

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

for the quarterly period ended September 30, 2017

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)

982 Keynote Circle
Brooklyn Heights, 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 ☐ No ☐

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

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

Large Accelerated Filer ☐
Non-Accelerated Filer ☐

Accelerated Filer ☐
Smaller Reporting Company ☐

Emerging Growth Company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

As of October 14, 2017, 100 shares of common stock, par value \$.01 per share, were outstanding.

(Explanatory Note: The registrant is a voluntary filer and not subject to the filing requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934. Although not subject to these filing requirements, the registrant has filed all reports that would have been required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months had the registrant been subject to such requirements.)

TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION:

Item 1. Financial Statements

<u>Condensed Consolidated Balance Sheets as of December 31, 2016 and September 30, 2017 (unaudited)</u>	<u>3</u>
<u>Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) for the Three and Nine Months Ended September 30, 2016 and 2017 (unaudited)</u>	<u>4</u>
<u>Condensed Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2016 and 2017 (unaudited)</u>	<u>5</u>
<u>Notes to Condensed Consolidated Financial Statements (unaudited)</u>	<u>6</u>

<u>Introduction to Part I, Item 2, and Part II, Item 1 and Item 1A</u>	<u>25</u>
--	---------------------------

<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>30</u>
--	---------------------------

<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	<u>39</u>
---	---------------------------

<u>Item 4. Controls and Procedures</u>	<u>40</u>
--	---------------------------

PART II. OTHER INFORMATION:

<u>Item 1. Legal Proceedings</u>	<u>41</u>
--	---------------------------

<u>Item 1A. Risk Factors</u>	<u>41</u>
--	---------------------------

<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>41</u>
--	---------------------------

<u>Item 3. Defaults Upon Senior Securities</u>	<u>41</u>
--	---------------------------

<u>Item 4. Mine Safety Disclosures</u>	<u>41</u>
--	---------------------------

<u>Item 5. Other Information</u>	<u>41</u>
--	---------------------------

<u>Item 6. Exhibits</u>	<u>42</u>
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<u>SIGNATURE</u>	<u>43</u>
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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

**GRAFTECH INTERNATIONAL LTD. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS**

(Dollars in thousands)

Unaudited

	As of December 31, 2016	As of September 30, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 11,610	\$ 16,376
Accounts and notes receivable, net of allowance for doubtful accounts of \$326 as of December 31, 2016 and \$387 as of September 30, 2017	80,568	80,132
Inventories	156,111	164,568
Prepaid expenses and other current assets	21,665	19,978
Current assets of discontinued operations	60,979	15,375
Total current assets	330,933	296,429
Property, plant and equipment	585,704	627,582
Less: accumulated depreciation	76,849	118,118
Net property, plant and equipment	508,855	509,464
Deferred income taxes	19,803	19,220
Goodwill	171,117	171,117
Other assets	141,568	123,778
Total assets	\$ 1,172,276	\$ 1,120,008
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 47,663	\$ 58,376
Short-term debt	8,852	13,282
Accrued income and other taxes	5,256	8,131
Other accrued liabilities	30,594	34,027
Current liabilities of discontinued operations	20,042	11,957
Total current liabilities	112,407	125,773
Long-term debt	356,580	320,430
Other long-term obligations	82,148	78,976
Deferred income taxes	42,906	43,368
Long-term liabilities of discontinued operations	850	581
Contingencies – Note 9	—	—
Stockholders' equity:		
Common stock, par value \$.01, 1,000 shares authorized, 100 shares issued as of December 31, 2016 and September 30, 2017	—	—
Additional paid-in capital	854,337	854,337
Accumulated other comprehensive (loss) income	(7,558)	13,583
Accumulated deficit	(269,394)	(317,040)
Total stockholders' equity	577,385	550,880
Total liabilities and stockholders' equity	\$ 1,172,276	\$ 1,120,008

See accompanying Notes to Condensed Consolidated Financial Statements

GRAFTECH INTERNATIONAL LTD. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
(Dollars in thousands)
(Unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2016	2017	2016	2017
CONSOLIDATED STATEMENTS OF OPERATIONS				
Net sales	\$ 111,590	\$ 137,245	\$ 322,530	\$ 358,298
Cost of sales	113,602	120,420	331,297	329,200
Additions to lower of cost or market inventory reserve	4,898	264	19,523	1,773
Gross (loss) profit	(6,910)	16,561	(28,290)	27,325
Research and development	526	1,338	1,964	3,110
Selling and administrative expenses	12,215	13,322	39,430	37,200
Operating (loss) profit	(19,651)	1,901	(69,684)	(12,985)
Other (income) expense, net	(567)	(643)	(1,528)	3,610
Interest expense	6,964	7,792	19,860	23,240
Interest income	(158)	(58)	(169)	(320)
Loss from continuing operations before provision for income taxes	(25,890)	(5,190)	(87,847)	(39,515)
(Benefit from) provision for income taxes	(1,789)	1,963	(7,675)	3,249
Net loss from continuing operations	(24,101)	(7,153)	(80,172)	(42,764)
Income (loss) from discontinued operations, net of tax	1,134	3,234	(107,568)	(4,882)
Net loss	<u>\$ (22,967)</u>	<u>\$ (3,919)</u>	<u>\$ (187,740)</u>	<u>\$ (47,646)</u>
STATEMENTS OF COMPREHENSIVE INCOME (LOSS)				
Net loss	\$ (22,967)	\$ (3,919)	\$ (187,740)	\$ (47,646)
Other comprehensive (loss) income:				
Foreign currency translation adjustments	2,300	7,546	13,974	21,141
Commodities and foreign currency derivatives and other	118	—	145	—
Other comprehensive income, net of tax:	2,418	7,546	14,119	21,141
Comprehensive (loss) income	<u>\$ (20,549)</u>	<u>\$ 3,627</u>	<u>\$ (173,621)</u>	<u>\$ (26,505)</u>

See accompanying Notes to Condensed Consolidated Financial Statements

GRAFTECH INTERNATIONAL LTD. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands, unaudited)

	For the Nine Months Ended September 30, 2016	For the Nine Months Ended September 30, 2017
Cash flow from operating activities:		
Net loss	\$ (187,740)	\$ (47,646)
Adjustments to reconcile net loss to cash provided by operations:		
Depreciation and amortization	62,775	50,982
Impairments	105,623	5,300
Gain on sale of assets	—	(3,676)
Change in inventory lower-of-cost-or-market reserve net of depreciation	6,000	(1,578)
Deferred income tax provision	(11,738)	(3,049)
Post-retirement and pension plan changes	3,164	2,226
Interest expense	4,872	5,089
Other charges, net	(2,042)	4,877
Net change in working capital*	54,005	22,197
Change in long-term assets and liabilities	(6,188)	(1,141)
Net cash provided by operating activities	28,731	33,581
Cash flow from investing activities:		
Capital expenditures	(22,257)	(23,028)
Proceeds from the sale of assets	685	4,038
Proceeds from divestitures	—	26,818
Other	(1,171)	—
Net cash (used in) provided by investing activities	(22,743)	7,828
Cash flow from financing activities:		
Short-term debt, net	503	5,945
Revolving Facility borrowings	40,000	35,000
Revolving Facility reductions	(41,000)	(77,755)
Revolving Facility refinancing fees	(922)	—
Principal payments on long-term debt	(104)	(107)
Net cash used in financing activities	(1,523)	(36,917)
Net change in cash and cash equivalents	4,465	4,492
Effect of exchange rate changes on cash and cash equivalents	755	274
Cash and cash equivalents at beginning of period	6,927	11,610
Cash and cash equivalents at end of period	\$ 12,147	\$ 16,376
* Net change in working capital due to the following components:		
Accounts and notes receivable, net	\$ 9,685	\$ 1,961
Inventories	41,399	8,588
Prepaid expenses and other current assets	(1,170)	(187)
Change in accounts payable and accruals	(770)	7,135
Increase in interest payable	4,861	4,700
Net change in working capital	\$ 54,005	\$ 22,197

Note: The Statements of Cash Flows include both continuing and discontinued operations

See accompanying Notes to Condensed Consolidated Financial Statements

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

(1) Organization and Summary of Significant Accounting Policies

A. Organization

GrafTech International Ltd. (the "Company") is one of the world's largest manufacturers and providers of high quality graphite electrodes and needle coke. References herein to "GTI," "we," "our," or "us" refer collectively to GrafTech International Ltd. and its subsidiaries. On August 15, 2015, GTI became an indirect wholly owned subsidiary of Brookfield Asset Management Inc. ("Brookfield") through a tender offer to our former shareholders and subsequent merger transaction.

The Company's only reportable segment, Industrial Materials, is comprised of our two major product categories: graphite electrodes and needle coke products. Needle coke is the key raw material to producing graphite electrodes. The Industrial Materials business segment focuses on providing the highest quality graphite electrodes and providing the best customer service all while striving to be the lowest cost producer.

We previously operated an Engineered Solutions business segment. See Note 2 "Discontinued Operations and Assets Held for Sale" for further information. All results from the Engineered Solutions business have been excluded from continuing operations, unless otherwise indicated.

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, 2016 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, 2016 (the "Annual Report") but does not include all disclosures required by GAAP in audited financial statements. These interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements, including the accompanying notes, contained in the Annual Report.

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

C. New Accounting Standards

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*. This ASU supersedes the revenue recognition requirements in Accounting Standards Codification 605—Revenue Recognition and most industry-specific guidance throughout the Codification. This ASU requires that an entity recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This ASU was expected to be effective for fiscal years beginning after December 15, 2016, and for interim periods within those fiscal years. On July 9, 2015, the FASB deferred the effective date to fiscal years beginning after December 15, 2017. During the fourth quarter of 2016, we completed the initial evaluation of the new standard and the related assessment and review of a representative sample of existing revenue contracts with our customers. We determined, on a preliminary basis, that although the timing and pattern of revenue recognition may change, the amount of revenue recognized during the year should remain substantially the same. We intend to adopt this standard using the modified retrospective method. We have begun an initiative to offer three to five year supply contracts to our strategic customers. ASU No. 2014-09 could have a material impact on the way in which we would recognize revenue under these contracts. We will continue to evaluate revenue recognition of these contracts as they are entered into.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. Under this new guidance, a company will now recognize most leases on its balance sheet as lease liabilities with corresponding right-of-use assets. This ASU is effective for fiscal years beginning after December 15, 2018. The Company is currently evaluating the impact of the adoption of this standard on its financial position, results of operations or cash flows.

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

In January 2017, the FASB issued ASU No. 2017-04 Intangibles-Goodwill and Other (Topic 350). This guidance was issued to simplify the accounting for goodwill impairment. The guidance removes the second step of the goodwill impairment test, which requires that a hypothetical purchase price allocation be performed to determine the amount of impairment, if any. Under this new guidance, a goodwill impairment charge will be based on the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. The guidance will become effective on a prospective basis for the Company on January 1, 2020 with early adoption permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The Company is currently evaluating the impact of the adoption of this standard on its results of operations.

In March 2017, the FASB issued ASU No. 2017-07, Compensation-Retirement Benefits (Topic 715). This standard requires an entity to report the service cost component in the same line item as other compensation costs. The other components of net (benefit) cost including our annual mark-to-market re-measurement, will be presented in the income statement separately from the service cost component and outside a subtotal of income from operations. This standard is effective for interim and annual reporting periods beginning after December 15, 2017. The components of the net (benefit) cost are shown in Note 4, "Benefit Plans."

(2) Discontinued Operations and Related Assets Held for Sale

On February 26, 2016, the Company announced that it had initiated a strategic review of its Engineered Solutions business segment to better direct its resources and simplify its operations. Any potential sale of assets was prohibited by the Revolving Facility without approval of the requisite lenders thereunder. On April 27, 2016, GrafTech and certain of its subsidiaries entered into an amendment to the Revolving Facility (see Note 6 "Debt and Liquidity") which, among other things, permits the sale of assets with the restriction that the proceeds be utilized to pay down revolver borrowings. As of June 30, 2016, the Engineered Solutions segment qualified for reporting as discontinued operations as its divestiture represents a strategic shift for the Company.

During 2016, we evaluated the fair value of the Engineered Solutions business segment utilizing the market approach (Level 3 measure). As a result, we incurred an impairment charge to our Engineered Solutions business segment of \$120 million to align the carrying value with estimated fair value. We continued to update this estimate and during the nine months ended September 30, 2017, we further reduced the estimated fair value by \$5.3 million based upon current information.

On November 30, 2016, we completed the sale of our Fiber Materials Inc. business, which was a business line within our former Engineered Solutions business. The sale resulted in cash proceeds of \$15.9 million and a loss of \$0.2 million. We have the ability to realize up to \$8.5 million of additional proceeds based on the earnings of the Fiber Materials business over the 24 months following the transaction. We have elected to record this contingent consideration as it is realized and as such, it is not recognized thus far on the transaction.

On July 3, 2017 we completed the sale of our Advanced Energy Technologies (AET) business. AET was a product line within our Engineered Solutions business which had been classified as held for sale since the second quarter of 2016. The sale resulted in cash proceeds of \$28.5 million.

On September 30, 2017, we completed the sale of the majority of the U.S. assets of our GrafTech Advanced Graphite Materials (GAGM) business, which was a component of our Engineered Solutions business. The sale of the Italian GAGM assets closed on October 5, 2017. In the jurisdictions where the GAGM assets were not acquired, we initiated the wind-down of the business which we expect to be substantially completed by year-end. The sale was structured as a non-cash transaction with the buyer assuming certain liabilities associated with the assets acquired. In addition, GrafTech retained certain current assets of GAGM, mostly receivables, which will be substantially realized in the course of the 4th quarter of 2017. As such, the disposition of the GAGM assets did not result in any cash proceeds in the third quarter of 2017.

As a result of the sales described above, we recorded a gain of \$3.7 million in the third quarter of 2017. The disposition of the Engineered Solutions business is now substantially complete, with only the wind-down in the fourth quarter of 2017 remaining.

In accordance with our Credit Facility, all cash proceeds from these sales were used to pay down our Revolving Facility and Term Loan.

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

The following tables summarize the results of the Engineered Solutions business segment, reclassified as discontinued operations for the three and nine months ended September 30, 2016 and 2017 .

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2016	2017	2016	2017
<i>(Dollars in thousands)</i>				
Net sales	\$ 30,165	\$ 14,528	\$ 89,184	\$ 78,721
Cost of sales	23,497	14,574	74,051	71,596
Gross profit (loss)	6,668	(46)	15,133	7,125
Research and development	707	106	2,398	1,387
Selling and administrative expenses	3,983	3,561	13,474	11,360
Gain on sale of assets	—	(3,676)	—	(3,676)
Impairments	—	—	105,623	5,300
Operating income (loss)	1,978	(37)	(106,362)	(7,246)
Other income	(3)	(56)	(75)	(71)
Interest expense	783	—	2,452	1,131
Income (loss) from discontinued operations before income taxes	1,198	19	(108,739)	(8,306)
Provision for (benefit from) income taxes on discontinued operations	64	(3,215)	(1,171)	(3,424)
Income (loss) from discontinued operations	\$ 1,134	\$ 3,234	\$ (107,568)	\$ (4,882)

The significant components of our Statements of Cash Flows for the Engineered Solutions business segment held for sale are as follows:

	For the Nine Months Ended September 30,	
	2016	2017
<i>(Dollars in thousands)</i>		
Depreciation and amortization	\$ 3,849	\$ 2,418
Impairment	105,623	5,300
Gain on sale of assets	—	(3,676)
Inventory	(217)	13,804
Deferred income taxes	(1,172)	(3,068)
Capital expenditures	3,621	528

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

The following table summarizes the carrying value of the assets and liabilities of discontinued operations as of December 31, 2016 and September 30, 2017 .

	As of December 31, 2016	As of September 30, 2017
	<i>(Dollars in thousands)</i>	
Assets of discontinued operations:		
Accounts receivable	\$ 17,094	\$ 10,004
Inventories	71,816	8,092
Prepaid expenses and other current assets	320	2,173
Net property plant and equipment	79,048	8,892
Other assets	12,608	746
Total assets of discontinued operations prior to impairment	180,886	29,907
Impairment	(119,907)	(14,532)
Total assets of discontinued operations	\$ 60,979	\$ 15,375
Liabilities of discontinued operations:		
Accounts payable	\$ 7,253	\$ 1,270
Accrued income and other taxes	2,326	238
Other accrued liabilities	10,463	10,449
Total current liabilities of discontinued operations	20,042	11,957
Other long-term obligations	850	581
Total liabilities of discontinued operations	\$ 20,892	\$ 12,538

(3) Segment Reporting

We previously operated two reportable business segments, Industrial Materials and Engineered Solutions. During 2016 the Company decided to sell the businesses that comprised our Engineered Solutions segment to focus on our Industrial Materials segment. During the second quarter of 2016 the Engineered Solutions segment qualified as held for sale status and as such the related results have been excluded from continuing operations. See Note 2 "Discontinued Operations and Assets Held for Sale" for significant components of the results of our Engineered Solutions segment.

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

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

Information concerning our reportable segment is as follows:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2016	2017	2016	2017
	<i>(Dollars in thousands)</i>			
Net sales to external customers:				
Industrial Materials	\$ 111,590	\$ 137,245	\$ 322,530	\$ 358,298
Operating (loss) income:				
Industrial Materials	(14,238)	8,308	(50,776)	4,218
Corporate, R&D and Other expenses	(5,413)	(6,407)	(18,908)	(17,203)
Total operating (loss) income	<u>\$ (19,651)</u>	<u>\$ 1,901</u>	<u>\$ (69,684)</u>	<u>\$ (12,985)</u>
Reconciliation of segment operating loss to loss before provision for income taxes				
Other expense (income), net	\$ (567)	\$ (643)	\$ (1,528)	\$ 3,610
Interest expense	6,964	7,792	19,860	23,240
Interest income	(158)	(58)	(169)	(320)
Loss from continuing operations before provision for income taxes	<u>\$ (25,890)</u>	<u>\$ (5,190)</u>	<u>\$ (87,847)</u>	<u>\$ (39,515)</u>

(4) Benefit Plans

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2016	2017	2016	2017
	<i>(Dollars in thousands)</i>			
Service cost	\$ 506	\$ 496	\$ 1,517	\$ 1,487
Interest cost	1,498	1,385	4,494	4,154
Expected return on plan assets	(1,307)	(1,389)	(3,922)	(4,166)
Net cost	<u>\$ 697</u>	<u>\$ 492</u>	<u>\$ 2,089</u>	<u>\$ 1,475</u>

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2016	2017	2016	2017
	<i>(Dollars in thousands)</i>			
Service cost	\$ 1	\$ 1	\$ 3	\$ 1
Interest cost	272	241	815	724
Net cost	<u>\$ 273</u>	<u>\$ 242</u>	<u>\$ 818</u>	<u>\$ 725</u>

(5) 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 graphite electrodes reporting unit level 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.

The following tables represent the changes in the carrying value of goodwill and intangibles for the nine months ended September 30, 2017

:

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

Goodwill

Balance as of December 31, 2016	\$	171,117
Adjustments		—
Balance as of September 30, 2017	\$	171,117

Intangible Assets

	As of December 31, 2016			As of September 30, 2017		
	Gross Carrying Amount	Accumulated Amortization & Impairment	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization & Impairment	Net Carrying Amount
	<i>(Dollars in Thousands)</i>					
Trade name	\$ 22,500	\$ (3,235)	\$ 19,265	\$ 22,500	\$ (4,954)	\$ 17,546
Technological know-how	55,300	(10,397)	44,903	55,300	(15,646)	39,654
Customer –related intangible	64,500	(6,177)	58,323	64,500	(9,527)	54,973
Total finite-lived intangible assets	\$ 142,300	\$ (19,809)	\$ 122,491	\$ 142,300	\$ (30,127)	\$ 112,173

Amortization expense of acquired intangible assets was \$3.5 million and \$10.7 million in the three and nine months ended September 30, 2016 and \$3.4 million and \$10.3 million in the three and nine months ended September 30, 2017 . Estimated amortization expense will approximate \$3.3 million in the remainder of 2017 , \$12.9 million in 2018, \$12.2 million in 2019, \$11.4 million in 2020 and \$10.7 million in 2021.

(6) Debt and Liquidity

The following table presents our long-term debt:

	As of December 31, 2016	As of September 30, 2017
	<i>(Dollars in thousands)</i>	
Credit Facility (Revolving Facility and Term Loan Facility)	\$ 90,731	\$ 54,076
Senior Notes	274,132	278,959
Other Debt	569	677
Total Debt	365,432	333,712
Less: Short-term Debt	(8,852)	(13,282)
Long-term Debt	\$ 356,580	\$ 320,430

The fair value of debt, which was determined using Level 2 inputs, was \$347.4 million versus a book value of \$333.7 million as of September 30, 2017 . As a result of our acquisition by Brookfield and the resulting purchase price accounting adjustments, our Senior Notes were adjusted to their fair market value as of August 15, 2015. The discount to fair value will be accreted over the remaining term of the Notes.

Credit Facility

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

On July 28, 2015, GrafTech and certain of its subsidiaries entered into an amendment to the Amended and Restated Credit Agreement to change the terms regarding the occurrence of a default upon a change in control (which is defined thereunder to include the acquisition by any person of more than 25 percent of GrafTech's outstanding shares) to exclude the acquisition of shares by Brookfield. In addition, effective upon such acquisition, the financial

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

covenants were eased, resulting in increased availability under the Revolving Facility. The size of the Revolving Facility was also reduced from \$400 million to \$375 million. The size of the Term Loan Facility remained at \$40 million.

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

With this amendment, the Company has full access to the \$225 million Revolving Facility, subject to the \$25 million minimum liquidity requirement. As of September 30, 2017, the Company had \$35.3 million of borrowings on the Revolving Facility and \$11.6 million of letters of credit drawn against the Revolving Facility.

The \$40 million Term Loan Facility was fully drawn on August 11, 2015, in connection with the repayment of the Senior Subordinated Notes. The balance of the Term Loan Facility was \$18.8 million as of September 30, 2017.

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

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.

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

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.

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

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

(7) Inventories

Inventories are comprised of the following:

	As of December 31, 2016	As of September 30, 2017
	<i>(Dollars in thousands)</i>	
Inventories:		
Raw materials and supplies	\$ 54,469	\$ 55,492
Work in process	52,379	65,349
Finished goods	49,263	43,727
Total	\$ 156,111	\$ 164,568

We recorded lower of cost or market inventory adjustments of \$19.5 million and \$1.8 million in the nine months ended September 30, 2016 and September 30, 2017, respectively. The decrease is attributable to the reduction in product costs and increases in prices.

(8) Interest Expense

The following tables present the components of interest expense:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2016	2017	2016	2017
	<i>(Dollars in thousands)</i>			
Interest incurred on debt	\$ 5,306	\$ 6,097	\$ 15,020	\$ 18,183
Accretion of fair value adjustment on Senior Notes	1,581	1,618	4,715	4,826
Amortization of debt issuance costs	77	77	125	231
Total interest expense	\$ 6,964	\$ 7,792	\$ 19,860	\$ 23,240

Interest Rates

The Revolving Facility and Term Loan Facility had an effective interest rate of 5.52% and 5.99% as of December 31, 2016 and September 30, 2017, respectively. The Senior Notes have a fixed interest rate of 6.375%.

(9) 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

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

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.

Litigation has been pending in Brazil brought by employees seeking to recover additional amounts under certain wage increase provisions applicable in 1989 and 1990 under collective bargaining agreements to which employers in the Bahia region of Brazil were a party (including our subsidiary in Brazil), plus interest thereon. Prior to October 1, 2015, we were not party to such litigation. Companies in Brazil have recently settled claims arising out of these provisions and, in May 2015, the litigation was remanded, in favor of the employees, by the Brazil Supreme Court to the lower courts for further proceedings which included procedural aspects of the case, such as admissibility of instruments filed by the parties. We cannot predict the outcome of such litigation. On October 1, 2015, an action was filed by current and former employees against our subsidiary in Brazil to recover amounts under such provisions, plus interest thereon, which amounts together with interest could be material to us. In the 1st quarter 2017, this case was ruled in favor of the employees at the state court level. The Company has appealed and intends to vigorously defend itself. The claims specify neither the employees covered nor the amount of damages sought, therefore a range of potential losses cannot be estimated.

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 nine months ended September 30, 2017, are presented below:

	<i>(Dollars in thousands)</i>
Balance as of December 31, 2016	\$ 969
Product warranty adjustments	(210)
Accruals and Payments	(290)
Balance as of September 30, 2017	\$ 469

(10) 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 tables summarize the provision for income taxes for the three and nine months ended September 30, 2016 and September 30, 2017 :

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2016	2017	2016	2017
<i>(Dollars in thousands)</i>				
Tax (benefit) expense	\$ (1,789)	\$ 1,963	\$ (7,675)	\$ 3,249
Pretax loss	(25,890)	(5,190)	(87,847)	(39,515)
Effective tax rates	6.9%	(37.8)%	8.7%	(8.2)%

For the three and nine months ended September 30, 2016 and 2017 the effective tax rate differs from the U.S. statutory rate of 35% primarily due to recent losses in the U.S. and Switzerland where we receive no tax benefit due to a full valuation allowance and worldwide earnings from various countries taxed at different rates. The recognition of the valuation allowance does not result in or limit the Company's ability to utilize these tax assets in the future.

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

As of September 30, 2017 , we had unrecognized tax benefits of \$2.6 million , \$2.3 million of which, if recognized, would have a favorable impact on our effective tax rate.

We file income tax returns in the U.S. federal jurisdiction, and various state and foreign jurisdictions. All U.S. federal tax years prior to 2014 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 2010.

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

(11) Derivative Instruments

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

Certain of our derivative contracts contain provisions that require us to provide collateral. Since the counterparties to these financial instruments are large commercial banks and similar financial institutions, we do not believe that we are exposed to material counterparty credit risk. We do not anticipate nonperformance by any of the counter-parties to our instruments. Our derivative risk management strategy has not resulted in a material impact to our financial results in 2016 or 2017. Our derivative assets and liabilities are included within "Prepaid expenses and other current assets" and "Other current liabilities" on the Condensed Consolidated Balance Sheets and effects of these derivatives are recorded in revenue, cost of goods sold and other expense (income) on the Condensed Consolidated Statements of Operations.

Foreign currency derivatives

We enter into foreign currency derivatives from time to time to attempt to manage exposure to changes in currency exchange rates. These foreign currency instruments, which include, but are not limited to, forward exchange contracts and purchased currency options, attempt to hedge global currency exposures such as foreign currency denominated debt, sales, receivables, payables, and purchases. Forward exchange contracts are agreements to exchange different currencies at a specified future date and at a specified rate. There was no ineffectiveness on these contracts designated as hedging instruments during the nine months ended September 30, 2016 and 2017 , respectively.

In 2016 and 2017 , we entered into foreign currency derivatives denominated in the Mexican peso, South African rand, Brazilian real, euro and Japanese yen. These derivatives were entered into to protect the risk that the eventual cash flows resulting from commercial and business transactions may be adversely affected by changes in exchange rates between the U.S. dollar and the Mexican peso, euro, South African rand and Japanese yen. As of September 30, 2017 , we had outstanding Mexican peso, euro, and Japanese yen currency contracts with an aggregate notional amount of \$18.8 million . The foreign currency derivatives outstanding as of September 30, 2017 , have maturities through December 29, 2017 .

Commodity derivative contracts

We periodically enter into derivative contracts for certain refined oil products and natural gas. These contracts are entered into to protect against the risk that eventual cash flows related to these products may be adversely affected by future changes in prices. As of September 30, 2017 , we had no outstanding derivative swap contracts for refined oil products or natural gas.

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

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 \$13.3 million and \$13.5 million as of December 31, 2016 and September 30, 2017, respectively. Within the currency translation adjustment portion of other comprehensive income, we recorded losses of \$0.9 million and \$1.5 million for the three and nine months ended September 30, 2016, respectively. We incurred a gain of \$0.5 million and a loss of \$0.2 million in the three and nine months ended September 30, 2017, respectively, resulting from these net investment hedges.

(12) 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 are 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 LP, GrafTech Global Enterprises Inc., GrafTech International Holdings Inc., GrafTech DE LLC, GrafTech Seadrift Holding Corp, 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, 2016 and September 30, 2017, condensed consolidating statements of operations and comprehensive income for the three and nine months ended September 30, 2016 and 2017 and the condensed consolidating statements of cashflows for the nine months ended September 30, 2016 and 2017.

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

CONDENSED CONSOLIDATING BALANCE SHEETS

As of December 31, 2016

(in thousands)

	Parent	Guarantors	Non-Guarantors	Consolidating Entries and Eliminations	Consolidated
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ —	\$ 636	\$ 10,974	\$ —	\$ 11,610
Accounts receivable - affiliates	51,592	3,624	19,643	(74,859)	—
Accounts receivable - trade	—	7,518	73,050	—	80,568
Inventories	—	44,563	111,548	—	156,111
Prepaid and other current assets	1,350	4,853	15,462	—	21,665
Current assets of discontinued operations	—	51,160	14,296	(4,477)	60,979
Total current assets	52,942	112,354	244,973	(79,336)	330,933
Investment in affiliates	844,379	601,597	—	(1,445,976)	—
Property, plant and equipment	—	191,503	317,352	—	508,855
Deferred income taxes	—	—	19,803	—	19,803
Goodwill	—	70,399	100,718	—	171,117
Notes receivable - affiliate	—	49,003	—	(49,003)	—
Other assets	—	70,767	70,801	—	141,568
Total Assets	<u>\$ 897,321</u>	<u>\$ 1,095,623</u>	<u>\$ 753,647</u>	<u>\$ (1,574,315)</u>	<u>\$ 1,172,276</u>
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current Liabilities:					
Accounts payable - affiliate	\$ 806	\$ 71,243	\$ 2,810	\$ (74,859)	\$ —
Accounts payable - trade	964	8,033	38,666	—	47,663
Short-term debt	—	3,062	5,790	—	8,852
Accrued income and other taxes	—	2,095	3,161	—	5,256
Other accrued liabilities	2,444	12,205	15,945	—	30,594
Short-term liabilities of discontinued operations	—	20,381	4,138	(4,477)	20,042
Total current liabilities	4,214	117,019	70,510	(79,336)	112,407
Long-term debt - affiliate	41,590	—	7,413	(49,003)	—
Long-term debt - third party	274,132	81,695	753	—	356,580
Other long-term obligations	—	50,943	31,205	—	82,148
Deferred income taxes	—	909	41,997	—	42,906
Long-term liabilities of discontinued operations	—	678	172	—	850
Stockholders' equity	577,385	844,379	601,597	(1,445,976)	577,385
Total Liabilities and Stockholders' Equity	<u>\$ 897,321</u>	<u>\$ 1,095,623</u>	<u>\$ 753,647</u>	<u>\$ (1,574,315)</u>	<u>\$ 1,172,276</u>

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

CONDENSED CONSOLIDATING BALANCE SHEETS

As of September 30, 2017

(in thousands)

	Parent	Guarantors	Non-Guarantors	Consolidating Entries and Eliminations	Consolidated
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ —	\$ 1,117	\$ 15,259	\$ —	\$ 16,376
Accounts receivable - affiliates	51,592	9,022	25,510	(86,124)	—
Accounts receivable - trade	—	9,262	70,870	—	80,132
Inventories	—	41,118	123,450	—	164,568
Prepaid and other current assets	555	3,641	15,782	—	19,978
Current assets of discontinued operations	—	10,083	5,447	(155)	15,375
Total current assets	52,147	74,243	256,318	(86,279)	296,429
Investment in affiliates	839,335	592,304	—	(1,431,639)	—
Property, plant and equipment	—	179,635	329,829	—	509,464
Deferred income taxes	—	—	19,220	—	19,220
Goodwill	—	70,399	100,718	—	171,117
Notes receivable - affiliate	—	61,006	—	(61,006)	—
Other assets	—	61,554	62,224	—	123,778
Total Assets	<u>\$ 891,482</u>	<u>\$ 1,039,141</u>	<u>\$ 768,309</u>	<u>\$ (1,578,924)</u>	<u>\$ 1,120,008</u>
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current Liabilities:					
Accounts payable - affiliate	\$ 825	\$ 77,103	\$ 8,196	\$ (86,124)	\$ —
Accounts payable - trade	—	10,392	47,984	—	58,376
Short-term debt	—	4,334	8,948	—	13,282
Accrued income and other taxes	—	1,686	6,445	—	8,131
Other accrued liabilities	7,225	9,350	17,452	—	34,027
Liabilities of discontinued operations	—	8,805	3,307	(155)	11,957
Total current liabilities	8,050	111,670	92,332	(86,279)	125,773
Long-term debt - affiliate	53,593	—	7,413	(61,006)	—
Long-term debt - third party	278,959	40,595	876	—	320,430
Other long-term obligations	—	45,882	33,094	—	78,976
Deferred income taxes	—	1,283	42,085	—	43,368
Long-term liabilities of discontinued operations	—	376	205	—	581
Stockholders' equity	550,880	839,335	592,304	(1,431,639)	550,880
Total Liabilities and Stockholders' Equity	<u>\$ 891,482</u>	<u>\$ 1,039,141</u>	<u>\$ 768,309</u>	<u>\$ (1,578,924)</u>	<u>\$ 1,120,008</u>

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

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

For the Three months ended September 30, 2016

(in thousands)

	Parent	Guarantors	Non-Guarantors	Consolidating Entries and Eliminations	Consolidated
Sales - affiliates	\$ —	\$ 16,334	\$ 10,078	\$ (26,412)	\$ —
Sales - third party	—	21,891	89,699	—	111,590
Net sales	—	38,225	99,777	(26,412)	111,590
Cost of sales	—	36,886	103,128	(26,412)	113,602
Additions to lower cost or market inventory reserve	—	1,915	2,983	—	4,898
Gross loss	—	(576)	(6,334)	—	(6,910)
Research and development	—	526	—	—	526
Selling and administrative expenses	—	3,906	8,309	—	12,215
Operating loss	—	(5,008)	(14,643)	—	(19,651)
Other expense (income), net	—	287	(854)	—	(567)
Interest expense - affiliate	268	—	—	(268)	—
Interest expense - third party	6,362	473	129	—	6,964
Interest income - affiliate	—	(268)	—	268	—
Interest income - third party	—	—	(158)	—	(158)
Loss from continuing operations before provision for income taxes	(6,630)	(5,500)	(13,760)	—	(25,890)
Provision for income taxes	—	123	(1,912)	—	(1,789)
Equity in loss from continuing operations of subsidiary	(17,471)	(11,848)	—	29,319	—
Net loss from continuing operations	(24,101)	(17,471)	(11,848)	29,319	(24,101)
Income from discontinued operations, net of tax	—	958	176	—	1,134
Equity in income from discontinued operations	1,134	176	—	(1,310)	—
Net income from discontinued operations	1,134	1,134	176	(1,310)	1,134
Net loss	\$ (22,967)	\$ (16,337)	\$ (11,672)	\$ 28,009	\$ (22,967)

**Statements of
Comprehensive Income
(Loss)**

Net loss	\$ (22,967)	\$ (16,337)	\$ (11,672)	\$ 28,009	\$ (22,967)
Other comprehensive income	2,418	2,418	2,418	(4,836)	2,418
Comprehensive loss	\$ (20,549)	\$ (13,919)	\$ (9,254)	\$ 23,173	\$ (20,549)



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

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

For the Three months ended September 30, 2017

(in thousands)

	Parent	Guarantors	Non-Guarantors	Consolidating Entries and Eliminations	Consolidated
Sales - affiliates	\$ —	\$ 23,063	\$ 22,665	\$ (45,728)	\$ —
Sales - third party	—	32,617	104,628	—	137,245
Net sales	—	55,680	127,293	(45,728)	137,245
Cost of sales	—	58,380	107,768	(45,728)	120,420
Additions to lower of cost or market inventory reserve	—	—	264	—	264
Gross (loss) profit	—	(2,700)	19,261	—	16,561
Research and development	—	1,338	—	—	1,338
Selling and administrative expenses	—	3,471	9,851	—	13,322
Operating (loss) income	—	(7,509)	9,410	—	1,901
Other expense (income), net	1	229	(873)	—	(643)
Interest expense - affiliate	916	—	—	(916)	—
Interest expense - third party	6,399	1,264	129	—	7,792
Interest income - affiliate	—	(916)	—	916	—
Interest income - third party	—	—	(58)	—	(58)
(Loss) income from continuing operations before provision for income taxes	(7,316)	(8,086)	10,212	—	(5,190)
(Benefit from) provision for income taxes	—	(524)	2,487	—	1,963
Equity in income from continuing operations of subsidiary	163	7,725	—	(7,888)	—
Net (loss) income from continuing operations	(7,153)	163	7,725	(7,888)	(7,153)
Income (loss) income from discontinued operations, net of tax	—	7,637	(4,403)	—	3,234
Equity in income (loss) from discontinued operations	3,234	(4,403)	—	1,169	—
Net income (loss) from discontinued operations	3,234	3,234	(4,403)	1,169	3,234
Net (loss) income	<u>\$ (3,919)</u>	<u>\$ 3,397</u>	<u>\$ 3,322</u>	<u>\$ (6,719)</u>	<u>\$ (3,919)</u>

**Statements of
Comprehensive Income (Loss)**

Net (loss) income	\$ (3,919)	\$ 3,397	\$ 3,322	\$ (6,719)	\$ (3,919)
Other comprehensive income	7,546	7,546	7,546	(15,092)	7,546

Comprehensive income	\$ 3,627	\$ 10,943	\$ 10,868	\$ (21,811)	\$ 3,627
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PART I (CONT'D)
GRAFTECH INTERNATIONAL LTD. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

For the Nine Months Ended September 30, 2016

(in thousands)

	Parent	Guarantors	Non-Guarantors	Consolidating Entries and Eliminations	Consolidated
Sales - affiliates	\$ —	\$ 95,471	\$ 45,802	\$ (141,273)	\$ —
Sales - third party	—	64,534	257,996	—	322,530
Net sales	—	160,005	303,798	(141,273)	322,530
Cost of sales	—	142,299	330,271	(141,273)	331,297
Additions to lower cost or market inventory reserve	—	5,697	13,826	—	19,523
Gross profit (loss)	—	12,009	(40,299)	—	(28,290)
Research and development	—	1,964	—	—	1,964
Selling and administrative expenses	—	13,695	25,735	—	39,430
Operating (loss) income	—	(3,650)	(66,034)	—	(69,684)
Other expense (income), net	6	1,029	(2,563)	—	(1,528)
Interest expense - affiliate	702	—	—	(702)	—
Interest expense - third party	19,059	527	274	—	19,860
Interest income - affiliate	—	(702)	—	702	—
Interest income - third party	—	—	(169)	—	(169)
Income (Loss) from continuing operations before provision for income taxes	(19,767)	(4,504)	(63,576)	—	(87,847)
Provision for (benefit from) income taxes	—	378	(8,053)	—	(7,675)
Equity in loss from continuing operations of subsidiary	(60,405)	(55,523)	—	115,928	—
Net loss from continuing operations	(80,172)	(60,405)	(55,523)	115,928	(80,172)
Loss from discontinued operations, net of tax	—	(104,372)	(3,196)	—	(107,568)
Equity in loss from discontinued operations	(107,568)	(3,196)	—	110,764	—
Net loss from discontinued operations	(107,568)	(107,568)	(3,196)	110,764	(107,568)
Net loss	<u>\$ (187,740)</u>	<u>\$ (167,973)</u>	<u>\$ (58,719)</u>	<u>\$ 226,692</u>	<u>\$ (187,740)</u>

**Statements of
Comprehensive Income (Loss)**

Net loss	\$ (187,740)	\$ (167,973)	\$ (58,719)	\$ 226,692	\$ (187,740)
Other comprehensive income	14,119	14,119	14,119	(28,238)	14,119

Comprehensive loss	\$ (173,621)	\$ (153,854)	\$ (44,600)	\$ 198,454	\$ (173,621)
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PART I (CONT'D)
GRAFTECH INTERNATIONAL LTD. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

For the Nine Months Ended September 30, 2017

(in thousands)

	Parent	Guarantors	Non-Guarantors	Consolidating Entries and Eliminations	Consolidated
Sales - affiliates	\$ —	\$ 69,860	\$ 47,373	\$ (117,233)	\$ —
Sales - third party	—	76,980	281,318	—	358,298
Net sales	—	146,840	328,691	(117,233)	358,298
Cost of sales	—	150,164	296,269	(117,233)	329,200
Additions to lower of cost or market inventory reserve	—	934	839	—	1,773
Gross (loss) profit	—	(4,258)	31,583	—	27,325
Research and development	—	3,110	—	—	3,110
Selling and administrative expenses	—	10,740	26,460	—	37,200
Operating (loss) profit	—	(18,108)	5,123	—	(12,985)
Other expense (income), net	7	665	2,938	—	3,610
Interest expense - affiliate	2,363	—	—	(2,363)	—
Interest expense - third party	19,170	3,739	331	—	23,240
Interest income - affiliate	—	(2,363)	—	2,363	—
Interest income - third party	—	—	(320)	—	(320)
(Loss) income from continuing operations before provision for income taxes	(21,540)	(20,149)	2,174	—	(39,515)
(Benefit from) provision for income taxes	—	(270)	3,519	—	3,249
Equity in loss from continuing operations of subsidiary	(21,224)	(1,345)	—	22,569	—
Net loss from continuing operations	(42,764)	(21,224)	(1,345)	22,569	(42,764)
Income (loss) from discontinued operations, net of tax	77	(143)	(4,816)	—	(4,882)
Equity in loss from discontinued operations	(4,959)	(4,816)	—	9,775	—
Net loss from discontinued operations	(4,882)	(4,959)	(4,816)	9,775	(4,882)
Net loss	<u>\$ (47,646)</u>	<u>\$ (26,183)</u>	<u>\$ (6,161)</u>	<u>\$ 32,344</u>	<u>\$ (47,646)</u>

Statements of Comprehensive Income (Loss)

Net loss	\$ (47,646)	\$ (26,183)	\$ (6,161)	\$ 32,344	\$ (47,646)
Other comprehensive income	21,141	21,141	21,141	(42,282)	21,141
Comprehensive (loss) income	<u>\$ (26,505)</u>	<u>\$ (5,042)</u>	<u>\$ 14,980</u>	<u>\$ (9,938)</u>	<u>\$ (26,505)</u>

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

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS

For the Nine Months Ended September 30, 2016

(in thousands)

	Parent	Guarantors	Non-Guarantors	Consolidating Entries and Eliminations	Consolidated
Net cash (used in) provided by operating activities:	\$ (9,568)	\$ 19,207	\$ 19,092	\$ —	\$ 28,731
Cash flow from investing activities:					
(Loans to) repayments from affiliates	—	(9,568)	—	9,568	—
Capital expenditures	—	(7,453)	(14,804)	—	(22,257)
Other	—	—	(1,171)	—	(1,171)
Proceeds from sale of fixed assets	—	458	227	—	685
Net cash (used in) provided by investing activities	—	(16,563)	(15,748)	9,568	(22,743)
Cash flow from financing activities:					
Loans from (Repayments to) affiliates	9,568	—	—	(9,568)	—
Short-term debt, net	—	3	500	—	503
Revolving Facility borrowings	—	35,000	5,000	—	40,000
Revolving Facility reductions	—	(36,000)	(5,000)	—	(41,000)
Principal payments on long term debt	—	(104)	—	—	(104)
Revolver facility refinancing	—	(922)	—	—	(922)
Net cash provided by (used in) financing activities	9,568	(2,023)	500	(9,568)	(1,523)
Net change in cash and cash equivalents	—	621	3,844	—	4,465
Effect of exchange rate changes on cash and cash equivalents	—	—	755	—	755
Cash and cash equivalents at beginning of period	—	646	6,281	—	6,927
Cash and cash equivalents at end of period	\$ —	\$ 1,267	\$ 10,880	\$ —	\$ 12,147

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

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS

For the Nine Months Ended September 30, 2017

(in thousands)

	Parent	Guarantors	Non-Guarantors	Consolidating Entries and Eliminations	Consolidated
Net cash (used in) provided by operating activities:	\$ (9,660)	\$ 25,784	\$ 42,076	\$ (24,619)	\$ 33,581
Cash flow from investing activities:					
Loans to affiliates	—	(9,660)	—	9,660	—
Capital expenditures	—	(2,835)	(20,193)	—	(23,028)
Proceeds from sale of assets	—	433	3,605	—	4,038
Proceeds from divestitures	—	26,818	—	—	26,818
Net cash provided by (used in) investing activities	—	14,756	(16,588)	9,660	7,828
Cash flow from financing activities:					
Loans from affiliates	9,660	—	—	(9,660)	—
Dividends to affiliates	—	—	(24,619)	24,619	—
Short-term debt, net	—	2,803	3,142	—	5,945
Revolving Facility borrowings	—	35,000	—	—	35,000
Revolving Facility reductions	—	(77,755)	—	—	(77,755)
Principal payments on long term debt	—	(107)	—	—	(107)
Net cash provided by (used in) financing activities	9,660	(40,059)	(21,477)	14,959	(36,917)
Net change in cash and cash equivalents	—	481	4,011	—	4,492
Effect of exchange rate changes on cash and cash equivalents	—	—	274	—	274
Cash and cash equivalents at beginning of period	—	636	10,974	—	11,610
Cash and cash equivalents at end of period	\$ —	\$ 1,117	\$ 15,259	\$ —	\$ 16,376

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 "Risk Factors" in the Annual Report. We cannot guarantee the accuracy or completeness of this market and market share data and have not independently verified it. None of the sources has consented to the disclosure or use of data in this Report.

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

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

Forward Looking Statements

Forward Looking Statements and Risks. This Report contains forward looking statements. In addition, we or our representatives have made or may make forward looking statements on telephone or conference calls, by webcasts or emails, in person, in presentations or written materials, or otherwise. These include statements about such matters as future, targeted or expected (or the impact of current, future, expected or targeted): outlook for 2017 or beyond; operational and financial performance; growth prospects and rates; future or targeted profitability, cash flow, liquidity and capital resources, production rates, inventory levels and EBITDA; the impact of rationalization, product line change, cost and liquidity initiatives; changes in the operating rates or efficiency in our operations or our competitors' or customers' operations; product quality; diversification, new products, and product improvements and their impact on our business; the integration or impact of acquired businesses; divestitures, asset sales, investments and acquisitions that we may make in the future; possible debt or equity financing or refinancing (including factoring and supply chain financing) activities; the impact of customer bankruptcies; conditions and changes in the global financial and credit markets; possible changes in control of the Company and the impacts thereof; the impact of accounting changes; and currency exchange and interest rates and changes therein; changes in production capacity in our operations and our competitors' or customers' operations and the utilization rates of that capacity; growth rates for, prices and sales of, and demand for, our products and our customers' products; costs of materials and production, including increases or decreases therein, our ability to pass on any such increases in our product prices or impose surcharges thereon, or customer or market demand to reduce our prices due to such decreases; changes in customer order patterns due to changes in economic conditions; productivity, business process and operational initiatives; the markets we serve and our position in those markets; financing and refinancing activities; investments and acquisitions and the performance of the businesses underlying such acquisitions and investments; employment and contributions of key personnel; employee relations and collective bargaining agreements covering many of our operations; tax rates and the effects of jurisdictional mix; capital expenditures and changes therein; nature and timing of restructuring and rationalization charges and payments; inventory and supply chain management; customer and supplier contractual provisions and related opportunities and issues; competitive activities; strategic plans, initiatives and business projects; regional and global economic and industry market conditions, the timing and magnitude of changes in such conditions; interest rate management activities; currency rate management activities; deleveraging activities; rationalization, restructuring, realignment, strategic alliance, raw material and supply chain, technology development and collaboration, investment, acquisition, venture, operational, tax, financial and capital projects; legal proceedings, investigations, contingencies, and environmental compliance including any regulatory initiatives with respect to greenhouse gas emissions; consulting projects; and costs, working capital, revenues, business opportunities, debt levels, cash flows, cost savings and reductions, margins, earnings and growth. The words "will," "may," "plan," "estimate," "project," "believe,"

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

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

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

- the possibility that additions to capacity for producing electric arc furnace ("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 distributed as we anticipate;
- the possibility that increases or decreases in graphite electrode manufacturing capacity (including growth by producers in developing countries), competitive pressures (including changes in, and the mix, distribution, and pricing of, competitive products), reduction in specific consumption rates, increases or decreases in customer inventory levels, or other changes in the graphite electrode markets may occur, which may impact demand for, prices or unit and dollar volume sales of graphite electrodes and growth or profitability of our graphite electrodes business;
- the possible failure of changes in EAF steel production or graphite electrode production to result in stable or increased, or offset decreases in, graphite electrode demand, prices, or sales volume;
- the possibility that a determination that we have failed to comply with one or more export controls or trade sanctions to which we are subject with respect to products or technology exported from the United States or other jurisdictions could result in civil or criminal penalties, denial of export privileges and loss of revenues from certain customers;
- the possibility that, for all of our product lines, capital improvement and expansion in our customers ' operations or increases in demand for their products may not occur or may not occur at the rates that we anticipate or the demand for their products may decline, which may affect their demand for the products we sell to them, which could affect our profitability and cash flows as well as the recoverability of our assets;
- the possibility that assumptions related to future expectations of financial performance materially change and impact our goodwill and long-lived asset carrying values;
- the possibility that our financial assumptions and expectations materially change as a result of government or state-owned government subsidies, incentives and trade barriers;
- the possibility that current economic disruptions or other conditions may result in idling or permanent closing of blast furnace capacity or delay of blast furnace capacity additions or replacements which may affect demand and prices for our refractory products;
- the possibility that continued global consolidation of the world ' s largest steel producers could impact our business or industry;
- the possibility that average graphite electrode revenue per metric ton in the future may be different than current spot or market prices due to changes in product mix, changes in currency exchange rates, changes in competitive market conditions or other factors;
- the possibility that price increases, adjustments or surcharges may not be realized or that price decreases may occur;
- the possibility that current challenging economic conditions and economic demand reduction may continue to impact our revenues and costs;
- the possibility that U.S., European, Chinese, or other governmental monetary or fiscal policy may adversely affect global economic activity and demand for our products;

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 there will be 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;
- the possibility that our manufacturing capabilities may not be sufficient or that we may experience delays in expanding or fail to expand our manufacturing capacity to meet demand for existing, new or improved products;
- the possibility that we may propose acquisitions or divestitures in the future, that we may not complete the acquisitions or divestitures, and that investments and acquisitions that we may make in the future may not be successfully integrated into our business or provide the performance or returns expected or that divestitures may not generate the proceeds anticipated;
- the possibility that challenging conditions or changes in the capital markets will limit our ability to undertake refinancing activities or obtain financing for growth and other initiatives, on acceptable terms or at all;
- the possibility that conditions or changes in the global equity markets may have a material impact on our future pension funding obligations and liabilities on our balance sheet;
- the possibility that the amount or timing of our anticipated capital expenditures may be limited by our financial resources or financing arrangements or that our ability to complete capital projects may not occur timely enough to adapt to changes in market conditions or changes in regulatory requirements;
- the possibility that the actual outcome of uncertainties associated with assumptions and estimates using judgment when applying critical accounting policies and preparing financial statements may have a material impact on our results of operations or financial position;
- 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;

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

- the occurrence of unanticipated events or circumstances or changing interpretations and enforcement agendas relating to health, safety or environmental compliance or remediation obligations or liabilities to third parties or relating to labor relations;
- the possibility that new or expanded regulatory initiatives with respect to greenhouse gas emissions could increase the capital intensive nature of our business and add to our costs of production;
- the possibility that our provision for income taxes and effective income tax rate or cash tax rate may fluctuate significantly due to (i) changes in applicable tax rates or laws, (ii) changes in the sources of our income, (iii) changes in tax planning, (iv) new or changing interpretations of applicable regulations, (v) changes in profitability, (vi) changes in our estimate of our future ability to use foreign tax credits or other tax attributes, and (vii) other factors;
- the possibility of changes in interest or currency exchange rates or in inflation or deflation;
- the possibility that our outlook could be significantly impacted by, among other things, developments in North Africa, the Middle East, North Korea, and other areas of concern, the occurrence of further terrorist acts and developments resulting from the war on terrorism;
- the possibility that interruption in our major raw material, energy or utility supplies due to, among other things, natural or nuclear disasters, process interruptions, actions by producers and capacity limitations, may adversely affect our ability to manufacture and supply our products or result in higher costs;
- the possibility that the magnitude of changes in the cost of major raw materials, energy or utility suppliers by reason of shortages, changes in market pricing, pricing terms in applicable supply contracts, or other events may adversely affect our ability to manufacture and supply our products or result in higher costs;
- the possibility of interruptions in production at our facilities due to, among other things, critical equipment failure, which may adversely affect our ability to manufacture and supply our products or result in higher costs;
- the possibility that we may not achieve the earnings or other financial or operational metrics that we provide as guidance from time to time;
- the possibility that the anticipated benefits from rationalizations and other cost savings initiatives may be delayed or may not occur, may vary in cost or may result in unanticipated disruptions;
- the possibility of security breaches affecting our information technology systems;
- the possibility that our disclosure or internal controls may become inadequate because of changes in conditions or personnel or that those controls may not operate effectively and may not prevent or detect misstatements or errors;
- the possibility that severe economic conditions may adversely affect our business, liquidity or capital resources;
- the possibility that delays may occur in the financial statement closing process;
- the possibility of changes in performance that may affect financial covenant compliance or funds available for borrowing; and
- other risks and uncertainties, including those described elsewhere in this Report or our other SEC filings, as well as future decisions by us.

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 securities.

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.

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

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 2016 Annual Report on Form 10-K.

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, Outlook and Business Overview

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

In its July, 2017 report, the International Monetary Fund (IMF) confirmed its April estimated global growth rate of 3.5 percent for 2017 and 3.6 percent for 2018. The IMF noted that the unchanged global growth projections mask somewhat different contributions at a country level. U.S. growth projections are lower than in April reflecting the assumption that fiscal policy will be less expansionary going forward than previously anticipated. Growth estimated for Japan and the Euro area have increased due to "positive surprises to activity in late 2016 and early 2017". The IMF estimates for China have also been revised upwards since April 2017 due to a strong first quarter of 2017.

In its short range outlook released on October 16, 2017, the World Steel Association (WSA) forecasts that global steel demand will increase to 1,622 million tons in 2017 and 1,648 in 2018. Additionally, WSA estimates global steel production outside of China will grow 2.8% in 2017 and 3.0% in 2018. WSA noted that both advanced and developing economies are exhibiting stronger economic momentum this year. Confidence and investment sentiments are improving in a large part of the world despite some financial market volatility and growing concern of stock market overvaluation.

The graphite electrode industry has historically followed the growth of the electric arc furnace ("EAF") steel producing industry and to a lesser extent, the steel industry as a whole. Recent macroeconomic and industry-specific conditions have created significant increases in demand for graphite electrodes. First, Chinese steel exports have been reduced in 2017, leading to increased steel production outside of China which are the markets that we serve. The share of steel produced by EAF as compared to blast furnaces is significantly higher outside of China resulting in increased overall EAF production and increased demand for electrodes. Additionally, economic advantages that traditional blast furnace steel shops were experiencing in the recent past due to lower raw material costs have subsided, allowing EAF production and blast furnace production economics to be more in line with their historical balance. Finally, recent environmental restrictions imposed on Chinese manufacturing facilities has decreased graphite electrode production in China. Prior to this improvement in demand the electrode industry experienced a five year extended downturn resulting in a reduction of electrode capacity of approximately 200,000 metric tons (or approximately 20%) outside of China.

The culmination of these factors has led to considerable concern over the graphite electrode industry's ability to meet customers' demand in 2018. As a result, there has been a significant increase in the current spot market price of graphite electrodes. There are indications that this demand and supply imbalance could be an issue that persists for some time. As a result, we have begun an initiative to offer three to five year supply contracts to our strategic customers. We believe that these contracts will benefit our customers by providing them with long-term security of supply. This would also give us greater certainty to invest in our facilities to continue to provide the level of service, quality, and reliability that our customers expect and value.

Since our acquisition by Brookfield two years ago, we have improved our operating performance by refocusing on our core electrode business, divesting of non-core segments, optimizing production and improving productivity at our low-cost plants, improving electrode performance, enhancing commercial strategy and reducing corporate overhead. These actions have resulted in over \$100 million of sustainable operating improvements. This, along with the benefit of vertical integration in needle coke, positions us to be one of the most reliable, lowest cost, highest quality producers of graphite electrodes in our industry.

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

Results of Operations and Segment Review
The Three Months Ended September 30, 2016 Compared to the Three Months Ended September 30, 2017

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

	Three Months Ended September 30,	
	2016	2017
	<i>(Dollars in thousands)</i>	
Net sales	\$ 111,590	\$ 137,245
Cost of sales	113,602	120,420
Additions to lower of cost or market inventory reserve	4,898	264
Gross (loss) profit	(6,910)	16,561
Research and development	526	1,338
Selling and administrative expenses	12,215	13,322
Operating (loss) income	(19,651)	1,901
Other expense (income), net	(567)	(643)
Interest expense	6,964	7,792
Interest income	(158)	(58)
Loss from continuing operations before provision for income taxes	(25,890)	(5,190)
(Benefit from) provision for income taxes	(1,789)	1,963
Net loss from continuing operations	(24,101)	(7,153)
Income from discontinued operations, net of tax	1,134	3,234
Net loss	\$ (22,967)	\$ (3,919)

Net sales. Net sales increased from \$111.6 million in the three months ended September 30, 2016 to \$137.2 million in the three months ended September 30, 2017 . The increase was primarily driven by an 18% increase in the weighted average sales price of graphite electrodes. Additionally, increased graphite electrode volumes contributed \$6.2 million of additional revenue and we benefited from \$2.1 million of advantageous foreign currency impacts.

Cost of sales. We experienced increases in cost of sales from \$113.6 million in the three months ended September 30, 2016 to \$120.4 million in the three months ended September 30, 2017 . This increase was primarily the result of increased graphite electrode volumes increasing costs by \$4.4 million. Additionally, costs were negatively impacted by \$3.0 million of foreign currency impact and \$2.1 million of cost resulting from damage to our Seadrift facility from Hurricane Harvey. Partially offsetting these increases were lower depreciation expense and lower per-unit cost. Depreciation decreased as a result of purchase price adjustments that have fully depreciated and per-unit cost decreases were driven primarily by our rationalization initiatives over the last three years, continued cost control initiatives and optimization of our graphite electrode plant capacity.

Lower of cost or market inventory adjustment. In the three months ended September 30, 2016 , we incurred a lower of cost or market adjustment of \$4.9 million in certain product lines within our graphite electrode business reflecting decreased pricing. This adjustment totaled \$0.3 million in the same period of 2017. The decrease is attributable to the reduction in product costs and improvement in sales prices in the three months ended September 30, 2017 as compared to the same period of 2016 .

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

Interest Expense . Interest expense increased from \$7.0 million in the three months ended September 30, 2016 , to \$7.8 million in the three months ended September 30, 2017 primarily due to an increase in the variable interest rate on our Revolving Credit Facility.

Income from Discontinued Operations . Our income from discontinued operations increased from \$1.1 million for the three months ended September 30, 2016 to \$3.2 million in the three months ended September 30, 2017 . The 2016 results included three months of results from our AET business that was sold on July 3, 2017.

Segment operating income (loss). The following table represents a reconciliation of our segment operating income (loss) to total operating income (loss):

	Three Months Ended September 30,	
	2016	2017
	<i>(Dollars in thousands)</i>	
Industrial Materials	\$ (14,238)	\$ 8,308
Corporate, R&D and Other Expenses	(5,413)	(6,407)
Total operating (loss) income	\$ (19,651)	\$ 1,901

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

	Three Months Ended September 30,	
	2016	2017
	<i>(Dollars in thousands)</i>	
Tax (benefit) expense	\$ (1,789)	\$ 1,963
Pretax loss	(25,890)	(5,190)
Effective tax rates	6.9%	(37.8)%

For the three months ended September 30, 2016 and 2017 , the effective tax rate differs from the U.S. statutory rate of 35% primarily due to recent losses in the U.S. and Switzerland where we receive no tax benefit due to a full valuation allowance and worldwide earnings from various countries taxed at different rates. The recognition of the valuation allowance does not result in or limit the Company's ability to utilize these tax assets in the future.

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

The Nine Months Ended September 30, 2016 Compared to the Nine Months Ended September 30, 2017

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

	For the Nine Months Ended September 30,	
	2016	2017
	<i>(Dollars in thousands)</i>	
Net sales	\$ 322,530	\$ 358,298
Cost of sales	331,297	329,200
Additions to lower of cost or market inventory reserve	19,523	1,773
Gross (loss) profit	(28,290)	27,325
Research and development	1,964	3,110
Selling and administrative expenses	39,430	37,200
Operating loss	(69,684)	(12,985)
Other expense (income), net	(1,528)	3,610
Interest expense	19,860	23,240
Interest income	(169)	(320)
Loss from continuing operations before provision for income taxes	(87,847)	(39,515)
(Benefit from) provision for income taxes	(7,675)	3,249
Net loss from continuing operations	(80,172)	(42,764)
Loss from discontinued operations, net of tax	(107,568)	(4,882)
Net loss	\$ (187,740)	\$ (47,646)

Net sales. Net sales increased from \$322.5 million in the nine months ended September 30, 2016 to \$358.3 million in the nine months ended September 30, 2017. Graphite electrode sales volume increased 10% in the nine months ended September 30, 2017 compared to the same period of 2016 driving the sales increase.

Cost of sales. Cost of sales decreased from \$331.3 million in the nine months ended September 30, 2016 to \$329.2 million in the nine months ended September 30, 2017. Although greater sales volume of graphite electrodes increased total cost of sales by \$19.2 million, this was more than offset by lower manufacturing costs and lower depreciation expense. Manufacturing costs were \$12.5 million lower driven by lower raw materials cost and lower fixed costs from our rationalization initiatives and the optimization of our production platform. Depreciation expense was \$9.2 million lower which was the result of purchase price adjustments that have fully depreciated.

Lower of cost or market inventory adjustment. We incurred a lower of cost or market adjustment of \$19.5 million in the nine months ended September 30, 2016 and \$1.8 million in the nine months ended September 30, 2017 for certain product lines within our graphite electrode business. The year over year decrease is attributable to the reduction in product costs and improved pricing in the nine months ended September 30, 2017 as compared to the same period of 2016.

Selling and general administrative. Selling and general administrative expenses decreased from \$39.4 million in the nine months ended September 30, 2016 compared to \$37.2 million in the nine months ended September 30, 2017 driven primarily by continued cost reduction efforts.

Other (Income) Expense. Other expense decreased from income of \$1.5 million in the nine months ended September 30, 2016, to expense of \$3.6 million in the nine months ended September 30, 2017 primarily due to non-cash foreign currency impacts on non-operating assets and liabilities, partially offset by interest income received as part of the resolution of a value added tax dispute in a foreign jurisdiction.

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

Interest Expense . Interest expense increased from \$19.9 million in the nine months ended September 30, 2016 to \$23.2 million in the nine months ended September 30, 2017 primarily due to increased borrowing costs on our Revolving Credit Facility.

Loss from Discontinued Operations . Results from our discontinued operations represented a loss of \$107.6 million in the nine months ended September 30, 2016 and a loss of \$4.9 million in the nine months ended September 30, 2017 . The decrease in loss was primarily due to a \$105.6 million impairment charge to align the carrying value of assets held for sale to their estimated fair value in the nine months ended September 30, 2016 compared to an impairment of \$5.3 million in the nine months ended September 30, 2017 .

Segment operating income (loss). The following table represents a reconciliation of our segment operating income (loss) to total operating income (loss):

	For the Nine Months Ended September 30,	
	2016	2017
	<i>(Dollars in thousands)</i>	
Industrial Materials	\$ (50,776)	\$ 4,218
Corporate, R&D and Other Expenses	(18,908)	(17,203)
Total operating loss	\$ (69,684)	\$ (12,985)

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

	For the Nine Months Ended September 30,	
	2016	2017
	<i>(Dollars in thousands)</i>	
Tax (benefit) expense	\$ (7,675)	\$ 3,249
Pretax loss	(87,847)	(39,515)
Effective tax rates	8.7%	(8.2)%

For the nine months ended September 30, 2017 and 2016 , the effective tax rate differs from the U.S. statutory rate of 35% primarily due to losses in the U.S. and Switzerland where we receive no tax benefit due to a full valuation allowance and worldwide earnings from various countries taxed at different rates. The recognition of the valuation allowance does not result in or limit the Company's ability to utilize these tax assets in the future.

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 export markets, we sell in currencies other than the dollar. Accordingly, when these currencies increase (or decline) in value relative to the dollar, this has the effect of increasing (or reducing) net sales. The result of these effects is to increase (or decrease) operating profit and net income.

Many of the non-U.S. countries in which we have a manufacturing facility have been subject to significant economic and political changes, which have significantly impacted currency exchange rates. We cannot predict changes in currency exchange rates in the future or whether those changes will have net positive or negative impacts on our net sales, cost of sales or net income.

For net sales of Industrial Materials, the impact of changes in the average exchange rates of other currencies against the U.S. dollar for the nine months ended September 30, 2017 was a increase of \$0.3 million compared to the same period of 2016. The impact of the exchange rate changes on cost of sales of Industrial Materials for the nine months ended September 30, 2017 was a decrease of \$0.4 million compared to the same period of 2016.

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

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 loss of \$0.9 million in the nine months ended September 30, 2016 compared to a loss of \$1.5 million in the nine months ended September 30, 2017 .

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 September 30, 2017 , we had cash and cash equivalents of \$16.4 million , long-term debt of \$320.4 million , short-term debt of \$13.3 million and stockholder's equity of \$551 million .

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

With this amendment, the Company has full access to the \$225 million Revolving Facility, subject to the \$25 million minimum liquidity requirement. As of September 30, 2017 , the Company had \$35.3 million of borrowings on the Revolving Facility and \$11.6 million of letters of credit drawn against the Revolving Facility. In addition to the Revolving Facility, the Company has \$18.8 million outstanding on its Term Loan Facility.

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

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

Senior Notes

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

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

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

As of December 31, 2016 and September 30, 2017, approximately 75% and 84% our debt, respectfully, consisted of fixed rate or zero interest rate obligations.

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

The Company has access to a \$225 million Revolving Facility (subject to a \$25 million minimum liquidity requirement). As of September 30, 2017, the Company had \$35.3 million of borrowings and \$11.6 million of letters of credit, for a total of \$46.9 million drawn against the Revolving Facility.

Potential uses of our liquidity include capital expenditures, acquisitions, debt repayments and other general purposes, including cash outflows related to rationalization activities. Continued volatility in the global economy may require additional borrowings under the Revolving Facility. An improving economy, while resulting in improved results of operations, could increase our cash requirements to purchase inventories, make capital expenditures and fund payables and other obligations until increased accounts receivable are converted into cash. A downturn could significantly and negatively impact our results of operations and cash flows, which, coupled with increased borrowings, could negatively impact our credit ratings, our ability to comply with debt covenants, our ability to secure additional financing and the cost of such financing, if available.

In the event that operating cash flows fail to provide sufficient liquidity to meet our business needs, including capital expenditures, any such shortfall would need to be made up by increased borrowings under our Revolving Facility, to the extent available. We have sold all of our Engineered Solutions businesses within the past twelve months in accordance with our plan to divest businesses that are not core to our graphite electrode business. The cash proceeds from the sales were used to repay borrowings outstanding under the Revolving Facility and Term Loan Facility in accordance with our Credit Facility.

As of September 30, 2017, we were in compliance with all financial and other covenants contained in the Revolving Facility, as applicable.

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

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

We had positive cash flow from operating activities during 2013, 2014, 2015, 2016 and through September 30, 2017. Although the global economic environment experienced significant swings in these periods, our working capital management and cost-control initiatives allowed us to remain operating cash flow positive in both times of declining and improving operating results.

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

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

Cash Flows.

The following table summarizes our cash flow activities:

	For the Nine Months Ended September 30, 2016	For the Nine Months Ended September 30, 2017
	<i>in millions</i>	
Cash flow provided by (used in):		
Operating activities	\$ 28.7	\$ 33.6
Investing activities	\$ (22.7)	\$ 7.8
Financing activities	\$ (1.5)	\$ (36.9)

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; impairment, post retirement obligations, and severance and pension plan changes;
- 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; and
- Changes in operating assets and liabilities which reflect timing differences between the receipt and payment of cash associated with transactions and when they are recognized in results of operations.

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

During the nine months ended September 30, 2016, changes in working capital resulted in a net source of funds of \$54.0 million which was impacted by:

- net cash inflows in accounts receivable of \$9.7 million from the decrease in accounts receivable due to the collection of customer sales;
- net cash inflows from decreases in inventory of \$41.4 million, due primarily to inventory management initiatives;
- net cash outflows from increased prepaid expense of \$1.2 million due to value added tax payments; and
- net cash inflows due to increase in accounts payable and accruals of \$1.8 million primarily resulting from timing of payments.

Other uses of cash in the nine months ended September 30, 2016 included contributions to pension and other benefit plans of \$8.8 million.

During the nine months ended September 30, 2017, changes in working capital resulted in a net source of funds of \$22.2 million which was impacted by:

- net cash inflows in accounts receivable of \$2.0 million from the decrease in accounts receivable due to the collection of customer sales;
- net cash inflows from decreases in inventory of \$8.6 million, due primarily to inventory management initiatives;
- net cash outflows from increased prepaid expense of \$0.2 million due to advanced payments; and
- net cash inflows due to decrease in accounts payable and accruals of \$7.1 million primarily resulting from timing of payments.

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

Other uses of cash in the nine months ended September 30, 2017 included contributions to pension and other benefit plans of \$6.7 million.

Investing Activities

Net cash used in investing activities was \$22.7 million during the nine months ended September 30, 2016 and included capital expenditures of \$22.3 million and \$1.2 million related to cash settlements of derivative instruments.

Net cash provided by investing activities was \$7.8 million during the nine months ended September 30, 2017 resulting from proceeds from divestitures and fixed asset sales totaling \$30.8 million, partially offset by capital expenditures of \$23.0 million .

Financing Activities

Net cash inflow from financing activities was \$1.5 million during the nine months ended September 30, 2016, resulting from net borrowings \$0.5 million under our Revolving Facility and fees paid for the refinancing of our revolving credit facility totaling \$0.9 million.

Net cash outflow from financing activities was \$36.9 million during the nine months ended September 30, 2017 , resulting from net payments on our Revolving Facility.

Restrictions on Dividends and Stock Repurchases

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

Recent Accounting Pronouncements

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

Description of Our Financing Structure

We discuss our financing structure in more detail in Note 6, "Debt and Liquidity" of the Notes to Consolidated Financial Statements.

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, 2016 represented a net unrealized loss of \$0.2 million and a loss of \$0.1 million as of September 30, 2017 .

Energy Commodity Management . We periodically enter into commodity derivative contracts and short duration fixed rate purchase contracts to effectively fix some or all of our natural gas and refined oil product exposure. We had no outstanding commodity derivative contracts as of September 30, 2017 .

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 September 30, 2017 , 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 \$0.7 million or a corresponding increase of \$0.7 million, respectively, in the fair value of the foreign currency hedge portfolio. Because of the high correlation between the hedging instrument and the underlying exposure, fluctuations in the value of the instruments are generally offset by reciprocal changes in the value of the underlying exposure.

We had no interest rate derivative instruments outstanding as of September 30, 2017 . A hypothetical increase in interest rates of 100 basis points (1%) would have increased our interest expense by \$0.7 million for the nine months ended September 30, 2017 .

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 September 30, 2017 . 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 September 30, 2017 .

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 September 30, 2017 that materially affected or are reasonably likely to materially affect our internal controls over financial reporting.

PART II. OTHER INFORMATION
GRAFTECH INTERNATIONAL LTD. AND SUBSIDIARIES

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

There have been no material changes to the Risk Factors disclosed in Part I-Item 1A of the Annual Report.

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

Not Applicable.

Item 3. Defaults Upon Senior Securities

Not Applicable.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information.

Not Applicable

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.

<u>Exhibit Number</u>	<u>Description of Exhibit</u>
31.1	Certification pursuant to Rule 13a-14(a) under the Exchange Act by Jeffrey C. Dutton, President and Chief Executive Officer (Principal Executive Officer).
31.2	Certification pursuant to Rule 13a-14(a) under the Exchange Act by Quinn J Coburn, Vice President and Chief Financial Officer (Principal Financial Officer).
32.1	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by Jeffrey C. Dutton, President and Chief Executive Officer (Principal Executive Officer).
32.2	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by Quinn J Coburn, Vice President and Chief Financial Officer (Principal Financial Officer).
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

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.

Date: October 25, 2017

By:

GRAFTECH INTERNATIONAL LTD.

/s/ Quinn J. Coburn

Quinn J. Coburn

Vice President and Chief Financial
Officer (Principal Financial Officer)

CERTIFICATION

I, Jeffrey C. Dutton, certify that:

1. I have reviewed this Annual Report on Form 10-Q of GrafTech International Ltd. (the "Registrant");
2. Based on my knowledge, this Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Report;
3. Based on my knowledge, the financial statements, and other financial information included in this Report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this Report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Report based on such evaluation; and
 - (d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of the annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

By: /s/ Jeffrey C. Dutton

Jeffrey C. Dutton
President and Chief Executive Officer,
(Principal Executive Officer)

October 25, 2017

CERTIFICATION

I, Quinn J. Coburn, certify that:

1. I have reviewed this Annual Report on Form 10-Q of GrafTech International Ltd. (the "Registrant");
2. Based on my knowledge, this Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Report;
3. Based on my knowledge, the financial statements, and other financial information included in this Report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this Report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Report based on such evaluation; and
 - (d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of the annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

By: /s/ Quinn J. Coburn

Quinn J. Coburn
Vice President, and Chief Financial Officer
(Principal Accounting Officer)

October 25, 2017

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In accordance with the rules and regulations of the Securities and Exchange Commission, the following Certification shall not be deemed to be filed with the Commission under the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of Section 18 of the Exchange Act and shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, notwithstanding any general incorporation by reference of the Quarterly Report of GrafTech International Ltd. (the "Corporation") on Form 10-Q for the period ended September 30, 2017, as filed with the Commission on the date hereof (the "Report"), into any other document filed with the Commission.

In connection with the Report, I, Jeffrey C. Dutton, President and Chief Executive Officer of the Corporation, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Corporation.

By: /s/ Jeffrey C. Dutton
Jeffrey C. Dutton
President and Chief Executive Officer,
(Principal Executive Officer)
October 25, 2017

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In accordance with the rules and regulations of the Securities and Exchange Commission, the following Certification shall not be deemed to be filed with the Commission under the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of Section 18 of the Exchange Act and shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, notwithstanding any general incorporation by reference of the Quarterly Report of GrafTech International Ltd. (the "Corporation") on Form 10-Q for the period ended September 30, 2017, as filed with the Commission on the date hereof (the "Report"), into any other document filed with the Commission.

In connection with the Report, I, Quinn J. Coburn, Vice President and Chief Financial Officer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Corporation.

By: /s/ Quinn J. Coburn

Quinn J. Coburn
Vice President, and Chief Financial Officer
(Principal Accounting Officer)
October 25, 2017