GRAFTECH INTERNATIONAL LTD
Form 10-Q
May 01, 2015
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

for the quarterly period ended March 31, 2015
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 (State or other jurisdiction of incorporation or organization)	27-2496053 (I.R.S. Employer Identification Number)

Suite 300 Park Center I 6100 Oak Tree Boulevard Independence, OH (Address of principal executive offices)	44131 (Zip code)

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 ý 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 ý 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 x	Accelerated Filer o

Non-Accelerated Filer o Smaller Reporting Company o

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

As of April 17, 2015, 137,179,692 shares of common stock, par value $.01 per share, were outstanding.

Table of Contents

TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION:

Item 1. Financial Statements

Consolidated Balance Sheets as of December 31, 2014 and March 31, 2015 (unaudited)	3
Consolidated Statements of Operations and Comprehensive Income for the Three Months ended March 31, 2014 and 2015 (unaudited)	4
Consolidated Statements of Cash Flows for the Three Months ended March 31, 2014 and 2015 (unaudited)	5
Notes to Consolidated Financial Statements (unaudited)	6
Introduction to Part I, Item 2, and Part II, Item 1 and Item 1A	31
Item 2. Management' Discussion and Analysis of Financial Condition and Results of Operations	36
Item 3. Quantitative and Qualitative Disclosures About Market Risk	47
Item 4. Controls and Procedures	48
PART II. OTHER INFORMATION:	
Item 1. Legal Proceedings	49
Item 1A. Risk Factors	49
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	49
Item 3. Defaults Upon Senior Securities	49
Item 4. Mine Safety Disclosures	49
Item 5. Other Information	49
Item 6. Exhibits	51
SIGNATURE	52

Table of Contents

PART I. FINANCIAL INFORMATION
Item 1. Financial Statements
GRAFTECH INTERNATIONAL LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands, except share data)
(Unaudited)

	As of December 31, 2014	As of March 31, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	$17,550	$10,961
Accounts and notes receivable, net of allowance for doubtful accounts of $7,471 as of December 31, 2014 and $6,582 as of March 31, 2015	162,919	155,108
Inventories	382,903	364,152
Prepaid expenses and other current assets	81,623	70,475
Total current assets	644,995	600,696
Property, plant and equipment	1,500,821	1,453,080
Less: accumulated depreciation	846,781	819,741
Net property, plant and equipment	654,040	633,339
Deferred income taxes	16,819	14,819
Goodwill	420,129	384,436
Other assets	97,822	92,373
Total assets	$1,833,805	$1,725,663
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$86,409	$79,756
Short-term debt	188,104	191,446
Accrued income and other taxes	24,506	17,321
Rationalizations	9,563	8,632
Other accrued liabilities	43,319	41,946
Total current liabilities	351,901	339,101
Long-term debt	341,615	336,321
Other long-term obligations	107,566	100,983
Deferred income taxes	28,197	26,507
Contingencies – Note 12		
Stockholders' equity:		
Preferred stock, par value $.01, 10,000,000 shares authorized, none issued	—	—
Common stock, par value $.01, 225,000,000 shares authorized, 152,821,011 shares issued as of December 31, 2014 and 153,050,285 shares issued as of March 31, 2015	1,528	1,535
Additional paid-in capital	1,825,880	1,827,672
Accumulated other comprehensive loss	(336,524)	(365,290)
Retained earnings (deficit)	(245,751)	(301,359)
Less: cost of common stock held in treasury, 15,922,729 shares as of December 31, 2014 and 15,877,371 shares as of March 31, 2015	(239,811)	(239,107)
Less: common stock held in employee benefit and compensation trusts, 80,967 shares as of December 31, 2014 and 72,679 shares as of March 31, 2015	(796)	(700)

Total stockholders' equity	1,004,526	922,751
Total liabilities and stockholders' equity	$1,833,805	$1,725,663

See accompanying Notes to Consolidated Financial Statements

Table of Contents

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

	For the Three Months Ended March 31,	
	2014	2015
CONSOLIDATED STATEMENTS OF OPERATIONS		
Net sales	$280,791	$207,211
Cost of sales	255,097	186,448
Gross profit	25,694	20,763
Research and development	2,770	2,431
Selling and administrative expenses	29,907	26,290
Rationalizations	86	2,494
Impairments	—	35,381
Operating loss	(7,069)	(45,833)
Other expense (income), net	794	393
Interest expense	8,999	8,921
Interest income	(58)	(73)
Loss before provision for income taxes	(16,804)	(55,074)
(Benefit) provision for income taxes	(5,287)	534
Net loss	$(11,517)	$(55,608)
Basic loss per common share:		
Net loss per share	$(0.08)	$(0.41)
Weighted average common shares outstanding	135,730	136,981
Diluted loss income per common share:		
Net loss per share	$(0.08)	$(0.41)
Weighted average common shares outstanding	135,730	136,981
STATEMENTS OF COMPREHENSIVE INCOME		
Net loss	$(11,517)	$(55,608)
Other comprehensive income:		
Foreign currency translation adjustments	2,387	(29,611)
Commodities and foreign currency derivatives and other, net of tax of $116 and ($154), respectively	(315)	845
Other comprehensive income (loss), net of tax:	2,072	(28,766)
Comprehensive loss	$(9,445)	$(84,374)

See accompanying Notes to Consolidated Financial Statements

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

	For the Three Months Ended March 31,	
	2014	2015
Cash flow from operating activities:		
Net loss	$(11,517)	$(55,608)
Adjustments to reconcile net income to cash provided by operations:		
Depreciation and amortization	39,661	20,570
Impairments	—	35,381
Deferred income tax provision	(1,222)	2,973
Post-retirement and pension plan changes	1,012	1,262
Stock-based compensation	522	1,572
Interest expense	3,645	3,764
Other charges, net	(1,593)	(2,757)
(Increase) decrease in working capital*	(6,665)	21,991
Increase in long-term assets and liabilities	(1,753)	(6,430)
Net cash provided by operating activities	22,090	22,718
Cash flow from investing activities:		
Capital expenditures	(21,728)	(13,601)
Proceeds from the sale of assets	1,895	521
Payments for derivative instruments	(367)	(7,603)
Insurance recoveries	3,057	—
Net cash used in investing activities	(17,143)	(20,683)
Cash flow from financing activities:		
Short-term debt, net	(994)	1
Revolving Facility borrowings	75,000	27,000
Revolving Facility reductions	(65,000)	(32,000)
Principal payments on long-term debt	(92)	(33)
Supply chain financing	(9,455)	—
Proceeds from exercise of stock options	82	—
Purchase of treasury shares	(141)	(41)
Revolving Facility refinancing fees	—	(2,247)
Other	918	(54)
Net cash provided by (used in) financing activities	318	(7,374)
Net increase (decrease) in cash and cash equivalents	5,265	(5,339)
Effect of exchange rate changes on cash and cash equivalents	171	(1,250)
Cash and cash equivalents at beginning of period	11,888	17,550
Cash and cash equivalents at end of period	$17,324	$10,961

* Net change in working capital due to the following components:		
Change in current assets:		
Accounts and notes receivable, net	$(5,684)	$1,040
Inventories	955	11,978
Prepaid expenses and other current assets	(4,670)	7,525
Increase (decrease) in accounts payable and accruals	6,506	(2,483)
Rationalizations	(8,580)	(846)

Increase in interest payable	4,808	4,777
(Increase) decrease in working capital	$(6,665)	$21,991

See accompanying Notes to Consolidated Financial Statements

5

PART I (CONT'D)
GRAFTECH INTERNATIONAL LTD. AND SUBSIDIARIES
NOTES TO 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, which are reported in the following segments:

Industrial Materials includes graphite electrodes, refractory products, and needle coke products, and primarily serves the steel industry.

Engineered Solutions includes advanced electronics technologies, advanced graphite materials, advanced composite materials and advanced materials, and provides primary and specialty products to the advanced electronics, industrial, energy, transportation and defense industries.

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, 2014 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, 2014 (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 period 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. New Accounting Standards

In May 2014, 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 is supposed to be effective for fiscal years beginning after December 15, 2016, and for interim periods within those fiscal years. On April 1, 2015, the FASB proposed a one year deferral of the effective date to fiscal years beginning after December 15, 2017. This proposal is not a final decision and subject to the FASB's approval process, which includes a public comment period. 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.

On April 7, 2015, 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. The Company had \$9.7 million and \$11.9 million of capitalized bank fees included within "Other Assets" on our consolidated balance sheets as of December 31, 2014 and March 31, 2015, respectively.

(2) Rationalizations and Impairments

Throughout 2013, 2014 and 2015 the Company undertook rationalization plans in order to streamline our organization and lower our production costs. The total rationalization and related charges incurred during the three months ended March 31, 2014 and 2015 are as follows:

6

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

All Plans	For the Three Months Ended March 31, 2014			
	Industrial Materials Segment	Engineered Solutions Segment	Corporate, R&D and Other	Total
	(Dollars in thousands)			
Accelerated depreciation (recorded in Cost of sales)	$17,020	$413	$—	$17,433
Inventory loss (recorded in Cost of sales)	815	(10)	—	805
Fixed asset write-offs and other(recorded in Cost of sales)	(494)		—	(494)
Other (recorded in Selling and administrative)	25	—	—	25
Severance and related costs (recorded in Rationalizations)	114	(28)	—	86
Total	$17,480	$375	$—	$17,855

All Plans	For the Three Months Ended March 31, 2015			
	Industrial Materials Segment	Engineered Solutions Segment	Corporate, R&D and Other	Total
	(Dollars in thousands)			
Accelerated depreciation (recorded in Cost of sales)	$433	$—	$—	$433
Inventory loss (recorded in Cost of sales)	(61)	803	—	742
Fixed asset write-offs and other(recorded in Cost of sales)	1,243	(99)	—	1,144
Accelerated depreciation (recorded in Research and development)	—	—	621	621
Other (recorded in Selling and administrative)	—	3	1,066	1,069
Severance and related costs (recorded in Rationalizations)	53	2,366	—	2,419
Contract terminations (recorded in Rationalizations)	25	50	—	75
Total	$1,693	$3,123	$1,687	$6,503

2013 Industrial Materials Rationalization

On October 31, 2013, we announced a global initiative to reduce our Industrial Materials segment's cost base and improve our competitive position. As part of this initiative, we ceased production at our two highest cost graphite electrode plants, located in Brazil and South Africa, as well as a machine shop in Russia. Our graphite electrode capacity was reduced by approximately 60,000 metric tons as a result of these actions. In parallel, we adopted measures for reductions in overhead and related corporate operations. These actions and measures reduced global headcount by approximately 600 people, or approximately 20 percent of our global workforce. These actions were substantially completed during the first half of 2014.

7

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

2013 Engineered Solutions Rationalization

In order to optimize our Engineered Solutions platform and improve our cost structure, we also initiated actions to centralize certain operations and reduce overhead in our Engineered Solutions segment. These actions reduced global headcount by approximately 40 people and were substantially completed during 2014.

Total 2013 Rationalization Initiatives Impact to Financial Results

Charges incurred related to the 2013 rationalization initiatives for the three months ended March 31, 2014 and March 31, 2015 are as follows:

2013 Plan	For the Three Months Ended March 31, 2014			
	Industrial Materials Segment	Engineered Solutions Segment	Corporate, R&D and Other	Total
	(Dollars in thousands)			
Accelerated depreciation (recorded in Cost of sales)	$17,020	$413	$—	$17,433
Inventory loss (recorded in Cost of sales)	815	(10)	—	805
Fixed asset write-offs and other(recorded in Cost of sales)	(494)	—	—	(494)
Other (recorded in Selling and administrative)	25	—	—	25
Severance and related costs (recorded in Rationalizations)	114	(28)	—	86
Total	$17,480	$375	$—	$17,855

2013 Plan	For the Three Months Ended March 31, 2015			
	Industrial Materials Segment	Engineered Solutions Segment	Corporate, R&D and Other	Total
	(Dollars in thousands)			
Accelerated depreciation (recorded in Cost of sales)	$433	$—	$—	$433
Inventory loss (recorded in Cost of sales)	(61)	—	—	(61)
Fixed asset write-offs and other(recorded in Cost of sales)	1,243	9	—	1,252
Severance and related costs (recorded in Rationalizations)	87	—	—	87
Contract terminations (recorded in Rationalizations)	25	—	—	25
Total	$1,727	$9	$—	$1,736

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

The following table represents the roll-forward of the liability incurred for employee termination benefits and contract termination costs incurred in connection with the the rationalization initiatives described above. This liability is recorded as a current liability on the 2013 Consolidated Balance Sheet.

2013 Plan

	(Dollars in thousands)	
Balance as of December 31, 2013	$ 18,421	
Charges incurred	613	
Change in estimates	153	
Payments and settlements	(16,494	)
Effect of change in currency exchange rates	(1,658	)
Balance as of December 31, 2014	1,035	
Charges incurred	—	
Change in estimates	112	
Payments and settlements	(549	)
Effect of change in currency exchange rates	(108	)
Balance as of March 31, 2015	$ 490	

2014 Engineered Solutions Rationalization

On July 29, 2014, we announced additional rationalization initiatives to increase profitability, reduce cost and improve global competitiveness in our Engineered Solutions segment. During the second quarter of 2014, worldwide pricing of our isomolded graphite products ("isomolded") within our Advanced Graphite Material ("AGM") product group, as well as our expectation of future pricing, significantly eroded, driven by significant over-capacity and recent competitor responses. In addition, solar product demand continued to erode, with polysilicon, silicon and silicon wafer production migrating to China. New competitors servicing this industry commenced production in China at pricing levels making the market now unprofitable. As a result of these conditions, the Company decided to cease isomolded production and pursue alternative supply chain relationships in our isomolded product line.

Charges incurred related to the 2014 Engineered Solutions rationalization initiatives in 2015 are as follows:

2014 Engineered Solutions Plan	For the Three Months Ended March 31, 2015 (Dollars in thousands)	
Inventory loss (recorded in Cost of sales)	434	
Fixed asset write-offs and other(recorded in Cost of sales)	(3	)
Severance and related costs (recorded in Rationalizations)	(16	)
Contract terminations (recorded in Rationalizations)	50	
Total	$ 465	

9

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

The following table represents the roll-forward of the liability incurred for employee termination benefits and contract termination costs incurred in connection with the 2014 Engineered Solutions rationalization initiatives described above. This liability is recorded as a current liability on the Consolidated Balance Sheet.

2014 Engineered Solutions Plan

	(Dollars in thousands)
Balance as of December 31, 2013	$—
Charges incurred	2,611
Change in estimates	(40)
Payments and settlements	(916)
Balance as of December 31, 2014	1,655
Charges incurred	50
Change in estimates	(16)
Payments and settlements	(434)
Balance as of March 31, 2015	$1,255

2014 Corporate and Research & Development Rationalization

During the third quarter of 2014, we announced the conclusion of another phase of our on-going company-wide cost savings assessment. This resulted in changes to the Company’s operating and management structure in order to streamline, simplify and decentralize the organization. These actions are designed to reduce costs by a combination of reduced contractor costs, attrition, early retirements and layoffs. Additionally, the Company downsized its corporate functions by approximately 25 percent, relocated to a smaller, more cost effective corporate headquarters and established a new Technology and Innovation Center. The 2014 Corporate and Research and Development rationalization plan will result in approximately $20 million of charges consisting of severance, accelerated depreciation and other related costs. Approximately $12 million of these costs will be cash outlays, the majority of which are expected to be disbursed in 2015.

Charges incurred related to the 2014 Corporate and Research & Development rationalization initiatives for 2015 are as follows:

2014 Corporate and R&D Plan	For the Three Months Ended March 31, 2015	
	Industrial Materials Segment (Dollars in thousands)	Corporate, R&D and Other (Dollars in thousands)
Accelerated depreciation (recorded in Research and development)	$—	$621
Other (recorded in Selling and administrative)	—	1,066
Severance and related costs (recorded in Rationalizations)	(34)	—
Total	$(34)	$1,687

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

The following table represents the roll-forward of the liability incurred for employee termination benefits and contract termination costs incurred in connection with the 2014 Corporate and Research & Development rationalization initiatives described above. This liability is recorded as a current liability on the Consolidated Balance Sheet.

2014 Corporate and R&D Plan

	(Dollars in thousands)	
Balance as of December 31, 2013	$—	
Charges incurred	8,159	
Change in estimates	21	
Payments and settlements	(1,155	)
Effect of change in currency exchange rates	(152	)
Balance as of December 31, 2014	6,873	
Charges incurred	(2	)
Change in estimates	(34	)
Payments and settlements	(2,231	)
Effect of change in currency exchange rates	(48	)
Balance as of March 31, 2015	$4,558	

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 are expected to be disbursed in 2015.

Charges incurred related to the 2015 Advanced Graphite Materials rationalization initiative for the three months ended March 31, 2015 are as follows:

2015 Advanced Graphite Materials Rationalization	For the Three Months Ended March 31, 2015 (Dollars in thousands)	
Inventory loss (recorded in Cost of sales)	$369	
Fixed asset write-offs and other(recorded in Cost of sales)	(105	)
Other (recorded in Selling and administrative)	3	
Severance and related costs (recorded in Rationalizations)	2,382	
Total	$2,649	

The following table represents the roll-forward of the liability incurred for employee termination benefits and contract termination costs incurred in connection with the 2015 Advanced Graphite Materials rationalization initiative described above. This liability is recorded as a current liability on the Consolidated Balance Sheet.

2015 Advanced Graphite Materials Rationalization

	(Dollars in thousands)	
Balance as of December 31, 2014	$—	
Charges incurred	2,382	
Payments and settlements	(36	)

Effect of change in currency exchange rates	(17)
Balance as of March 31, 2015	$ 2,329

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

(3) Stock-Based Compensation

For the three months ended March 31, 2014 and 2015, we recognized stock-based compensation expense of $0.5 million and $1.6 million, respectively. Substantially all of the expense, $0.5 million and $1.5 million, respectively, was recorded as selling and administrative expenses in the Consolidated Statements of Operations, with the remaining expenses recorded as cost of sales and research and development.

As of March 31, 2015, the total compensation cost related to non-vested restricted stock, performance shares based on current forecasts, and stock options not yet recognized was $10.6 million, which will be recognized over the remaining weighted average life of 1.75 years.

Restricted Stock and Performance Shares

Restricted stock and performance share awards activity under the plans for the three months ended March 31, 2015 was:

	Number of Shares	Weighted-Average Grant Date Fair Value
Outstanding unvested as of January 1, 2015	1,814,130	$6.31
Granted	3,000	4.02
Vested	(44,922)	9.90
Forfeited/canceled/expired	(41,836)	6.68
Outstanding unvested as of March 31, 2015	1,730,372	6.20

Stock Options

Stock option activity under the plans for the three months ended March 31, 2015 was:

	Number of Shares	Weighted-Average Exercise Price
Outstanding as of January 1, 2015	2,042,074	$10.93
Forfeited/canceled/expired	(61,468)	16.14
Outstanding as of March 31, 2015	1,980,606	10.77

(4) Earnings per Share

The following table shows the information used in the calculation of our share counts for basic and diluted earnings per share:

	For the Three Months Ended March 31,	
	2014	2015
Weighted average common shares outstanding for basic calculation	135,729,809	136,981,193
Add: Effect of stock options and restricted stock	—	—
Weighted average common shares outstanding for diluted calculation	135,729,809	136,981,193

Basic earnings per common share are calculated by dividing net income (loss) by the weighted average number of common shares outstanding. Diluted earnings per share are calculated by dividing net income (loss) by the sum of the weighted average number of common shares outstanding plus the additional common shares that would have been outstanding if potentially dilutive securities had been issued.

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

The weighted average common shares outstanding for the diluted earnings per share calculation excludes consideration of stock options covering 1,131,088 and 1,980,607 shares in the three months ended March 31, 2014 and 2015 respectively, as these shares are anti-dilutive.

(5) Segment Reporting

We operate in two reportable segments: Industrial Materials and Engineered Solutions.

Industrial Materials. Our Industrial Materials segment manufactures and delivers high quality graphite electrodes, refractory products and needle coke products. Electrodes are key components of the conductive power systems used to produce steel and other non-ferrous metals. 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. 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 advanced materials. 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. Advanced materials use carbon and graphite powders as components or additives in a variety of industries, including metallurgical processing, battery and fuel cell components, and polymer additives.

We continue to evaluate the performance of our segments based on segment operating income. Intersegment sales and transfers are not material and the accounting policies of the reportable segments are the same as those for our Consolidated Financial Statements as a whole. Prior to 2014, certain global expenses such as research and development, shared IT and accounting services as well as corporate headquarter’s finance, HR, legal and executive management were allocated to the segments mostly based on each segment’s contribution to consolidated sales. During 2014, as part of our initiative to decentralize the organization and reduce the costs of the global headquarter functions, the performance measure of our existing segments was changed to reflect our new management and operating structure. We currently exclude such expenses from the segment operating income measure and report them under “Corporate, R&D and Other Expenses” in order to reconcile to the consolidated operating income of the Company.

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

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

	For the Three Months Ended March 31,	
	2014	2015
	(Dollars in thousands)	
Net sales to external customers:		
Industrial Materials	$218,776	$165,037
Engineered Solutions	62,015	42,174
Total net sales	$280,791	$207,211
Operating (loss) income:		
Industrial Materials	$1,600	$(25,898)
Engineered Solutions	5,406	(4,393)
Corporate, R&D and Other expenses	(14,075)	(15,542)
Total operating loss	$(7,069)	$(45,833)
Reconciliation of segment operating loss to loss before provision for income taxes		
Other expense (income), net	$794	$393
Interest expense	8,999	8,921
Interest income	(58)	(73)
Loss before provision for income taxes	$(16,804)	$(55,074)

(6) Benefit Plans

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

	For the Three Months Ended March 31,	
	2014	2015
	(Dollars in thousands)	
Service cost	$473	$827
Interest cost	2,169	1,526
Expected return on plan assets	(1,938)	(1,354)
Amortization of prior service cost	1	1
Net cost	$705	$1,000

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

	For the Three Months Ended March 31,	
	2014	2015
	(Dollars in thousands)	
Service cost	$19	$4
Interest cost	352	315
Amortization of prior service benefit	(47)	(43)
Net cost	$324	$276

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

On March 27, 2015, we settled $59.0 million of projected benefit obligations through the purchase of a group annuity contract. The purchase was fully funded with pension assets. The obligation associated with this transaction will require no additional cash contributions by the company. The results of this settlement were not material to our operations.

(7) 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 (graphite electrodes, needle coke and advanced graphite materials) 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.

Our annual impairment test of goodwill was performed as of December 31, 2014 for all reporting units. The estimated fair values of our reporting units were based on discounted cash flow ("DCF") models derived from internal earnings forecasts and assumptions. The assumptions and estimates used in these valuations incorporated the then current and expected economic environment. Based on these valuations, the fair value for the needle coke reporting unit was below the carrying value resulting in a step two analysis and consequently a goodwill impairment charge of $75.7 million for the year ended December 31, 2014.

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 is further compressing our margins for needle coke products versus our annual plan. We determined that this change, which is driven by over capacity in the market indicated that the needle coke industry is facing a deeper and longer trough than previously expected. As such we considered the additional price change as a triggering event and tested our needle coke goodwill for impairment as of March 31, 2015.

In the first step of the analysis, we compared the estimated fair value of the reporting unit to its carrying value, including goodwill. The fair value of the reporting units was determined based on an income approach, using discounted cash flow ("DCF") models from a market participant’s perspective. The DCF model included seventeen years of forecasted cash flows, plus an estimated terminal value. For the first several years in the models, the cash flows were based upon the current operating and capital plans as prepared by management and approved by executive management, adjusted to reflect the perspective of potential market participants.. Beyond the first several years, the DCF model reflects known trends of cycles in the industry and incorporates them in the terminal value. Actual results may differ from those assumed in the Company’s forecast. A discount rate of 10.5% was applied to the forecasted cash-flows and is based on a weighted average cost of capital ("WACC"). Company specific beta and mix of debt to equity are inputs into the determination of the discount rate, which is then qualitatively assessed from the standpoint of potential market participants.

As a result of the step one analysis described earlier, the fair value of the Needle Coke reporting unit was less than its carrying value. Consequently, we performed the second step of the impairment analysis in order to determine the implied fair value of the goodwill associated with the reporting unit. The implied fair value of goodwill represents the excess of the fair value of the reporting unit over the sum of the fair value amounts assigned to all of the assets and liabilities of the reporting unit as if it were to be acquired in a business combination and the current fair value of the reporting unit (as calculated in the first step) was the purchase consideration. The implied fair value of goodwill was then compared to the carrying value of the goodwill to determine the impairment charge. The Needle coke goodwill was fully impaired, resulting in a charge of $35.4 million. The full impairment of the Needle Coke reporting unit‘s goodwill was a result of our reassessment of the estimated future cash-flows, triggered by the pricing decline in the needle coke market effective April 1, 2015. Due to these factors, we decreased the short and mid-term estimates of the cash-flows of the Needle Coke reporting unit that are utilized in assessing goodwill for impairment.

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

The changes in the carrying value of goodwill during the three months ended March 31, 2015 is as follows:

	Total (Dollars in Thousands)
Balance as of December 31, 2014	$420,129
Impairment	(35,381)
Currency translation effect	(312)
Balance as of March 31, 2015	$384,436

The following table summarizes acquired intangible assets with determinable useful lives by major category as of December 31, 2014 and March 31, 2015:

	As of December 31, 2014			As of March 31, 2015		
	Gross Carrying Amount	Accumulated Amortization & Impairment	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization & Impairment	Net Carrying Amount
	(Dollars in Thousands)					
Trade name	$7,900	$(4,817)	$3,083	$7,900	$(4,986)	$2,914
Technological know-how	43,349	(24,940)	18,409	43,349	(26,433)	16,916
Customer –related intangible	110,798	(57,192)	53,606	110,798	(59,874)	50,924
Total finite-lived intangible assets	$162,047	$(86,949)	$75,098	$162,047	$(91,293)	$70,754

Amortization expense of acquired intangible assets was $4.8 million and $4.3 million in the three months ended March 31, 2014 and March 31, 2015, respectively. Estimated amortization expense will approximate $12.8 million in the remainder of 2015, $13.1 million in 2016, $11.8 million in 2017, $10.7 million in 2018 and $9.2 million in 2019.

(8) Debt and Liquidity

The following table presents our long-term debt:

	As of December 31, 2014	As of March 31, 2015
	(Dollars in thousands)	
Revolving Facility	$40,000	$35,000
Senior Notes	300,000	300,000
Other Debt	1,615	1,321
Total	$341,615	$336,321

The following table presents our short-term debt:

	As of December 31, 2014	As of March 31, 2015
	(Dollars in thousands)	
Senior Subordinated Notes	187,973	191,314
Other debt	131	132
Total Short-Term Debt	$188,104	$191,446

The fair value of debt, which was determined using Level 2 inputs, was $473.3 million, versus a book value of $529.7 million as of December 31, 2014. As of March 31, 2015, the fair value of our long-term debt was $459.8 million versus a book value of 527.8 million. As of March 31, 2015, we were in compliance with all of our debt covenants.

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

Revolving Facility

On April 23, 2014, the Company and certain of its subsidiaries entered into an Amended and Restated Credit Agreement (the "Revolving Facility"). On February 27, 2015, GrafTech and certain of its subsidiaries entered into an Amended and Restated Credit Agreement that provides for, among other things, greater financial flexibility and a new $40 million senior secured delayed draw term loan facility.The Revolving Facility has a borrowing capacity of $400 million and matures in April 2019.

As of March 31, 2015, we had $329 million of unused borrowing capacity under the revolving credit facility (after considering financial covenants restrictions and the outstanding letters of credit of approximately $5.4 million).

The additional $40 million delayed draw term loan facility is to be used connection with the repayment of the Senior Subordinated Notes.

The interest rate applicable to the Amended and Restated Credit Facility is LIBOR plus a margin ranging from 2.25% to 3.75% (depending on our total senior secured leverage ratio). The borrowers pay a per annum fee ranging from 0.35% to 0.50% (depending on our senior secured leverage ratio) on the undrawn portion of the commitments under the Revolving Facility. The new financial covenants require us to maintain a minimum cash interest coverage ratio of 2.50 to 1.00 and a maximum senior secured leverage ratio ranging from 3.75 to 1.00 to 3.00 to 1.00, subject to adjustment for certain 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.

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.

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.

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 contain 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

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

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.

Senior Subordinated Notes

On November 30, 2010, in connection with the acquisitions of Seadrift Coke LP and C/G Electrodes, LLC, we issued Senior Subordinated Notes for an aggregate total face amount of $200 million. These Senior Subordinated Notes are non-interest bearing and mature in 2015. Because the promissory notes are non-interest bearing, we were required to record them at their present value (determined using an interest rate of 7%). The difference between the face amount of the promissory notes and their present value is recorded as debt discount. The debt discount will be amortized to income using the interest method, over the life of the promissory notes. The loan balance, net of unamortized discount, was $191.3 million as of March 31, 2015. This balance was reclassified in November 2014 to short-term debt on our balance sheet as the maturity date is within one year.

(9) Inventories

Inventories are comprised of the following:

	As of December 31, 2014	As of March 31, 2015
	(Dollars in thousands)	
Inventories:		
Raw materials and supplies	$122,218	$112,416
Work in process	176,141	172,737
Finished goods	84,544	78,999
Total	$382,903	$364,152

(10) Interest Expense

The following table presents an analysis of interest expense:

	For the Three Months Ended March 31,	
	2014	2015
	(Dollars in thousands)	
Interest incurred on debt	$5,322	$5,171
Amortization of discount on Senior Subordinated Notes	2,997	3,207
Amortization of debt issuance costs	633	543
Supply Chain Financing mark-up	47	—
Total interest expense	$8,999	$8,921

Interest Rates

The Revolving Facility had an effective interest rate of 2.17% and 2.44% as of December 31, 2014 and March 31, 2015, respectively. The Senior Subordinated Notes have an implied interest rate of 7.00%. The Senior Notes have a fixed interest rate of 6.375%.

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

(11) 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, 2015, are presented below:

	(Dollars in thousands)
Balance as of December 31, 2014	$923
Product warranty adjustments	335
Payments and settlements	(315)
Balance as of March 31, 2015	$943

(12) 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.
The following table summarizes the provision for income taxes for the three months ended March 31, 2014 and March 31, 2015:

	For the Three Months Ended March 31,	
	2014	2015
	(Dollars in thousands)	
Tax (benefit) expense	$(5,287)	$534
Pretax loss	$(16,804)	$(55,074)
Effective tax rates	31.5%	(1.0)%

For the three months ended March 31, 2015, the effective tax rate 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. 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 months ended March 31, 2014 reflects a discrete period effective tax rate applied to ordinary income of 31.5%. A discrete period calculation was used to report the tax provision for the first three months of 2014 rather than an estimated annual effective tax rate because the estimated range of forecasted annual profit before tax produces significant variability and makes it difficult to reasonably estimate the annual effective tax rate. Discrete items of tax included in the three month periods ended March 31, 2014 and 2015 were not material.

As of March 31, 2015, we had unrecognized tax benefits of $3.7 million, $2.7 million of which, if recognized, would have a favorable impact on our effective tax rate.

19

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

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 2008.

We continue to assess the need for valuation allowances against 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 maintained valuation allowances on those net deferred tax assets.

(13) 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.

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 ineffectiveness on these contracts designated as hedging instruments during the three months ended March 31, 2014 and 2015, respectively.

In 2014 and 2015, 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, South African rand, Brazilian real, euro and Japanese yen. As of March 31, 2015, we had outstanding Mexican peso, South Afican rand, euro, and Japanese yen currency contracts with an aggregate notional amount of $108.7 million. The foreign currency derivatives outstanding as of March 31, 2015 have several maturity dates ranging from April 2015 to December 2015.

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. There was no ineffectiveness on these contracts during the three months ended March 31, 2015. As of March 31, 2015, we had outstanding derivative swap contracts for refined oil products with an aggregate notional amount of $4.4 million. These contracts mature in April 2015.

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 $15.8 million and $15.1 million as of December 31, 2014 and

March 31, 2015, respectively. Within the currency translation adjustment portion of other comprehensive income, we recorded gains of $0.1 million and $0.7 million in three months ended March 31, 2014 and March 31, 2015, respectively, resulting from these net investment hedges.

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

The fair value of all derivatives is recorded as assets or liabilities on a gross basis in our Consolidated Balance Sheets. The following tables present the fair values of our derivatives and their respective balance sheet locations as of December 31, 2014 and March 31, 2015:

	Asset Derivatives		Liability Derivatives	
	Location	Fair Value	Location	Fair Value
As of December 31, 2014	(Dollars in Thousands)			
Derivatives designated as cash flow hedges:				
Foreign currency derivatives	Prepaid and other current assets	$722	Other current liabilities	$1,234
Commodity derivative contracts	Prepaid and other current assets	—	Other current liabilities	7,067
Total fair value		$722		$8,301
As of March 31, 2015				
Derivatives designated as cash flow hedges:				
Foreign currency derivatives	Prepaid and other current assets	$2,211	Other current liabilities	$1,108
Commodity derivative contracts	Prepaid and other current assets	44	Other current liabilities	1
Total fair value		$2,255		$1,109

	Asset Derivatives		Liability Derivatives	
	Location	Fair Value	Location	Fair Value
As of December 31, 2014	(Dollars in Thousands)			
Derivatives not designated as hedges:				
Foreign currency derivatives	Prepaid and other current assets	$80	Other current liabilities	$428
Total fair value		$80		$428
As of March 31, 2015				
Derivatives not designated as hedges:				
Foreign currency derivatives	Prepaid and other current assets	$17	Other current liabilities	$325
Total fair value		$17		$325

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

The location and amount of realized (gains) losses on derivatives are recognized in the Statements of Operations when the hedged item impacts earnings and are as follows for the three and three months ended March 31, 2014 and 2015:

Three Months Ended March 31,	Location of (Gain)/Loss Reclassified from Other Comprehensive Income (Effective Portion)	Amount of (Gain)/Loss Recognized (Effective Portion) 2014	2015
		(Dollars in Thousands)	
Derivatives designated as cash flow hedges:			
Foreign currency derivatives, excluding tax of ($4) and $71, respectively	Cost of goods sold/Other expense / (income) / Revenue	$301	$(712)
Commodity forward derivatives, excluding tax of ($190) and ($97), respectively	Cost of goods sold / Revenue	$529	$265

Three Months Ended March 31,	Location of (Gain)/Loss Recognized in the Consolidated Statement of Operations	Amount of (Gain)/Loss Recognized 2014	2015
		(Dollars in thousands)	
Derivatives not designated as hedges:			
Foreign currency derivatives	Cost of goods sold/Other expense (income)	$(191)	$889

Our foreign currency and commodity derivatives are treated as hedges and are required to be measured at fair value on a recurring basis. With respect to the inputs used to determine the fair value, we use observable, quoted rates that are determined by active markets and, therefore, classify the contracts as “Level 2”.

(14) 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.

The following tables set forth condensed consolidating balance sheets as of December 31, 2014 and March 31, 2015 and condensed consolidating statements of operations and comprehensive income for the three months ended March 31, 2014 and 2015 and condensed consolidating statements of cash flows for the three months ended March 31, 2014 and 2015 of the Parent Guarantors and the Non-Guarantors.

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

CONDENSED CONSOLIDATING BALANCE SHEETS
As of December 31, 2014
(in thousands)

	Parent	Guarantors	Non-Guarantors	Consolidating Entries and Eliminations	Consolidated
ASSETS					
Current Assets:					
Cash and cash equivalents	$—	$5,503	$12,047	$—	$17,550
Accounts receivable - affiliates	40,474	35,618	40,185	(116,277)	—
Accounts receivable - trade	—	45,861	117,058	—	162,919
Inventories	—	148,080	234,823	—	382,903
Prepaid and other current assets	—	17,336	64,287	—	81,623
Total current assets	40,474	252,398	468,400	(116,277)	644,995
Investment in affiliates	1,414,278	762,251	—	(2,176,529)	—
Property, plant and equipment	—	431,602	222,438	—	654,040
Deferred income taxes	—	—	16,819	—	16,819
Goodwill	—	217,099	203,030	—	420,129
Notes receivable - affiliate	35,722	7,413	—	(43,135)	—
Other assets	4,110	45,617	48,095	—	97,822
Total Assets	$1,494,584	$1,716,380	$958,782	$(2,335,941)	$1,833,805
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current Liabilities:					
Accounts payable - affiliate	$—	$80,659	$35,618	$(116,277)	$—
Accounts payable - trade	47	35,435	50,927	—	86,409
Short-term debt	187,973	131	—	—	188,104
Accrued income and other taxes	344	3,380	20,782	—	24,506
Rationalizations	—	7,538	2,025	—	9,563
Supply chain financing liability	—	—	—	—	—
Other accrued liabilities	2,444	15,252	25,623	—	43,319
Total current liabilities	190,808	142,395	134,975	(116,277)	351,901
Long-term debt - affiliate	—	35,722	7,413	(43,135)	—
Long-term debt - third party	300,000	40,393	1,222	—	341,615
Other long-term obligations	—	77,724	29,842	—	107,566
Deferred income taxes	—	5,118	23,079	—	28,197
Stockholders' equity	1,003,776	1,415,028	762,251	(2,176,529)	1,004,526
Total Liabilities and Stockholders' Equity	$1,494,584	$1,716,380	$958,782	$(2,335,941)	$1,833,805

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

CONDENSED CONSOLIDATING BALANCE SHEETS
As of March 31, 2015
(in thousands)

	Parent	Guarantors	Non-Guarantors	Consolidating Entries and Eliminations	Consolidated
ASSETS					
Current Assets:					
Cash and cash equivalents	$—	$1,837	$9,124	$—	$10,961
Accounts receivable - affiliates	41,988	18,786	30,911	(91,685)	—
Accounts receivable - trade	—	36,890	118,218	—	155,108
Inventories	—	145,506	218,646	—	364,152
Prepaid and other current assets	—	13,091	57,384	—	70,475
Total current assets	41,988	216,110	434,283	(91,685)	600,696
Investment in affiliates	1,338,408	735,037	—	(2,073,445)	—
Property, plant and equipment	—	427,681	205,658	—	633,339
Deferred income taxes	—	—	14,819	—	14,819
Goodwill	—	181,718	202,718	—	384,436
Notes receivable - affiliate	36,817	7,413	—	(44,230)	—
Other assets	3,985	44,190	44,198	—	92,373
Total Assets	$1,421,198	$1,612,149	$901,676	$(2,209,360)	$1,725,663
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current Liabilities:					
Accounts payable - affiliate	$—	$72,904	$18,781	$(91,685)	$—
Accounts payable - trade	43	33,527	46,186	—	79,756
Short-term debt	191,179	132	135	—	191,446
Accrued income and other taxes	—	2,070	15,251	—	17,321
Rationalizations	—	5,820	2,812	—	8,632
Supply chain financing liability	—	—	—	—	—
Other accrued liabilities	7,225	10,930	23,791	—	41,946
Total current liabilities	198,447	125,383	106,956	(91,685)	339,101
Long-term debt - affiliate	—	36,817	7,413	(44,230)	—
Long-term debt - third party	300,000	35,360	961	—	336,321
Other long-term obligations	—	71,051	29,932	—	100,983
Deferred income taxes	—	5,130	21,377	—	26,507
Stockholders' equity	922,751	1,338,408	735,037	(2,073,445)	922,751
Total Liabilities and Stockholders' Equity	$1,421,198	$1,612,149	$901,676	$(2,209,360)	$1,725,663

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

CONDENSED CONSOLIDATING STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
For the three months ended March 31, 2014
(in thousands)

	Parent	Guarantors	Non-Guarantors	Consolidating Entries and Eliminations	Consolidated
Sales - affiliates	$—	$70,357	$35,207	$(105,564)	$—
Sales - third party	—	111,124	169,667	—	280,791
Net sales	—	181,481	204,874	(105,564)	280,791
Cost of sales	—	157,029	203,632	(105,564)	255,097
Gross profit	—	24,452	1,242	—	25,694
Research and development	—	2,770	—	—	2,770
Selling and administrative expenses	—	9,867	20,040	—	29,907
Rationalizations	—	36	50	—	86
Operating income (loss)	—	11,779	(18,848)	—	(7,069)
Other (income) expense, net	—	824	(30)	—	794
Interest expense - affiliate	—	226	—	(226)	—
Interest expense - third party	7,952	740	307	—	8,999
Interest income - affiliate	(226)	—	—	226	—
Interest income - third party	—	—	(58)	—	(58)
Income (loss) before income taxes	(7,726)	9,989	(19,067)	—	`(16,804)
Provision for income taxes	(2,781)	4,552	(7,058)	—	(5,287)
Equity in earnings of subsidiary	(6,572)	(12,009)	—	18,581	—
Net (loss) income	$(11,517)	$(6,572)	$(12,009)	$18,581	$(11,517)
Statements of Comprehensive Income					
Net (loss) income	$(11,517)	$(6,572)	$(12,009)	$18,581	$(11,517)
Other comprehensive income (loss)	2,072	2,072	2,477	(4,549)	2,072
Comprehensive (loss) income	$(9,445)	$(4,500)	$(9,532)	$14,032	$(9,445)

26

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

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
For the three months ended March 31, 2015
(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	—	(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 before income taxes	(8,002)	(47,097)	25	—	`(55,074)
(Benefit from) provision for income taxes	—	351	183	—	534
Equity in losses of subsidiary	(47,606)	(158)	—	47,764	—
Net (loss) income	$(55,608)	$(47,606)	$(158)	$47,764	$(55,608)

	Parent	Guarantors	Non-Guarantors	Consolidating Entries and Eliminations	Consolidated
Statements of Comprehensive Income					
Net (loss) income	$(55,608)	$(47,606)	$(158)	$47,764	$(55,608)
Other comprehensive income (loss)	(28,766)	(28,766)	(28,830)	57,596	(28,766)
Comprehensive (loss) income	$(84,374)	$(76,372)	$(28,988)	$105,360	$(84,374)

27

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

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS
For the three months ended March 31, 2014
(in thousands)

	Parent	Guarantors	Non-Guarantors	Consolidating Entries and Eliminations	Consolidated
Net cash provided by (used in) operating activities:	$496	$31,748	$(10,154)	$—	$22,090
Cash flow from investing activities:					
(Loans to) repayments from affiliates	(1,355)	—	—	1,355	—
Capital expenditures	—	(16,486)	(5,242)	—	(21,728)
Proceeds from derivative instruments	—	(258)	(109)	—	(367)
Proceeds from sale of fixed assets		714	1,181		1,895
Insurance recoveries	—	—	3,057	—	3,057
Net cash (used in) provided by investing activities	(1,355)	(16,030)	(1,113)	1,355	(17,143)
Cash flow from financing activities:					
Loans from (repayments to) affiliates	—	1,355	—	(1,355)	—
Short-term debt borrowings	—	(11)	(983)	—	(994)
Revolving Facility borrowings	—	30,000	45,000	—	75,000
Revolving Facility reductions	—	(46,000)	(19,000)	—	(65,000)
Principal payments on long term debt	—	(32)	(60)	—	(92)
Supply chain financing	—	—	(9,455)	—	(9,455)
Proceeds from exercise of stock options	82	—	—	—	82
Purchase of treasury shares	(141)	—	—	—	(141)
Other	918	—	—	—	918
Net cash provided by (used in) financing activities	859	(14,688)	15,502	(1,355)	318
Net increase in cash and cash equivalents	—	1,030	4,235	—	5,265
Effect of exchange rate changes on cash and cash equivalents	—	—	171	—	171
Cash and cash equivalents at beginning of period	—	4,752	7,136	—	11,888
Cash and cash equivalents at end of period	$—	$5,782	$11,542	$—	$17,324

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

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS
For the three months ended March 31, 2015
(in thousands)

	Parent	Guarantors	Non-Guarantors	Consolidating Entries and Eliminations	Consolidated
Net cash (used in) provided by operating activities:	$1,136	$17,731	$3,851	$—	$22,718
Cash flow from investing activities:					
Repayments from affiliates	(1,095)	—	—	1,095	—
Capital expenditures	—	(8,777)	(4,824)	—	(13,601)
Payments for (proceeds from) derivatives	—	(6,776)	(827)	—	(7,603)
Proceeds from sale of assets	—	394	127	—	521
Insurance recoveries	—	—	—	—	—
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 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)
Supply chain financing	—	—	—	—	—
Proceeds from exercise of stock options	—	—	—	—	—
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 increase 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 CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(15) Subsequent Events

On April 29, 2015, the Company signed a letter of intent with an affiliate of Brookfield Asset Management (“Brookfield”) for the potential sale of $150 million of 7% convertible preferred shares in a private offering. The convertible preferred shares would be issued in two series. One series would be immediately convertible into common shares equal to up to 19.9% of the currently outstanding shares of common stock at a conversion price of $5.00 per common share. The second series is proposed on the same economic terms and would become convertible into common shares equal to up to 2.0% of the currently outstanding shares upon approval by the stockholders in accordance with New York Stock Exchange requirements.

On April 29, 2015, the Company signed a letter of intent for a potential tender offer by Brookfield to purchase up to all of the outstanding shares of GrafTech common stock at the purchase price of $5.05 per share.

Table of Contents
PART I (CONT'D)
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 factors, 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 the proposed issuance of convertible preferred stock, the conditions to consummation of such issuance, the terms of such stock issuance and stock, the use of proceeds and related matters; a possible tender offer and merger, the conditions to consummation thereof, the terms thereof and related matters; the effects of such issuance, tender offer and merger under equity award and benefit plans and agreements or our credit agreement, senior notes or senior subordinated notes; our future, targeted or expected (or the impact of current, future, expected or targeted): operational and financial performance; 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; our position in markets we serve; debt or equity financing and refinancing activities; divestitures, asset sales, investments and acquisitions and the performance of the businesses underlying such divestitures, acquisitions and investments; employment and contributions of key personnel; employee relations and collective bargaining agreements covering many of our operations; tax rates; capital expenditures and changes therein; nature and timing of restructuring and rationalization charges and payments; stock repurchase or issuance activities; the pending proxy contest, the impacts thereof and other possible changes in Board composition, posssible changes in control and the impacts thereof; changes in capital structure or share ownership; 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, divestitures, asset sales, 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; potential offerings, sales and other actions regarding debt, equity or convertible securities of us or our subsidiaries;

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," "anticipate," "expect," "inten "would," "could," "target," "goal," "continue to," "positioned to" and similar expressions, or the negatives thereof, identify sor these statements.

Table of Contents
PART I (CONT'D)
GRAFTECH INTERNATIONAL LTD. AND SUBSIDIARIES
(Unaudited)

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 disbursed 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 failure to enter into definitive agreements relating to the preferred stock issuance on the tender offer and merger; failure to satisfy conditions to be contained in such agreements to consummation thereof, including due to material adverse changes effecting us or our prospects or failure to obtain regulatory approvals; litigation in relation to such transactions; adjustments to our first quarter 2015;
- 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;

Table of Contents
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 that a Brazilian graphite electrode antitrust investigation could result in material fines or penalties;
- 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 of changes in Board composition and the resulting change in control transactions that may accelerate debt obligations or obligations under various compensation-related agreements and plans or other agreements;
- the possibility of changes in capital structure or share ownership, including impacts of the capital infusion recently announced;
- 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;

Table of Contents
PART I (CONT'D)
GRAFTECH INTERNATIONAL LTD. AND SUBSIDIARIES
(Unaudited)

- 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;
- 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 amount, prices and timing of purchases, if any, of shares purchased pursuant to our share repurchase program;

Table of Contents
PART I (CONT'D)
GRAFTECH INTERNATIONAL LTD. AND SUBSIDIARIES
(Unaudited)

- 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.

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 or the market price of our common stock.

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 2014 Annual Report on Form 10-K.

Table of Contents
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.
In its April 14, 2015 report, the International Monetary Fund (IMF) maintained its estimate for moderate 2015 global GDP growth of 3.5 percent. The report states that advanced economies' growth prospects are likely to continue to improve due to lower oil prices, while emerging economies' growth trends are projected to be weaker. In the United States (U.S.), the IMF reduced its estimate for economic growth to 3.1 percent in 2015, down from its January forecast of 3.6 percent, given the stronger U.S. dollar. The Chinese economy is expected to grow 6.8 percent this year, a sharp deceleration from last year's 7.4 percent expansion, which previously had marked the slowest growth in China in two decades.

Steel customer sentiment has shifted to become more negative globally. In light of weaker end market demand in certain steel consuming sectors and geographies and continued high export levels from China, global utilization rates are lower. In its April 21, 2015 report, the World Steel Association (WSA) forecast slower growth in global steel demand and reduced its expectation for 2015 global steel consumption to be essentially flat. WSA reported that global steel production declined approximately two percent in the first quarter of 2015 as compared to the same period in the prior year. WSA reported that, in the U.S., which had been a stronger market previously, steel production declined approximately eight percent year-over-year, resulting in weaker than expected steel customer first quarter results. WSA also reported that steel production declined approximately three percent year-over-year in March. Steel production in ten of the top 15 steel producing countries, which represent a large share of EAF production, declined approximately ten percent year-over-year in the month of March.

2015 Guidance
Given the shift in customer sentiment and resulting reduction in demand, pricing and volume in the Company's Industrial Materials segment have become increasingly challenging. The Company's 2015 graphite electrode order book continues to be built with approximately 75 percent of targeted order volumes confirmed. Pricing remains under pressure for both graphite electrodes and needle coke. In the Engineered Solutions segment, pricing for products is lower. The Company's previously announced cost savings programs remain on track and are anticipated to deliver $50 million in cash savings to benefit 2015 EBITDA results. However, these savings will not fully offset the decline in pricing and volume across both business segments. Based on these conditions, the Company is revising its expectations for the first half of 2015.

The Company's expectations, excluding the impact of special charges, are as follows:
- First half 2015 EBITDA* target of $30 million to $40 million (previous guidance was $45 million to $55 million) and
- First half 2015 operating cash flow of approximately $30 million to $40 million (after approximately $10 million to $15 million of cash rationalization charges) (previous guidance was $40 million to $50 million and approximately $15 million to $20 million of cash rationalization charges).

Table of Contents

PART I (CONT'D)
GRAFTECH INTERNATIONAL LTD. AND SUBSIDIARIES
(Unaudited)

	First Half Target 2015 (Dollars in thousands)
EBITDA	$30,000 - $40,000
Adjustments	
Depreciation and amortization	$(39,000)
Rationalization related depreciation	(1,000)
Rationalizations	(8,000)
Impairments	(35,000)
Rationalizations related charges	(4,000)
Advanced graphite materials customer bad debt and inventory charge	—
Proxy contest expenses	(2,000)
Operating income	(59,000) - (49,000)
Other (expense) income, net	(1,000)
Interest expense	(18,000)
Interest income	—
Income taxes	(2,000)
Net (loss) income	$(80,000) - $(70,000)

*NOTE ON EBITDA: EBITDA is a non-GAAP financial measure that we currently calculate using GAAP amounts from the Consolidated Financial Statements. We believe that EBITDA measures are generally accepted as providing useful information regarding a company's ability to incur and service debt. We also believe that EBITDA measures provide useful information about the productivity and cash generation potential of its ongoing businesses. Management uses EBITDA measures as well as other financial measures in connection with its decision-making activities. EBITDA measures should not be considered in isolation or as a substitute for net income (loss), cash flows from operations or other consolidated income or cash flow data prepared in accordance with GAAP. Our method for calculating EBITDA measures may not be comparable to methods used by other companies and is not the same as the method for calculating EBITDA measures under our senior secured Revolving Facility.

Table of Contents
PART I (CONT'D)
GRAFTECH INTERNATIONAL LTD. AND SUBSIDIARIES
(Unaudited)

Three Months Ended March 31, 2014 as Compared to Three Months Ended March 31, 2015.
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. Financial information is presented for the three months ended March 31, 2014 and March 31, 2015. Throughout our MD&A, changes that are less than 5% or less than $1.0 million, may be deemed not meaningful and are generally excluded from the discussion.

	For the Three Months Ended March 31,		Increase	%
(in thousands, except per share data and % change)	2014	2015	(Decrease)	Change
Net sales	$280,791	$207,211	$(73,580)	(26)%
Cost of sales	255,097	186,448	(68,649)	(27)%
Gross profit	25,694	20,763	(4,931)	(19)%
Research and development	2,770	2,431	(339)	(12)%
Selling and administrative expenses	29,907	26,290	(3,617)	(12)%
Rationalizations	86	2,494	2,408	2,800 %
Impairments	—	35,381	35,381	100 %
Operating income (loss)	(7,069)	(45,833)	(38,764)	548 %
Other expense, net	794	393	(401)	(51)%
Interest expense	8,999	8,921	(78)	(1)%
Interest income	(58)	(73)	(15)	26 %
Loss before provision for income taxes	(16,804)	(55,074)	(38,270)	228 %
(Benefit from) provision for income taxes	(5,287)	534	5,821	(110)%
Net income (loss)	$(11,517)	$(55,608)	$(44,091)	383 %
Basic income (loss) per common share:	$(0.08)	$(0.41)	$(0.33)	
Diluted income (loss) per common share:	$(0.08)	$(0.41)	$(0.33)	

Net sales, by reportable segment for the three months ended March 31, 2014 and March 31, 2015 were:

	For the Three Months Ended March 31,		(Decrease)	%
(in thousands, except per % change)	2014	2015	Increase	Change
Industrial Materials	$218,776	$165,037	$(53,739)	(25)%
Engineered Solutions	62,015	42,174	(19,841)	(32)%
Total net sales	$280,791	$207,211	$(73,580)	(26)%

An analysis of the components of change in net sales for Industrial Materials and Engineered Solutions is set forth in the following table:

	Volume	Price/Mix	Currency	Net Change
Industrial Materials	(12)%	(7)%	(6)%	(25)%
Engineered Solutions	(26)%	(4)%	(2)%	(32)%

Net sales. Net sales for our Industrial Materials segment decreased by $53.7 million in the three months ended March 31, 2015 compared to the three months ended March 31, 2014. Net sales were impacted by an eight percent decline in graphite electrode volumes driven by weaker customer demand. Currency declines, primarily the euro, contributed a revenue decline of $13.0 million during the three months ended March 31, 2015, when compared to the same period of 2014. Additionally, the weighted average selling price of graphite electrodes decreased five percent in three months ended March 31, 2015 as compared to the same period of 2014. We are also experiencing decreased pricing and volumes on our needle coke products, however, we are now sourcing substantially all of our needle coke internally.

Net sales for our Engineered Solutions segment decreased $19.8 million in the three months ended March 31, 2015 compared to the three months ended March 31, 2014. Sales of our AGM products decreased $12.3 million compared to the same period of 2014. The decrease in revenue was primarily driven by the non-recurrence of 2014 sales of high temperature furnace systems servicing a single customer that filed for bankruptcy in October 2014. Sales decreased in our advanced electronics technologies product line by $6.3 million as prices and volumes have declined due to competitive pressures.

Cost of sales. For the three months ended March 31, 2015, we experienced decreases in cost of sales of $68.6 million compared to the three months ended March 31, 2014. Lower volumes across both Industrial Materials and Engineered Solutions segments resulted in a reduction of $31.8 million of cost in the three months ended March 31, 2015 as compared to the same period of 2014. Rationalization related expenses within cost of sales decreased by $15.4 million in the first three months of 2015 as compared to the same period of 2014 as most of these initiatives are substantially complete. Decreases in currencies, primarily in the euro region benefited cost of sales by $11.2 million in the three months ended March 31, 2015 as compared to the same period of 2014. The remaining reduction in cost was driven by our improved cost structure resulting from our rationalization initiatives.

Selling and general administrative. Selling and general administrative expenses decreased $3.6 million in the three months ended March 31, 2015. We incurred rationalization related costs of $1.1 million and proxy fees of $1.7 million in the three months ended March 31, 2015 while we incurred only $0.1 million of rationalization related costs in the three months ended March 31, 2014. Adjusting for these costs, selling and general administrative expenses decreased $5.8 million in same period of 2015. This decrease was the result reduced headcount and cost control measures implemented as a result of our rationalization initiatives.

Rationalizations. During the three months ended March 31, 2015, we recorded a $2.6 million charge for rationalizations, primarily related to severance and contract termination costs related to our Advanced Graphite Materials rationalization initiative that was announced on March 2, 2015. See Note 2 to the financial statements for further discussion of rationalization activities.

Impairments. Our needle coke reporting unit received notice of a further price decline in March that will take effect in the second quarter of 2015 resulting from over capacity in the industry. This price decline was considered a triggering event and as such we performed goodwill impairment testing on our needle coke reporting unit as of March 31, 2015. The testing resulted in a goodwill impairment charge of $35.4 million in our needle coke reporting unit. See note 7 to the financial statements for further details of our goodwill impairment testing.

Segment operating income (loss). The results discussed above are reflected in our operating income (loss) by segment for the three months ended March 31, 2014 and March 31, 2015 which is as follows:

	For the Three Months Ended March 31,	
	2014	2015
	(Dollars in thousands)	
Industrial Materials	$1,600	$(25,898)
Engineered Solutions	5,406	(4,393)
Total segment operating income (loss)	$7,006	$(30,291)

Table of Contents
PART I (CONT'D)
GRAFTECH INTERNATIONAL LTD. AND SUBSIDIARIES
(Unaudited)

Provision for income taxes. The following table summarizes the expense/(benefit) for income taxes for the three months ended March 31, 2014 and March 31, 2015:

	For the Three Months Ended March 31,	
	2014	2015
	(Dollars in thousands)	
Tax (benefit) expense	$(5,287)	$534
Pretax loss	$(16,804)	$(55,074)
Effective tax rates	31.5%	(1.0)%

For the three months ended March 31, 2015, the effective tax rate 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. 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 months ended March 31, 2014 reflects a discrete period effective tax rate applied to ordinary income of 31.5%. A discrete period calculation was used to report the tax provision for the first three months of 2014 rather than an estimated annual effective tax rate because the estimated range of forecasted annual profit before tax produces significant variability and makes it difficult to reasonably estimate the annual effective tax rate. Discrete items of tax included in the three month periods ended March 31, 2014 and 2015 were not material.

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. The fourth quarter decline of the Euro began to negatively affect our sales in 2014 and into 2015. We expect this trend to continue as long as the Euro is near or below current rates. These declines in price will be mostly offset by decreased costs incurred in the Euro region, however the cost decreases will not be realized as timely as the sales decreases. These currency fluctuations also impact the results of our Other Comprehensive 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, 2015 was an decrease of $13.0 million compared to the same period of 2014. The impact of the exchange rate changes on cost of sales of Industrial Materials for the three months ended March 31, 2015 was a decrease of $9.8 million compared to the same period of 2014. Changes in currency exchange rates decreased net sales of our Engineered Solutions segment by $1.4 million and decreased cost of sales by $1.4 million in the three months ended March 31, 2015 as compared to the same period for 2014.

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 $0.1 million in the three months ended March 31, 2014 compared to a gain of $1.8 million in the three months ended March 31, 2015.

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, 2015, we had cash and cash equivalents of $11.0 million, long-term debt of $336.3 million, short-term debt of $191.4 million and stockholder's equity of $923 million. We also have unused borrowing capacity under the Revolving Facility of $329 million (after considering financial covenant restrictions and outstanding letters of credit of approximately $5.4 million), and an additional $40 million through a delayed draw term loan facility to be used in connection with the repayment of the Senior Subordinated Notes.

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 is secured, and provides for maximum borrowings of up to $400 million including a letter of credit sub-facility of up to $50 million and is subject to certain conditions (including a maximum senior secured leverage ratio test). The Revolving Facility matures in April 2019. As of March 31, 2015, we had outstanding borrowings drawn from the Revolving Facility of $35 million and outstanding letters of credit of $5.4 million.

Under the Revolving Facility we have additional flexibility for investments, capital expenditures, acquisitions and restricted payments and we can issue letters of credit under the Revolving Credit Facility in an amount not to exceed $50 million. We are permitted to pay dividends and repurchase our common stock in an aggregate amount (cumulative from April 23, 2014) up to $75 million (or $500 million, if certain leverage ratio requirements are satisfied), plus, each year, an aggregate amount equal to 50% of the consolidated net income in the prior year.

On February 27, 2015, GrafTech and certain of its subsidiaries entered into an Amended and Restated Credit Agreement that provides for, among other things, greater financial flexibility and a new $40 million senior secured delayed draw term loan facility.

The interest rate applicable to the Amended and Restated Credit Facility is LIBOR plus a margin ranging from 2.25% to 3.75% (depending on our total senior secured leverage ratio). The borrowers pay a per annum fee ranging from 0.35% to 0.50% (depending on our senior secured leverage ratio) on the undrawn portion of the commitments under the Revolving Facility. The new financial covenants require us to maintain a minimum cash interest coverage ratio of 2.50 to 1.00 and a maximum senior secured leverage ratio ranging from 3.75 to 1.00 to 3.00 to 1.00, subject to adjustment for certain events. As of March 31, 2015 we were in compliance with all financial and other covenants contained in the Revolving Facility, as applicable. Based on expected operating results and expected cash flows, we expect to be in compliance with these covenants through 2015. If we were to believe that we would not continue to comply with these covenants, we would seek an appropriate waiver or amendment from the lenders thereunder. We cannot assure you that we would be able to obtain such waiver or amendment on acceptable terms or at all.

Our Credit Agreement provides that if GrafTech has not repaid or refinanced the Senior Subordinated Notes by August 30, 2015, then GrafTech must maintain Liquidity (as defined) of at least $300 million until the Senior Subordinated Notes are repaid or refinanced. For this purpose, Liquidity is defined as the aggregate commitments under the Credit Agreement of $400 million, less drawn borrowings on the Credit Agreement, plus unrestricted cash. As of March 31, 2015, the Liquidity (as defined) was approximately $371 million.

If, prior to maturity, a change in control (as defined in our Credit Agreement) of the Company occurs the administrative agent, or lenders having more than 50% of the term loans, revolving exposures and unused commitments under our Credit Agreement may terminate the commitments under the Credit Agreement and declare the loans thereunder then outstanding to be due and payable in whole (or in part).

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. If either the Credit Agreement or the Senior Subordinated Notes were accelerated, that may result in events of default in other agreements, including the indenture for the Senior Notes, which would permit the counterparties to such agreements to terminate those agreements and accelerate amounts that may be due thereunder.

Senior Subordinated Notes

On November 30, 2010, in connection with the acquisition of Seadrift Coke LP and C/G Electrodes LLC, we issued Senior Subordinated Notes for an aggregate total face amount of $200 million. These Senior Subordinated Notes are non-interest bearing and mature in 2015. Because the promissory notes are non-interest bearing, we were required to record them at their present value (determined using an interest rate of 7%). The difference between the face amount of the promissory notes and their present value is recorded as debt discount. The debt discount will be amortized to income using the interest method, over the life of the promissory notes. The loan balance, net of unamortized discount, was $191.3 million as of March 31, 2015. This balance was reclassified in November 2014 to short-term debt on our balance sheet as the maturity date is within one year.

If, prior to maturity or redemption, a change in control (as defined in the Senior Subordinated Notes) of the Company occurs, the holders of a majority of the Senior Subordinated Notes may, by written notice to the Company, declare the principal amount then outstanding under all (but not less than all) of the Senior Subordinated Notes to be immediately due and payable.

As of March 31, 2015, approximately 93% of our debt consisted of fixed rate or zero interest rate obligations compared to 92% as of December 31, 2014.

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, stock repurchases 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, 2015, we had $329 million of unused borrowing capacity under the Revolving Facility (after considering financial covenant restrictions and outstanding letters of credit of approximately $5.4 million). Potential uses of this capacity include capital expenditures, acquisitions, debt repayments, stock repurchases 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.

Based on expected operating results and expected cash flows, we expect to be in compliance with our existing financial covenants through December 31, 2015. The non-cash portion of rationalization charges do not affect the Company's liquidity or compliance with debt covenants.

In order to seek to minimize our credit risks, we 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.

Table of Contents
PART I (CONT'D)
GRAFTECH INTERNATIONAL LTD. AND SUBSIDIARIES
(Unaudited)

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 focus on growth capital expenditures which exceed our weighted average cost of capital. We prioritize projects with superior returns, which are often associated with high growth markets.

We had positive cash flow from operating activities during 2011, 2012, 2013, 2014 and through March 2015. 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. Additionally, we continually look at means to enhance our liquidity and believe that many options are available to us to enhance both our near and long term liquidity. We plan to further reduce our inventory levels which will provide additional cash flow and we may enter into accounts receivable factoring arrangements ($50 million of which are permitted under the Revolving Facility).

A repurchase program for up to ten million shares has been authorized by our Board of Directors. No shares have yet been purchased through this repurchase program. In addition, upon the vesting or payment of stock awards, an employee may elect receipt of the full share amount and either pay the resulting taxes or have shares sold in the open market to cover the tax obligation. We sometimes elect to purchase these shares rather than have them sold in the open market.

Recent Developments. On April 29, 2015, we and Brookfield Capital Partners Ltd. ("Brookfield") entered into a letter of intent pursuant to which the Company and Brookfield agreed to use their commercially reasonable best efforts to prepare and negotiate definitive documents, reasonably and in good faith, for the issuance and sale by the Company to Brookfield, for an aggregate purchase price of $150,000,000, of a total of 150,000 shares of the Company's 7% convertible preferred stock.

The convertible preferred stock would be issued in two series. One series (the "Series A Preferred Stock") would be immediately convertible, at Brookfield's option, into common shares equal to up to 19.9% of the currently outstanding shares of common stock at a conversion price of $5.00 per share, subject to customary anti-dilution adjustments. The other series would become convertible into shares of Series A Preferred Stock that would be convertible into up to 2% of the currently outstanding shares, upon approval by stockholders in accordance with NYSE requirements. The convertible preferred stock would be entitled to an annual cumulative dividend at the rate of 7.0% prior to any distribution with respect to any junior stock, due and payable quarterly in arrears in cash. The convertible preferred stock would have a liquidation preference equal to the greater of $1,000 per share, plus all accrued and unpaid dividends thereon, and the amount the holders of the convertible preferred stock would have received had they converted the convertible preferred stock into shares of common stock. The proceeds from the sale of the convertible preferred stock, together with other cash resources, would be used to repay the Senior Subordinated Notes due to mature in November 2015.

The letter of intent also provides for certain Board representation rights, certain pre-emptive rights, certain mandatory and optional redemption rights, a change of control put right, certain transfer restrictions and registration rights, and certain voting rights. The issuance and sale of the convertible preferred stock would be subject to customary closing conditions including the expiration or early termination of any applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act").

On April 29, 2015, the Company and Brookfield also entered into a letter of intent pursuant to which the Company and Brookfield agreed to use their commercially reasonable best efforts to prepare and negotiate definitive documents, reasonably and in good faith, for a tender offer by Brookfield to purchase all of the outstanding shares of the

Company's common stock at a purchase price of $5.05 per share.

Pursuant to the tender offer Term Sheet, acceptance of and payment for shares tendered would be conditioned on at least 15% of the outstanding shares of common stock being tendered and not withdrawn. If more than approximately 75% of such shares are tendered and not withdrawn, the remaining shares would be acquired in a merger transaction at the same price. The definitive agreement would provide for customary terms and conditions, including a go-shop provision, customary closing conditions (including the expiration or earlier termination of any applicable waiting period under the HSR Act), a fiduciary out if a superior proposal becomes available and termination rights for Brookfield in the event of a material adverse change affecting the Company. If the fiduciary out is exercised, generally the Company would be required to pay Brookfield a break fee of $7.5 million, if such fiduciary out is exercised during the go-shop period or, $20 million, if exercised thereafter.

For as long as either letter of intent remains in effect, the Company will not be permitted to solicit, initiate, encourage, induce or facilitate a competing proposal from a party other than Brookfield. The Company will be required to pay Brookfield a termination fee of $7.5 million if it breaches such obligations during such period. After 30 days, either party may terminate either letter of intent at any time. The Company will also be required to reimburse Brookfield for its reasonable, out-of-pocket fees and expenses (including the reasonable fees and expenses of legal counsel, accountants, investment bankers, brokers, or other representatives or consultants) up to $500,000 incurred in connection with the transactions contemplated by the letters of intent.

There can be no assurance that definitive agreements with respect to the convertible preferred stock or tender offer will be executed or that either transaction will be consummated.

If the convertible preferred stock is issued, it would trigger acceleration of vesting of certain equity awards and accelerated payment of certain awards and deferred compensation. If at least the minimum number of shares is purchased in the tender offer, it would constitute a change in control (as defined in our Credit Agreement) of the Company. As a result, the administrative agent, or lenders having more than 50% of the term loans, revolving exposures and unused commitments under our Credit Agreement may terminate the commitments under the Credit Agreement and declare the loans thereunder then outstanding to be due and payable in whole (or in part). In addition, if more than 35% of the then outstanding shares are purchased in the tender offer, it would constitute a change in control (as defined in the indenture for the Senior Notes) of the Company. If certain downgrades of the ratings of the Senior Notes as specified in the indenture occur subsequent to the change in control, 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. Finally, if, prior to maturity or redemption, a change in control (as defined in the Senior Subordinated Notes) of the Company occurs, the holders of a majority of the Senior Subordinated Notes may, by written notice to the Company, declare the principal amount then outstanding under all (but not less than all) of the Senior Subordinated Notes to be immediately due and payable. If either the Credit Agreement or the Senior Subordinated Notes were accelerated, that may result in events of default in other agreements, including the indenture for the Senior Notes, which would permit the counterparties to such agreements to terminate those agreements and accelerate amounts that may be due thereunder. In addition, such transactions could impact the cash flows, ability to utilize net operating losses, earnings per share and other financial metrics and could result in litigation. We intend to obtain waivers relating to the change in control provisions in our Credit Agreement, however, there is no assurance we will be able to obtain such waivers.

Related Party Transactions. Mr. Nathan Milikowsky, a current director of GrafTech and previously a director of GrafTech from December 2010 through May 2013, and certain members of his immediate family and certain entities in which he and members of his immediate family have interests, were substantial equity owners of Seadrift and C/G prior to the acquisitions of those entities by the Company. In connection with those acquisitions, Mr. Milikowsky, his immediate family members and those entities received a portion of the aggregate consideration paid to the equity holders of Seadrift and C/G pursuant to the Seadrift Merger Agreement and the C/G Merger Agreement, which was comprised of shares of the Company's common stock, cash and Senior Subordinated Notes.

We have not engaged in or been a party to any other material transactions with affiliates or related parties except for transactions with our current or former subsidiaries, compensatory transactions with directors and officers including employee benefits, stock option and restricted stock grants, compensation deferral, stock purchases, and customary indemnification and expense advancement arrangements.

Table of Contents
PART I (CONT'D)
GRAFTECH INTERNATIONAL LTD. AND SUBSIDIARIES
(Unaudited)

Cash Flows.
The following table summarizes our cash flow activities:

	For the Three Months Ended March 31,	
	2014	2015
	(Dollars in millions)	
Cash flow provided by (used in):		
Operating activities	$22.1	$22.7
Investing activities	$(17.1)	$(20.7)
Financing activities	$0.3	$(7.4)

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;
- 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.
We continue to attempt to maximize our operating cash flows by focusing on working capital items that are most directly affected by changes in sales volume, such as accounts receivable, inventories and accounts payable.
During the three months ended March 31, 2014, changes in working capital resulted in a net use of funds of $6.7 million which was impacted by:

- cash inflows for inventories of $1.0 million;
- net cash inflows from increases in accounts payable and accruals of $6.5 million through normal operations;
- decrease in rationalization accruals of $8.6 million, due primarily to severance payments;
- cash outflows of $5.7 million from the increase in accounts receivable due to the timing and collection of customer sales.

Other uses of cash in the three months ended March 31, 2014 included contributions to pension and other benefit plans of $2.7 million. During the three months ended March 31, 2014, we received $0.5 million of recoveries related to a business interruption insurance claim.
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;

Table of Contents
PART I (CONT'D)
GRAFTECH INTERNATIONAL LTD. AND SUBSIDIARIES
(Unaudited)

- 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.

Investing Activities

Net cash used in investing activities was $17.1 million during the three months ended March 31, 2014 and included capital expenditures of $21.7 million and proceeds from the sales of assets of $2.0 million (including rationalization related scrap proceeds of $1.0 million). During the three months ended March 31, 2014, we received $3.0 million of recoveries related to an insurance claim made for casualty losses related to productive equipment.

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.

Financing Activities

Net cash flow provided by financing activities was $0.3 million during the three months ended March 31, 2014 and included net borrowings under our Revolving Facility of $10.0 million which were primarily used to fund capital expenditures and working capital additions.

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 resulted in a use of cash of $5.0 million and $2.2 million of cash paid for refinancing fees.

Restrictions on Dividends and Stock Repurchases

A description of the restriction on our ability to pay dividends and our ability to repurchase common stock is set forth under "Item 5 – Dividend Policies and Restrictions" in the Annual Report and such description is incorporated herein by reference. Such description contains all of the information required with respect thereto.

Under the Revolving Facility, in general, GrafTech is permitted to pay dividends and repurchase common stock in an aggregate amount (cumulative from April 23, 2014) up to $75 million (or $500 million, if certain leverage ratio requirements are satisfied) plus, each year, an aggregate amount equal to 50% of the consolidated net income in the prior year.

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 8, "Long-Term Debt and Liquidity" of the Notes to Consolidated Financial Statements.

Table of Contents
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, 2014 represented a net unrealized loss of $0.9 million and a net unrealized gain of $0.8 million as of March 31, 2015.

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. The outstanding contracts as of December 31, 2014 represented net unrealized loss of $7.1 million and no net unrealized gains or losses as of March 31, 2015.

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, 2015, 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 $0.4 million or a corresponding increase of $0.1 million, respectively, in the fair value of the foreign currency hedge portfolio. As of March 31, 2015, a 10% increase in the value of the underlying commodity prices that we hedge would result in a corresponding $0.4 million increase in the fair value of the commodity hedge porfolio, while a 10% decrease would result in a $0.4 million decrease in the fair value of the commodity 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, 2015. A hypothetical increase in interest rates of 100 basis points (1%) would have increased our interest expense by $0.6 million for the three months ended March 31, 2015.

Table of Contents
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, 2015. 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, 2015.

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, 2015 that materially affected or are reasonably likely to materially affect our internal controls over financial reporting.

Table of Contents

PART II. OTHER INFORMATION
GRAFTECH INTERNATIONAL LTD. AND SUBSIDIARIES

Item 1. Legal Proceedings

Director Advancement - We have received a request from a director to reimburse approximately $500,000 incurred by the Director in connection with the investigation conducted by the Special Committee of the GrafTech Board formed in September 2012 and a subsequent subpoena received by him from the SEC. The request is based on GrafTech's bylaws, an indemnification agreement between GrafTech and the director and Delaware law and, thereunder, advancement of expenses reasonably incurred in a civil, criminal, administrative or investigative action, suit, or proceeding by reason of the fact that the person is or was a director is generally required, subject to, among other things, an undertaking by the director to repay if it turns out he or she did not meet the applicable standards. The Director has provided such an undertaking and, through March 31, 2015, we have advanced approximately $0.4 million of such expenses to him.

Additional information required by this Item is set forth in Note 11, "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

On July 24, 2012, our Board of Directors authorized a share repurchase program for up to ten million shares of our common stock. Purchases under this program may take place from time to time in the open market, or through privately negotiated transactions, as market, industry and economic conditions warrant. We had not made any purchases under this program as of March 31, 2015.

Upon the vesting or payment of stock awards, an employee may elect receipt of the full share amount and either pay the resulting taxes or sell shares in the open market to cover the tax obligation. We sometimes elect to purchase these shares rather than allow them to be sold in the open market. These repurchases are in addition to the programs authorized by our Board of Directors described above.

Period	Total Number of Shares Purchased*	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Publicly Announced Plans or Programs
January 1 through January 31, 2015	—	$—	—	10,000,000
February 1 through February 28, 2015	—	—	—	10,000,000
March 1 through March 31, 2015	11,981	3.98	—	10,000,000

* Purchases of vested restricted stock shares from employees as payment for the withholding taxes due upon the vesting or payment of stock awards.

Item 3. Defaults Upon Senior Securities

Not Applicable.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information.

Table of Contents
PART II. OTHER INFORMATION
GRAFTECH INTERNATIONAL LTD. AND SUBSIDIARIES

Not Applicable.

Table of Contents
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
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 Erick R. Asmussen, 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 Erick R. Asmussen, 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

Table of Contents

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:	May 1, 2015	By:	/s/ Erick R. Asmussen
			Erick R. Asmussen
			Vice President and Chief Financial Officer (Principal Financial Officer)