee the accuracy or completeness of this market and market share data and have not independently verified it. None of the sources has consented to the disclosure or use of data in this Report.

Reference is made to the Annual Report for background information on various risks and contingencies and other matters related to circumstances affecting us and our industry.

Neither any statement made in this Report nor any charge taken by us relating to any legal proceedings constitutes an admission as to any wrongdoing.

Forward Looking Statements

Forward Looking Statements and Risks. This Report contains forward looking statements. In addition, we or our representatives have made or may make forward looking statements on telephone or conference calls, by webcasts or emails, in person, in presentations or written materials, or otherwise. These include statements about such matters as future, targeted or expected (or the impact of current, future, expected or targeted): outlook for 2016 or beyond; operational and financial performance; growth prospects and rates; future or targeted profitability, cash flow, liquidity and capital resources, production rates, inventory levels and EBITDA; the impact of rationalization, product line change, cost and liquidity initiatives; changes in the operating rates or efficiency in our operations or our competitors' or customers' operations; product quality; diversification, new products, and product improvements and their impact on our business; the integration or impact of acquired businesses; divestitures, asset sales, investments and acquisitions that we may make in the future; possible debt or equity financing or refinancing (including factoring and supply chain financing) activities; the impact of customer bankruptcies; conditions and changes in the global financial and credit markets; possible changes in control of the Company and the impacts thereof; the impact of accounting changes; and currency exchange and interest rates and changes therein; changes in production capacity in our operations and our competitors' or customers' operations and the utilization rates of that capacity; growth rates for, prices and sales of, and demand for, our products and our customers' products; costs of materials and production, including increases or decreases therein, our ability to pass on any such increases in our product prices or impose surcharges thereon, or customer or market demand to reduce our prices due to such decreases; changes in customer order patterns due to changes in economic conditions; productivity, business process and operational initiatives; the markets we serve and our position in those markets; financing and refinancing activities; investments and acquisitions and the performance of the businesses underlying such acquisitions and investments; employment and contributions of key personnel; employee relations and collective bargaining agreements covering many of our operations; tax rates and the effects of jurisdictional mix; capital expenditures and changes therein; nature and timing of restructuring and rationalization charges and payments; inventory and supply chain management; customer and supplier contractual provisions and related opportunities and issues; competitive activities; strategic plans, initiatives and business projects; regional and global economic and industry market conditions, the timing and magnitude of changes in such conditions; interest rate management activities; currency rate management activities; deleveraging activities; rationalization, restructuring, realignment, strategic alliance, raw material and supply chain, technology development and collaboration, investment, acquisition, venture, operational, tax, financial and capital projects; legal proceedings,



investigations, contingencies, and environmental compliance including any regulatory initiatives with respect to greenhouse gas emissions; consulting projects; and costs, working capital, revenues, business opportunities, debt levels, cash flows, cost savings and reductions, margins, earnings and growth. The words “will,” “may,” “plan,” “estimate,” “project,” “believe,”

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PART I (CONT'D)

GRAFTECH INTERNATIONAL LTD. AND SUBSIDIARIES

(Unaudited)

“anticipate,” “expect,” “intend,” “should,” “would,” “could,” “target,” “goal,” “continue to,” “positioned to” and similar expressions, identify some of these statements.

Our expectations and targets are not predictors of actual performance and historically our performance has deviated, often significantly, from our expectations and targets. Actual future events and circumstances (including future results and trends) could differ materially, positively or negatively, from those set forth in these statements due to various factors. These factors include:

the possibility that additions to capacity for producing EAF steel, increases in overall EAF steel production capacity, and increases or other changes in steel production may not occur or may not occur at the rates that we anticipate or may not be as geographically dispersed as we anticipate;

the possibility that increases or decreases in graphite electrode manufacturing capacity (including growth by producers in developing countries), competitive pressures (including changes in, and the mix, distribution, and pricing of, competitive products), reduction in specific consumption rates, increases or decreases in customer inventory levels, or other changes in the graphite electrode markets may occur, which may impact demand for, prices or unit and dollar volume sales of graphite electrodes and growth or profitability of our graphite electrodes business;

the possible failure of changes in EAF steel production or graphite electrode production to result in stable or increased, or offset decreases in, graphite electrode demand, prices, or sales volume;

the possibility that a determination that we have failed to comply with one or more export controls or trade sanctions to which we are subject with respect to products or technology exported from the United States or other jurisdictions could result in civil or criminal penalties, denial of export privileges and loss of revenues from certain customers;

the possibility that, for all of our product lines, capital improvement and expansion in our customers' operations or increases in demand for their products may not occur or may not occur at the rates that we anticipate or the demand for their products may decline, which may affect their demand for the products we sell to them, which could affect our profitability and cash flows as well as the recoverability of our assets;

the possibility that assumptions related to future expectations of financial performance materially change and impact our goodwill and long-lived asset carrying values;

the possibility that our financial assumptions and expectations materially change as a result of government or state-owned government subsidies, incentives and trade barriers;

the possibility that current economic disruptions or other conditions may result in idling or permanent closing of blast furnace capacity or delay of blast furnace capacity additions or replacements which may affect demand and prices for our refractory products;

the possibility that continued global consolidation of the world's largest steel producers could impact our business or industry;

the possibility that average graphite electrode revenue per metric ton in the future may be different than current spot or market prices due to changes in product mix, changes in currency exchange rates, changes in competitive market conditions or other factors;

the possibility that price increases, adjustments or surcharges may not be realized or that price decreases may occur;

the possibility that current challenging economic conditions and economic demand reduction may continue to impact our revenues and costs;

the possibility that U.S., European, Chinese, or other governmental monetary or fiscal policy may adversely affect global economic activity and demand for our products;

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PART I (CONT'D)

GRAFTECH INTERNATIONAL LTD. AND SUBSIDIARIES

(Unaudited)

the possibility that potential future cuts in defense spending by the United States government as a part of efforts to reduce federal budget deficits could reduce demand for certain of our products and associated revenue;

the possibility that decreases in prices for energy and raw materials may lead to downward pressure on prices for our products and delays in customer orders for our products as customers anticipate possible future lower prices;

the possibility that customers may delay or cancel orders;

the possibility that we may not be able to reduce production costs or delay or cancel raw material purchase commitments;

the possibility that economic, political and other risks associated with operating globally, including national and international conflicts, terrorist acts, political and economic instability, civil unrest, community activism and natural or nuclear calamities might interfere with our supply chains, customers or activities in a particular location;

the possibility that reductions in customers' production, increases in competitors' capacity, competitive pressures, or other changes in other markets we serve may occur, which may impact demand for, prices of or unit and dollar volume sales of, our other products, or growth or profitability of our other product lines, or change our position in such markets;

the possibility that we will not be able to hire and retain key personnel, maintain appropriate relations with unions, associations and employees or to renew or extend our collective bargaining or similar agreements on reasonable terms as they expire or do so without a work stoppage or strike;

the possibility that an adverse determination in litigation pending in Brazil involving disputes related to the proper interpretation of certain collectively bargained wage increase provisions applicable to both us and other employers in the Bahia region might result in the filing of claims against our Brazilian subsidiary;

the possibility of delays in or failure to achieve successful development and commercialization of new or improved Engineered Solutions products or that such products or solutions could be subsequently displaced by other products or technologies;

the possibility that we will fail to develop new customers or applications for our Engineered Solutions products or such new product applications will not be adopted by the market place;

the possibility that our manufacturing capabilities may not be sufficient or that we may experience delays in expanding or fail to expand our manufacturing capacity to meet demand for existing, new or improved products;

the possibility that we may propose acquisitions or divestitures in the future, that we may not complete the acquisitions or divestitures, and that investments and acquisitions that we may make in the future may not be successfully integrated into our business or provide the performance or returns expected or that divestitures may not generate the proceeds anticipated;

the possibility that challenging conditions or changes in the capital markets will limit our ability to undertake refinancing activities or obtain financing for growth and other initiatives, on acceptable terms or at all;

the possibility that conditions or changes in the global equity markets may have a material impact on our future pension funding obligations and liabilities on our balance sheet;

the possibility that the amount or timing of our anticipated capital expenditures may be limited by our financial resources or financing arrangements or that our ability to complete capital projects may not occur timely enough to adapt to changes in market conditions or changes in regulatory requirements;

the possibility that the actual outcome of uncertainties associated with assumptions and estimates using judgment when applying critical accounting policies and preparing financial statements may have a material impact on our results of operations or financial position;

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GRAFTECH INTERNATIONAL LTD. AND SUBSIDIARIES

(Unaudited)

the possibility that we may be unable to protect our intellectual property or may infringe the intellectual property rights of others, resulting in damages, limitations on our ability to produce or sell products or limitations on our ability to prevent others from using that intellectual property to produce or sell products;

the occurrence of unanticipated events or circumstances or changing interpretations and enforcement agendas relating to legal proceedings or compliance programs;

the occurrence of unanticipated events or circumstances or changing interpretations and enforcement agendas relating to health, safety or environmental compliance or remediation obligations or liabilities to third parties or relating to labor relations;

the possibility that new or expanded regulatory initiatives with respect to greenhouse gas emissions could increase the capital intensive nature of our business and add to our costs of production;

the possibility that our provision for income taxes and effective income tax rate or cash tax rate may fluctuate significantly due to (i) changes in applicable tax rates or laws, (ii) changes in the sources of our income, (iii) changes in tax planning, (iv) new or changing interpretations of applicable regulations, (v) changes in profitability, (vi) changes in our estimate of our future ability to use foreign tax credits or other tax attributes, and (vii) other factors;

the possibility of changes in interest or currency exchange rates or in inflation or deflation;

the possibility that our outlook could be significantly impacted by, among other things, developments in North Africa, the Middle East, North Korea, and other areas of concern, the occurrence of further terrorist acts and developments resulting from the war on terrorism;

the possibility that interruption in our major raw material, energy or utility supplies due to, among other things, natural or nuclear disasters, process interruptions, actions by producers and capacity limitations, may adversely affect our ability to manufacture and supply our products or result in higher costs;

the possibility that the magnitude of changes in the cost of major raw materials, energy or utility suppliers by reason of shortages, changes in market pricing, pricing terms in applicable supply contracts, or other events may adversely affect our ability to manufacture and supply our products or result in higher costs;

the possibility of interruptions in production at our facilities due to, among other things, critical equipment failure, which may adversely affect our ability to manufacture and supply our products or result in higher costs;

the possibility that we may not achieve the earnings or other financial or operational metrics that we provide as guidance from time to time;

the possibility that the anticipated benefits from rationalizations and other cost savings initiatives may be delayed or may not occur, may vary in cost or may result in unanticipated disruptions;

the possibility of security breaches affecting our information technology systems;

the possibility that our disclosure or internal controls may become inadequate because of changes in conditions or personnel or that those controls may not operate effectively and may not prevent or detect misstatements or errors;

the possibility that severe economic conditions may adversely affect our business, liquidity or capital resources;

the possibility that delays may occur in the financial statement closing process;

the possibility of changes in performance that may affect financial covenant compliance or funds available for borrowing; and

other risks and uncertainties, including those described elsewhere in this Report or our other SEC filings, as well as future decisions by us.

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PART I (CONT'D)

GRAFTECH INTERNATIONAL LTD. AND SUBSIDIARIES

(Unaudited)

Occurrence of any of the events or circumstance described above could also have a material adverse effect on our business, financial condition, results of operations or cash flows.

No assurance can be given that any future transaction about which forward looking statements may be made will be completed or as to the timing or terms of any such transaction.

All subsequent written and oral forward looking statements by or attributable to us or persons acting on our behalf are expressly qualified in their entirety by these factors. Except as otherwise required to be disclosed in periodic reports required to be filed by public companies with the SEC pursuant to the SEC's rules, we have no duty to update these statements.

For a more complete discussion of these and other factors, see "Risk Factors," in Part I, Item 1A of our 2015 Annual Report on Form 10-K.

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PART I (CONT'D)

GRAFTECH INTERNATIONAL LTD. AND SUBSIDIARIES

(Unaudited)

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Global Economic Conditions and Outlook

Outlook. We are impacted in varying degrees, both positively and negatively, as global, regional or country conditions fluctuate. Our discussions about market data and global economic conditions below are based on or derived from published industry accounts and statistics.

In its April, 2016 report, the International Monetary Fund (IMF) reduced its estimated global growth to 3.2 percent in 2016, a 0.2 percent reduction from its January 2016 estimate. The report projects modest growth of approximately 2% in advanced economies. Emerging market and developing economies are projected to represent the lion's share of the world's growth in 2016, however, prospects across countries remain uneven. The IMF also indicated that in the current environment of weak growth, risks to the outlook are now more pronounced. The IMF pointed out that on the upside, the recent declines in oil prices may boost demand in oil-importing countries more strongly than currently envisaged. In its Short Range Outlook released on April 13, 2016, the World Steel Association (WSA) forecast that global steel demand will decrease by 0.8% percent to 1,488 million tons in 2016 with positive growth of 0.4% returning in 2017. This estimate is significantly lower than the 1,523 million tons WSA forecasted for 2016 in October. WSA noted that the decrease was primarily attributable to China, Brazil and Russia. In developed economies, the WSA expects steel demand to grow by 1.7% in 2016 and 1.1% in 2017.

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## PART I (CONT'D)

## GRAFTECH INTERNATIONAL LTD. AND SUBSIDIARIES

(Unaudited)

Three Months Ended March 31, 2015 (Predecessor) as Compared to the Three Months Ended March 31, 2016 (Successor)

The tables presented in our period-over-period comparisons summarize our Consolidated Statements of Operations and illustrate key financial indicators used to assess the consolidated financial results. Throughout our MD&A, insignificant changes may be deemed not meaningful and are generally excluded from the discussion.

**Business Combination Accounting**

As a result of business combination accounting resulting from our acquisition by Brookfield (see Note 2 "Preferred Share Issuance and Merger"), the Company's financial statements are separated into two distinct periods, the period before the consummation of the Brookfield transaction (labeled predecessor) and the period after that date (labeled successor), to indicate the application the of different basis of accounting between the periods presented.

	Predecessor	Successor
	For the	For the
	Three	Three
	Months	Months
	Ended	Ended
	March 31,	March 31,
	2015	2016
(in thousands, except % change)		
Net sales	\$ 207,211	\$ 124,665
Cost of sales	186,448	122,999
Lower of cost or market inventory adjustment	—	11,537
Gross profit	20,763	(9,871 )
Research and development	2,431	1,530
Selling and administrative expenses	26,290	18,117
Rationalizations	2,494	131
Impairments	35,381	—
Operating income (loss)	(45,833 )	(29,649 )
Other expense, net	393	246
Interest expense	8,921	7,180
Interest income	(73 )	(12 )
Loss before provision for income taxes	(55,074 )	(37,063 )
Provision for income taxes	534	(688 )
Net income (loss)	\$ (55,608 )	\$ (36,375 )

Net sales, by reportable segment for the were as follows:

	Predecessor	Successor
	For the	For the
	Three	Three
	Months	Months
	Ended	Ended
	March 31,	March
	2015	31, 2016
(in thousands, except % change)		
Industrial Materials	\$ 162,494	\$ 95,575
Engineered Solutions	44,717	29,090
Total net sales	\$ 207,211	\$ 124,665

Net sales. Net sales for our Industrial Materials segment decreased from \$162.5 million in the three months ended March 31, 2015 compared to \$95.6 million in the three months ended March 31, 2016. This decrease was driven by a

25% decrease in volumes in our graphite electrode business caused by softening demand in the steel markets, particularly in EAF environments. This softening demand has driven down the weighted average sales price by 20% from the first three months of 2015 compared to the first three months of 2016.

Net sales for our Engineered Solutions segment decreased from \$44.7 million in the three months ended March 31, 2015, compared to \$29.1 million in the three months ended March 31, 2016 . The decrease in revenue was primarily driven



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## GRAFTECH INTERNATIONAL LTD. AND SUBSIDIARIES

(Unaudited)

by both decreased pricing and volumes for our thermal solutions serving the advanced consumer electronics markets. We also experienced lower demand in our products serving the oil and gas drilling markets.

Cost of sales. Cost of sales decreased from \$186.4 million for the three months ended March 31, 2015 to \$123.0 million in the three months ended March 31, 2016. Lower volumes across both Industrial Materials and Engineered Solutions segments resulted in a reduction of \$35.6 million of cost in 2016 as compared to the same period of 2015. The remaining decrease was the result of our improved cost structure resulting from our rationalization initiatives. Partially offsetting these reductions was an \$11.5 million lower of cost or market inventory adjustment in the three months ended March 31, 2016, to reduce the carrying value of certain inventory in our graphite electrode product line to reflect the reduced market prices.

Selling and general administrative. Selling and general administrative expenses decreased from \$26.3 million in the three months ended March 31, 2015 compared to \$18.1 million in the three months ended March 31, 2016, driven by cost reduction initiatives and head count reductions.

Rationalizations. Rationalization expenses decreased from \$2.5 million in the three months ended March 31, 2015, to \$0.1 million three months ended March 31, 2016. This is due to the wind down of the rationalization initiatives that we undertook in 2013, 2014 and 2015. See Note 3 "Rationalizations" for a full description of the ongoing plan.

Impairments. During the first quarter of 2015, we recorded a \$35.4 million goodwill impairment charge in our needle coke reporting unit resulting from price declines that were to take effect in the second quarter of 2015 as a result of over capacity in the industry.

Interest Expense. Interest expense decreased from \$8.9 million in the three months ended March 31, 2015 to \$7.2 million in three months ended March 31, 2016 primarily due to the prepayment of our Senior Subordinated Notes.

Segment operating income (loss). The results discussed above are reflected in our operating income (loss) by segment as follows:

	Predecessor	Successor
	For the	For the
	Three	Three
	Months	Months
	Ended	Ended
	March 31,	March 31,
	2015	2016
	(Dollars in thousands)	
Industrial Materials	\$ (26,943 )	\$ (20,247 )
Engineered Solutions	(3,348 )	(851 )
Total segment operating loss	(30,291 )	(21,098 )
Corporate, R&D and Other Expenses	(15,542 )	(8,551 )
Total operating loss	\$ (45,833 )	\$ (29,649 )

Provision for income taxes. The following table summarizes the expense/(benefit) for income taxes:

Predecessor	Successor
For the	For the
Three	Three
Months	Months
Ended	Ended
March	March
31,	March
2015	31, 2016
(Dollars in	
thousands)	

Tax expense	\$534	\$ (688 )
Pretax loss	(55,074	(37,063)
Effective tax rates	(1.0 )%	1.9 %

For the three months ended March 31, 2016, the effective tax rate differs from the U.S. statutory rate of 35% primarily due to recent losses in the U.S. and Switzerland where we receive no tax benefit due to a full valuation allowance and worldwide earnings from various countries at different tax rates. The recognition of the valuation allowance does not result in, or limit the Company's ability to utilize, these tax assets in the future. The provision for income taxes for the three

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PART I (CONT'D)

GRAFTECH INTERNATIONAL LTD. AND SUBSIDIARIES

(Unaudited)

months ended March 31, 2015 differs from the U.S. statutory rate of 35% primarily due to recent losses in the U.S. where we receive no tax benefit due to a full valuation allowance and worldwide earnings from various countries taxed at different rates.

**Effects of Changes in Currency Exchange Rates**

When the currencies of non-U.S. countries in which we have a manufacturing facility decline (or increase) in value relative to the U.S. dollar, this has the effect of reducing (or increasing) the U.S. dollar equivalent cost of sales and other expenses with respect to those facilities. In certain countries where we have manufacturing facilities, and in certain instances where we price our products for sale in export markets, we sell in currencies other than the dollar. Accordingly, when these currencies increase (or decline) in value relative to the dollar, this has the effect of increasing (or reducing) net sales. The result of these effects is to increase (or decrease) operating profit and net income. Many of the non-U.S. countries in which we have a manufacturing facility have been subject to significant economic and political changes, which have significantly impacted currency exchange rates. We cannot predict changes in currency exchange rates in the future or whether those changes will have net positive or negative impacts on our net sales, cost of sales or net income.

For net sales of Industrial Materials, the impact of changes in the average exchange rates of other currencies against the U.S. dollar for the three months ended March 31, 2016 was an decrease of \$1.7 million compared to the same period of 2015. The impact of the exchange rate changes on cost of sales of Industrial Materials for the three months ended March 31, 2016 was a decrease of \$4.8 million compared to the same period of 2015. Changes in currency exchange rates had no significant impact on our Engineered Solutions business segment.

As part of our cash management, we also have intercompany loans between our subsidiaries. These loans are deemed to be temporary and, as a result, remeasurement gains and losses on these loans are recorded as currency gains / losses in other income (expense), net, on the Consolidated Statements of Operations.

The remeasurement of intercompany loans and the effect of transaction gains and losses on intercompany activities resulted in a gain of \$1.8 million in the three months ended March 31, 2015 compared to a loss of \$0.8 million in the three months ended March 31, 2016.

We have in the past and may in the future use various financial instruments to manage certain exposures to specific financial market risks caused by currency exchange rate changes, as described under "Part I, Item 3—Quantitative and Qualitative Disclosures about Market Risk".

**Liquidity and Capital Resources**

We believe that we have adequate liquidity to meet our needs. As of March 31, 2016, we had cash and cash equivalents of \$9.8 million, long-term debt of \$360.0 million, short-term debt of \$9.8 million and stockholder's equity of \$787 million.

On April 27, 2016, GrafTech and certain of its subsidiaries entered into an amendment to the Revolving Facility (see Note 14 "Subsequent Events"; also see Note 7 "Debt and Liquidity" for a description of the Revolving Facility terms as of March 31, 2015, the balance sheet date). As a result of the amendment, the size of the Revolving Facility was permanently reduced from \$375 million to \$225 million. New covenants were also added to the Revolving Facility, including a requirement to make mandatory repayments of outstanding amounts under the Revolving Facility and the Term Loan Facility with the proceeds of any sale of all or any substantial part of the assets included in the Engineered Solutions segment and a requirement to maintain minimum liquidity (consisting of cash, cash equivalents and availability under the Revolving Facility) in excess of \$25 million. The covenants were also modified to provide for the elimination of certain exceptions to the Company's negative covenants limiting the Company's ability to make certain investments, sell assets, make restricted payments, incur liens and incur debt; a restriction on the amount of cash and cash equivalents permitted to be held on the balance sheet at any one time without paying down the Revolving Facility; and changes to the Company's financial covenants so that until the earlier of March 31, 2019 or the Company has \$75 million in trailing twelve month EBITDA, the Company is required to maintain trailing twelve month EBITDA above certain minimums ranging from (\$40 million) to \$35 million after which the Company's

existing financial covenants under the Revolving Facility will apply.

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GRAFTECH INTERNATIONAL LTD. AND SUBSIDIARIES

(Unaudited)

With this amendment, the Company has full access to the \$225 million Revolving Facility, subject to the \$25 million minimum liquidity requirement. As of March 31, 2016, the Company had \$61 million of borrowings on the Revolving Facility plus \$8.1 million of letters of credit drawn against the Revolving Facility for a total amount of \$69.1 million drawn on the Revolving Facility. In addition to the Revolving Facility, the Company has \$38 million outstanding on its Term Loan Facility.

We use cash flow from operations and funds available under the Revolving Facility (subject to continued compliance with the financial covenants and representations under the Revolving Facility) as well as cash on hand as our primary sources of liquidity. The Revolving Facility and the Term Loan Facility both mature in April 2019. Under the Revolving Facility we have additional flexibility for investments, capital expenditures and acquisitions and we can issue letters of credit under the Revolving Credit Facility in an amount not to exceed \$35 million.

The interest rate applicable to the Revolving Facility and the Term Loan Facility is LIBOR plus a margin ranging from 2.25% to 4.75% (depending on our total senior secured leverage ratio). The borrowers pay a per annum fee ranging from 0.35% to 0.70% (depending on our senior secured leverage ratio) on the undrawn portion of the commitments under the Revolving Facility.

Senior Notes

On November 20, 2012, the Company issued \$300 million principal amount of 6.375% Senior Notes due 2020 (the "Senior Notes"). The Senior Notes are the Company's senior unsecured obligations and rank pari passu with all of the Company's existing and future senior unsecured indebtedness. The Senior Notes are guaranteed on a senior unsecured basis by each of the Company's existing and future subsidiaries that guarantee certain other indebtedness of the Company or another guarantor. The Senior Notes bear interest at a rate of 6.375% per year, payable semi-annually in arrears on May 15 and November 15 of each year. The Senior Notes mature on November 15, 2020.

If, prior to maturity, a change in control (as defined in the indenture) of the Company occurs and thereafter certain downgrades of the ratings of the Senior Notes as specified in the indenture occur, the Company will be required to offer to repurchase any or all of the Senior Notes at a repurchase price equal to 101% of the aggregate principal amount of the Senior Notes, plus any accrued and unpaid interest.

As of December 31, 2015 and March 31, 2016, approximately 73% of our debt consisted of fixed rate or zero interest rate obligations.

Cash Flow and Plans to Manage Liquidity. Our cash flow typically fluctuates significantly between quarters due to various factors. These factors include customer order patterns, fluctuations in working capital requirements, timing of capital expenditures, acquisitions and other factors.

Certain of our obligations could have a material impact on our liquidity. Cash flow from operations and from financing activities services payment of our obligations, thereby reducing funds available to us for other purposes. As of March 31, 2016, we had \$90.0 million of unused borrowing capacity under the Revolving Facility (after considering financial covenant restrictions and outstanding letters of credit of \$8.1 million). On April 27, 2016, Graftech and certain of its subsidiaries entered into an amendment to the Revolving Facility. See Note 14 "Subsequent Events". With this amendment, the Company has full access to the \$225 million Revolving Facility, subject to the \$25 million minimum liquidity requirement. As of March 31, 2016, the Company had \$61 million of borrowings on the Revolving Facility plus \$8.1 million of letters of credit drawn against the Revolving Facility for a total amount of \$69.1 million drawn on the Revolving Facility.

Potential uses of our liquidity include capital expenditures, acquisitions, debt repayments and other general purposes, including cash outflows related to rationalization activities. Continued volatility in the global economy may require additional borrowings under the Revolving Facility. An improving economy, while resulting in improved results of operations, could increase our cash requirements to purchase inventories, make capital expenditures and fund payables and other obligations until increased accounts receivable are converted into cash. A downturn could significantly and

negatively impact our results of operations and cash flows, which, coupled with increased borrowings, could negatively impact our credit ratings, our ability to comply with debt covenants, our ability to secure additional financing and the cost of such financing, if available.

In the event that operating cash flows fail to provide sufficient liquidity to meet our business needs, including capital expenditures, any such shortfall would need to be made up by increased borrowings under our Revolving

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## PART I (CONT'D)

## GRAFTECH INTERNATIONAL LTD. AND SUBSIDIARIES

(Unaudited)

Facility, to the extent available. We have begun to look at strategic alternatives for our Engineered Solutions businesses that could result in the sale of one or more of such businesses. Cash proceeds from such sales would be used to repay borrowings outstanding under the Term Loan Facility and Revolving Facility. We cannot assure you that we will, or will be able to, consummate any such sales on acceptable terms or at all or as to the price, terms or conditions of any such sales.

As of March 31, 2016, we were in compliance with all financial and other covenants contained in the Revolving Facility, as applicable. These covenants include maintaining a cash minimum interest coverage ratio of at least 1.50 to 2.50 and a maximum senior secured leverage ratio of 5.75 to 3.00, which are measured based on a rolling average of the prior four quarters. On April 27, 2016, Graftech and certain of its subsidiaries entered into an amendment to the Revolving Facility. See Note 14 "Subsequent Events".

In order to seek to minimize our credit risks, we may reduce our sales of, or refuse to sell (except for cash on delivery or under letters of credit) our products to some customers and potential customers. In the current economic environment, our customers may experience liquidity shortages or difficulties in obtaining credit, including letters of credit. Our unrecovered trade receivables worldwide have not been material during the last 3 years individually or in the aggregate. We cannot assure you that we will not be materially adversely affected by accounts receivable losses in the future.

We manage our capital expenditures taking into account quality, plant reliability, safety, environmental and regulatory requirements, prudent or essential maintenance requirements, global economic conditions, available capital resources, liquidity, long-term business strategy and return on invested capital for the relevant expenditures, cost of capital and return on invested capital of the relevant segment and GrafTech as a whole, and other factors.

We had positive cash flow from operating activities during 2012, 2013, 2014, 2015 and through March 31, 2016.

Although the global economic environment experienced significant swings in these periods, our working capital management and cost-control initiatives allowed us to remain operating cash flow positive in both times of declining and improving operating results.

Related Party Transactions. We have not engaged in or been a party to any other material transactions with affiliates or related parties except for reimbursement of certain costs incurred by Brookfield as required under the Investment Agreement, transactions with our current or former subsidiaries, compensatory transactions with directors and officers including employee benefits (including reimbursement to Brookfield for compensation costs incurred by it for certain personnel who devote substantially all of their working time to us), stock option and restricted stock grants, compensation deferral, stock purchases, and customary indemnification and expense advancement arrangements.

Cash Flows.

The following table summarizes our cash flow activities:

	Predecessor	Successor
	For the	For the
	Three	Three
	Months	Months
	Ended	Ended
	March 31,	March
	2015	31, 2016
	(Dollars in millions)	

Cash flow provided by (used in):

Operating activities	\$ 22.7	\$ 9.7
Investing activities	\$ (20.7 )	\$ (8.3 )
Financing activities	\$ (7.4 )	\$ 1.0
Operating Activities		

Cash flow from operating activities represents cash receipts and cash disbursements related to all of our activities other than investing and financing activities. Operating cash flow is derived by adjusting net income (loss) for:  
• Non-cash items such as depreciation and amortization; post retirement obligations, severance and pension plan changes; and stock-based compensation charges;



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PART I (CONT'D)

GRAFTECH INTERNATIONAL LTD. AND SUBSIDIARIES

(Unaudited)

Gains and losses attributed to investing and financing activities such as gains and losses on the sale of assets and unrealized currency transaction gains and losses;

Changes in operating assets and liabilities which reflect timing differences between the receipt and payment of cash associated with transactions and when they are recognized in results of operations.

The net impact of the changes in working capital (operating assets and liabilities), which are discussed in more detail below, include the impact of changes in: receivables, inventories, prepaid expenses, accounts payable, accrued liabilities, accrued taxes, interest payable, and payments of other current liabilities.

During the three months ended March 31, 2015, changes in working capital resulted in a net source of funds of \$22.0 million which was impacted by:

net cash inflows in accounts receivable of \$1.0 million from the decrease in accounts receivable due to the timing and collection of customer sales and collections;

the change in inventories of \$12.0 million due primarily to reduced volumes on hand;

net cash outflows from decreases in accounts payable and accruals of \$2.5 million, due primarily to changes in tax accruals and payables; and

a decrease in rationalization accruals of \$0.8 million, due primarily to severance payments.

Other uses of cash in the three months ended March 31, 2015 included contributions to pension and other benefit plans of \$6.3 million.

During the three months ended March 31, 2016, changes in working capital resulted in a net source of funds of \$16.5 million which was impacted by:

net cash inflows in accounts receivable of \$14.2 million from the decrease in accounts receivable due to the collection of customer sales;

net cash inflows from decreases in accounts payable and accruals of \$4.9 million, due primarily to changes in tax accruals and payables; and

net cash outflows from increased prepaid expense of \$2.9 million due to value added tax payments.

net cash inflows due to increased interest payable of \$4.9 million primarily resulting from our Senior Notes.

Investing Activities

Net cash used in investing activities was \$20.7 million during the three months ended March 31, 2015 and included capital expenditures of \$13.6 million and \$7.6 million related to cash settlements of derivative instruments.

Net cash used in investing activities was \$8.3 million during the three months ended March 31, 2016 and included capital expenditures of \$8.4 million and \$0.3 million related to cash settlements of derivative instruments.

Financing Activities

Net cash flow used in financing activities was \$7.4 million during the three months ended March 31, 2015, including net borrowings under our Revolving Facility and short term debt agreements resulting in a use of cash of \$5.0 million and \$2.2 million of cash paid for refinancing fees.

Net cash inflow from financing activities was \$1.0 million during the three months ended March 31, 2016, resulting from net borrowings under our Revolving Facility.

Restrictions on Dividends and Stock Repurchases

It has generally been the policy of our Board of Directors to retain earnings to finance strategic and other plans and programs, conduct business operations, fund acquisitions, meet obligations and repay debt. We did not pay any cash dividends in 2013, 2014 or 2015. We periodically review our dividend policy. We amended our Credit Facility on April 27, 2016 and under the terms of the amendment, we are restricted from paying dividends.

Recent Accounting Pronouncements

We discuss recently adopted accounting standards in Note 1, "Organization and Summary of Significant Accounting Policies" of the Notes to Consolidated Financial Statements.

Description of Our Financing Structure

We discuss our financing structure in more detail in Note 7, “Debt and Liquidity” of the Notes to Consolidated Financial Statements.

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PART I (CONT'D)

GRAFTECH INTERNATIONAL LTD. AND SUBSIDIARIES

(Unaudited)

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to market risks primarily from changes in interest rates, currency exchange rates, energy commodity prices and commercial energy rates. We, from time to time, routinely enter into various transactions that have been authorized according to documented policies and procedures to manage these well-defined risks. These transactions relate primarily to financial instruments described below. Since the counterparties to these financial instruments are large commercial banks and similar financial institutions, we do not believe that we are exposed to material counterparty credit risk. We do not use financial instruments for trading purposes.

Our exposure to changes in interest rates results primarily from floating rate long-term debt tied to LIBOR or Euro LIBOR. Our exposure to changes in currency exchange rates results primarily from:

- sales made by our subsidiaries in currencies other than local currencies;
- raw material purchases made by our foreign subsidiaries in currencies other than local currencies;
- and

investments in and intercompany loans to our foreign subsidiaries and our share of the earnings of those subsidiaries, to the extent denominated in currencies other than the dollar.

Our exposure to changes in energy commodity prices and commercial energy rates results primarily from the purchase or sale of refined oil products and the purchase of natural gas and electricity for use in our manufacturing operations.

**Currency Rate Management.** We enter into foreign currency derivatives from time to time to attempt to manage exposure to changes in currency exchange rates. These foreign currency derivatives, which include, but are not limited to, forward exchange contracts and purchased currency options, attempt to hedge global currency exposures. Forward exchange contracts are agreements to exchange different currencies at a specified future date and at a specified rate. Purchased foreign currency options are instruments which give the holder the right, but not the obligation, to exchange different currencies at a specified rate at a specified date or over a range of specified dates. Forward exchange contracts and purchased currency options are carried at market value.

The outstanding foreign currency derivatives as of December 31, 2015 represented no unrealized gain or loss. The net unrealized loss as of March 31, 2016 was \$0.2 million .

**Energy Commodity Management.** We periodically enter into commodity derivative contracts and short duration fixed rate purchase contracts to effectively fix some or all of our natural gas and refined oil product exposure. We had no outstanding commodity derivative contracts as of March 31, 2016.

**Interest Rate Risk Management.** We periodically implement interest rate management initiatives to seek to minimize our interest expense and the risk in our portfolio of fixed and variable interest rate obligations.

We periodically enter into agreements with financial institutions that are intended to limit, or cap, our exposure to incurrence of additional interest expense due to increases in variable interest rates. These instruments effectively cap our interest rate exposure. We currently do not have any such instruments outstanding.

**Sensitivity Analysis.** We use sensitivity analysis to quantify potential impacts that market rate changes may have on the fair values of our foreign currency derivatives and our commodity derivatives. The sensitivity analysis represents the hypothetical changes in value of the hedge position and does not reflect the related gain or loss on the forecasted underlying transaction. As of March 31, 2016, a 10% appreciation or depreciation in the value of the U.S. dollar against foreign currencies from the prevailing market rates would result in a corresponding decrease of \$1.0 million or a corresponding increase of \$1.0 million, respectively, in the fair value of the foreign currency hedge portfolio.

Because of the high correlation between the hedging instrument and the underlying exposure, fluctuations in the value of the instruments are generally offset by reciprocal changes in the value of the underlying exposure.

We had no interest rate derivative instruments outstanding as of March 31, 2016. A hypothetical increase in interest rates of 100 basis points (1%) would have increased our interest expense by \$0.3 million for the three months ended March 31, 2016.



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PART I (CONT'D)

GRAFTECH INTERNATIONAL LTD. AND SUBSIDIARIES

(Unaudited)

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures. Management is responsible for establishing and maintaining adequate disclosure controls and procedures at the reasonable assurance level. Disclosure controls and procedures are designed to ensure that information required to be disclosed by a reporting company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by it in the reports that it files under the Exchange Act is accumulated and communicated to management, including the chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of March 31, 2016. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that these controls and procedures are effective at the reasonable assurance level as of March 31, 2016.

Changes in Internal Controls over Financial Reporting. There have been no changes in our internal controls over financial reporting that occurred during the three months ended March 31, 2016 that materially affected or are reasonably likely to materially affect our internal controls over financial reporting.

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PART II. OTHER INFORMATION

GRAFTECH INTERNATIONAL LTD. AND SUBSIDIARIES

Item 1. Legal Proceedings

Additional information required by this Item is set forth in Note 10, "Contingencies" of the Notes to Consolidated Financial Statements and is incorporated herein by reference.

Item 1A. Risk Factors

There have been no material changes to the Risk Factors disclosed in Part I-Item IA of the Annual Report.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Not Applicable.

Item 3. Defaults Upon Senior Securities

Not Applicable.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information.

On April 27, 2016, GrafTech and certain of its subsidiaries entered into an amendment to the Revolving Facility. The size of the Revolving Facility was permanently reduced from \$375 million to \$225 million. New covenants were also added to the Revolving Facility, including a requirement to make mandatory repayments of outstanding amounts under the Revolving Facility and the Term Loan Facility with the proceeds of any sale of all or any substantial part of the assets included in the Engineered Solutions segment and a requirement to maintain minimum liquidity (consisting of cash, cash equivalents and availability under the Revolving Facility) in excess of \$25 million. The covenants were also modified to provide for the elimination of certain exceptions to the Company's negative covenants limiting the Company's ability to make certain investments, sell assets, make restricted payments, incur liens and incur debt; a restriction on the amount of cash and cash equivalents permitted to be held on the balance sheet at any one time without paying down the Revolving Facility; and changes to the Company's financial covenants so that until the earlier of March 31, 2019 or the Company has \$75 million in trailing twelve month EBITDA, the Company is required to maintain trailing twelve month EBITDA above certain minimums ranging from (\$40 million) to \$35 million after which the Company's existing financial covenants under the Revolving Facility will apply.

The above summary is qualified in its entirety to the full text of the amendment to the Revolving Facility, a copy of which is filed as Exhibit 10.1 to this Quarterly Report on Form 10-Q and incorporated herein by reference.

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PART II. OTHER INFORMATION

GRAFTECH INTERNATIONAL LTD. AND SUBSIDIARIES

Item 6. Exhibits

The exhibits listed in the following table have been filed as part of this Report.

Exhibit Number	Description of Exhibit
10.1	THIRD AMENDMENT dated as of April 27, 2016, to the SECOND AMENDED AND RESTATED CREDIT AGREEMENT dated as of February 27, 2015, as previously amended
31.1	Certification pursuant to Rule 13a-14(a) under the Exchange Act by Joel L. Hawthorne, President and Chief Executive Officer (Principal Executive Officer).
31.2	Certification pursuant to Rule 13a-14(a) under the Exchange Act by Quinn J Coburn, Vice President and Chief Financial Officer (Principal Financial Officer).
32.1	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by Joel L. Hawthorne, President and Chief Executive Officer (Principal Executive Officer).
32.2	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by Quinn J Coburn, Vice President and Chief Financial Officer (Principal Financial Officer).
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

GRAFTECH INTERNATIONAL LTD.

Date: April 28, 2016 By: /s/ Quinn J Coburn

Quinn J Coburn

Vice President and Chief Financial

Officer (Principal Financial Officer)