

GRAFTech International

Q2 2019 Results

July 31, 2019

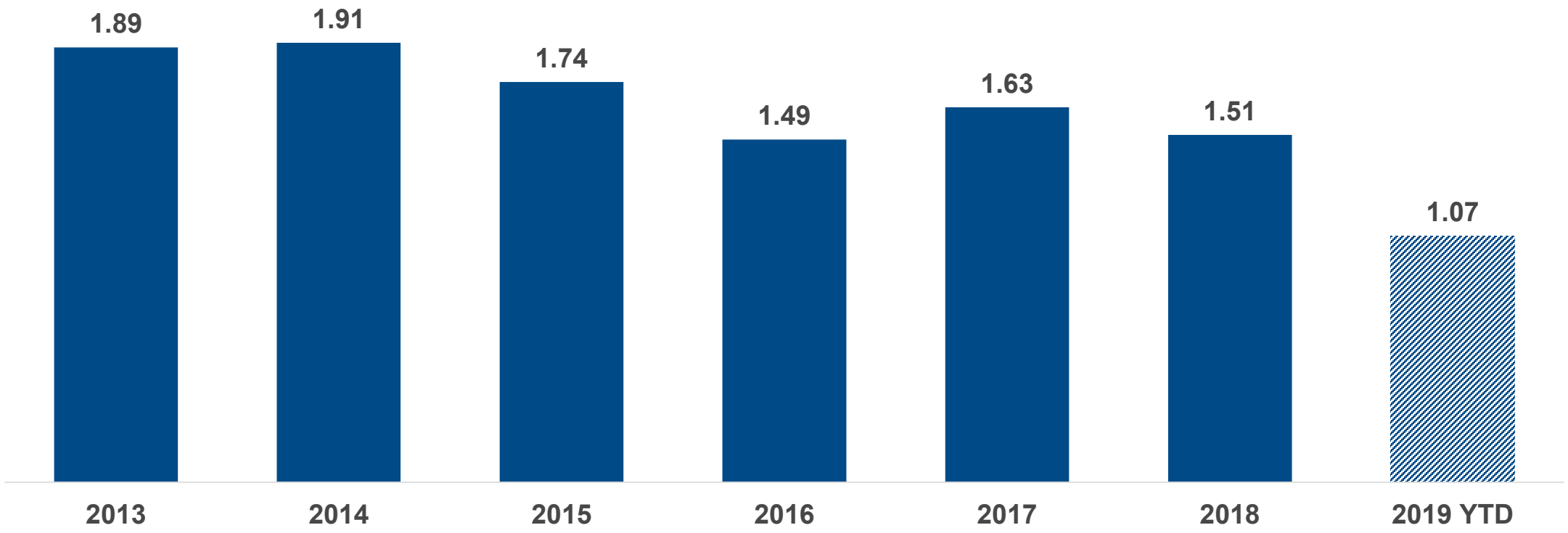
Forward-looking Statements

NOTE ON FORWARD-LOOKING STATEMENTS: This presentation and related discussions may contain forward-looking statements that reflect our current views with respect to, among other things, future events and financial performance. You can identify these forward-looking statements by the use of forward-looking words such as “will,” “may,” “plan,” “estimate,” “project,” “believe,” “anticipate,” “expect,” “intend,” “should,” “would,” “could,” “target,” “goal,” “continue to,” “positioned to,” "are confident", "remain solid", "remain positive", "remain optimistic" or the negative version of those words or other comparable words. Any forward-looking statements contained in this news release are based upon our historical performance and on our current plans, estimates and expectations in light of information currently available to us. The inclusion of this forward-looking information should not be regarded as a representation by us that the future plans, estimates or expectations contemplated by us will be achieved. Our expectations and targets are not predictions of actual performance and historically our performance has deviated, often significantly, from our expectations and targets. These forward-looking statements are subject to various risks and uncertainties and assumptions relating to our operations, financial results, financial condition, business, prospects, growth strategy and liquidity. Accordingly, there are or will be important factors that could cause our actual results to differ materially from those indicated in these statements. We believe that these factors include, but are not limited to: the cyclical nature of our business and the selling prices of our products may lead to periods of reduced profitability and net losses in the future; the possibility that we may be unable to implement our business strategies, including our initiative to secure and maintain longer-term customer contracts, in an effective manner; the possibility that tax legislation could adversely affect us or our stockholders; pricing for graphite electrodes has historically been cyclical and the price of graphite electrodes may decline in the future; the sensitivity of our business and operating results to economic conditions and the possibility others may not be able to fulfill their obligations to us in a timely fashion; our dependence on the global steel industry generally and the electric arc furnace ("EAF") steel industry in particular; the possibility that global graphite electrode overcapacity may adversely affect graphite electrode prices; the competitiveness of the graphite electrode industry; our dependence on the supply of petroleum needle coke; our dependence on supplies of raw materials (in addition to petroleum needle coke) and energy; the possibility that our manufacturing operations are subject to hazards; changes in, or more stringent enforcement of, health, safety and environmental regulations applicable to our manufacturing operations and facilities; the legal, compliance, economic, social and political risks associated with our substantial operations in multiple countries; the possibility that fluctuation of foreign currency exchange rates could materially harm our financial results; the possibility that our results of operations could deteriorate if our manufacturing operations were substantially disrupted for an extended period, including as a result of equipment failure, climate change, regulatory issues, natural disasters, public health crises, political crises or other catastrophic events; our dependence on third parties for certain construction, maintenance, engineering, transportation, warehousing and logistics services; the possibility that we are unable to recruit or retain key management and plant operating personnel or successfully negotiate with the representatives of our employees, including labor unions; the possibility that we may divest or acquire businesses, which could require significant management attention or disrupt our business; the sensitivity of goodwill on our balance sheet to changes in the market; the possibility that we are subject to information technology systems failures, cybersecurity attacks, network disruptions and breaches of data security; our dependence on protecting our intellectual property; the possibility that third parties may claim that our products or processes infringe their intellectual property rights; the possibility that significant changes in our jurisdictional earnings mix or in the tax laws of those jurisdictions could adversely affect our business; the possibility that our indebtedness could limit our financial and operating activities or that our cash flows may not be sufficient to service our indebtedness; the possibility that restrictive covenants in our financing agreements could restrict or limit our operations; the fact that borrowings under certain of our existing financing agreements subjects us to interest rate risk; the possibility of a lowering or withdrawal of the ratings assigned to our debt; the possibility that disruptions in the capital and credit markets could adversely affect our results of operations, cash flows and financial condition, or those of our customers and suppliers; the possibility that highly concentrated ownership of our common stock may prevent minority stockholders from influencing significant corporate decisions; the possibility that we may not pay cash dividends on our common stock in the future; the fact that certain of our stockholders have the right to engage or invest in the same or similar businesses as us; the possibility that the market price of our common stock could be negatively affected by sales of substantial amounts of our common stock in the public markets, including by Brookfield; the fact that certain provisions of our Amended and Restated Certificate of Incorporation and our Amended and Restated By-Laws could hinder, delay or prevent a change of control; the fact that the Court of Chancery of the State of Delaware will be the exclusive forum for substantially all disputes between us and our stockholders; and our status as a "controlled company" within the meaning of the New York Stock Exchange (“NYSE”) corporate governance standards, which allows us to qualify for exemptions from certain corporate governance requirements.

These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements, including the Risk Factors section of our Annual Report on Form 10-K and other filings with the SEC. The forward-looking statements made in this presentation relate only to events as of the date on which the statements are made. We do not undertake any obligation to publicly update or review any forward-looking statement, except as required by law, whether as a result of new information, future developments or otherwise.

Building Safer and More Efficient Operations

Total Recordable Injury Rates[1]



[1] Year-to-date 2019 as of July 22, 2019. Total recordable injury rates measured per 200,000 hours worked

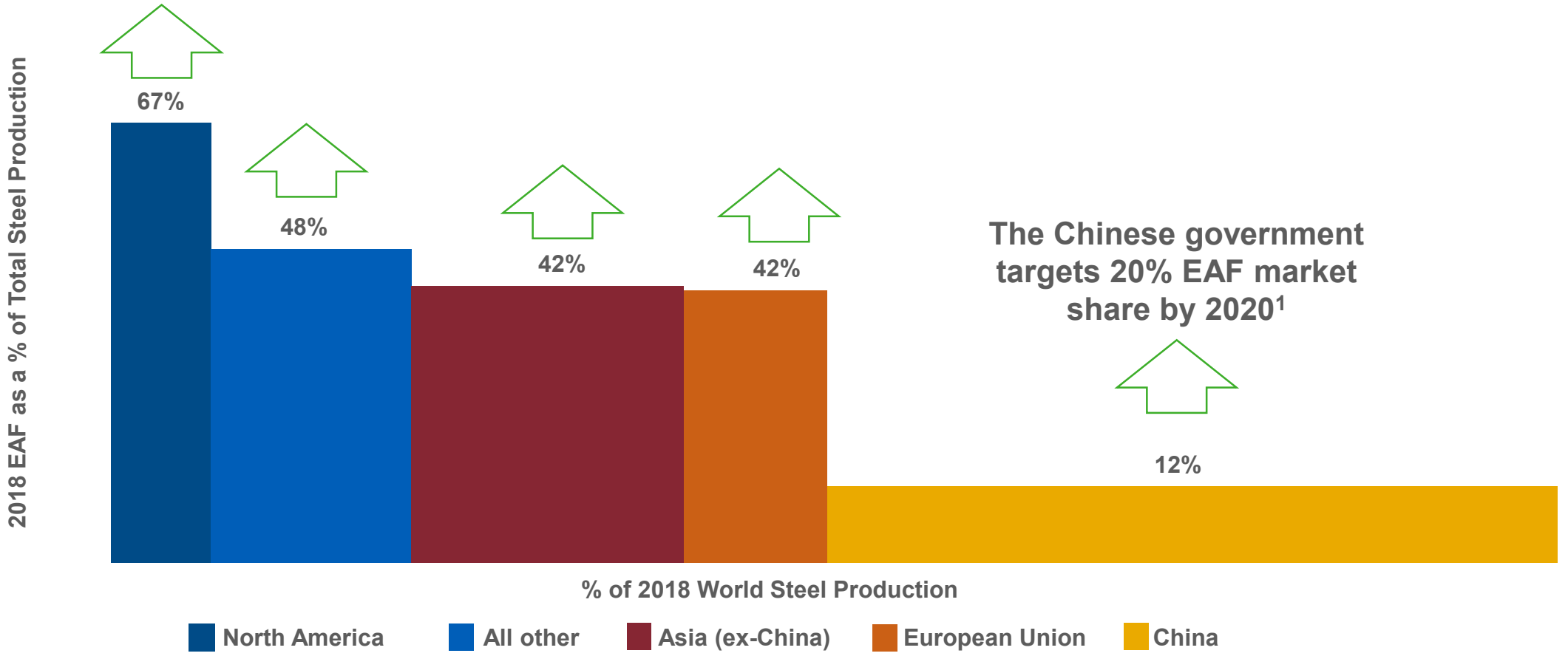
Solid Quarterly Results; Progressing Long-term Strategy

Solid Q2/19 Results
- Q2/19 net sales up 5% from Q2/18 on higher volumes and prices
- Costs increased in-line with expectations due to increased third party needle coke pricing

Market Conditions
- Steel production, and graphite electrode consumption, has slowed in several key regions
- Graphite electrode spot pricing off record highs
- Majority of GrafTech volumes sold on long-term contracts

Vertical Integration as a Competitive Advantage
- Wholly-owned Seadrift subsidiary offers secure, low-cost supply of petroleum needle coke
- Seadrift production cost is well below third party needle coke price

Long-Term Global Shift to EAF Steel Production



EAF steelmaking is expected to continue its long-term trend of taking market share from the integrated blast furnace process due to operational efficiency and cost advantages

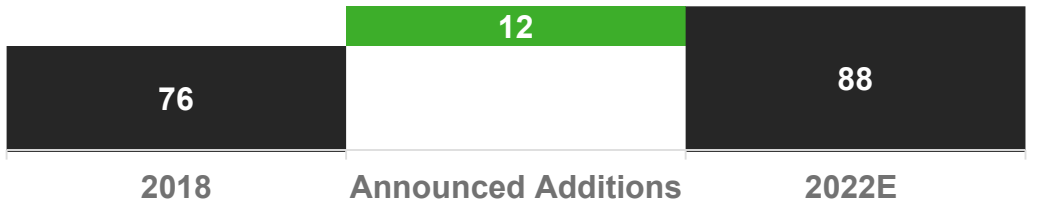
Source: World Steel Association, World Steel in Figures 2019, published June 2019
[1]China's 12th Five Year Plan, released in 2011

Industry Trends

1

Announced U.S. EAF capacity additions support graphite electrode demand

U.S. EAF Steel Capacity (MMT)[1]



2

Near-term steel production growth Moderating in some regions

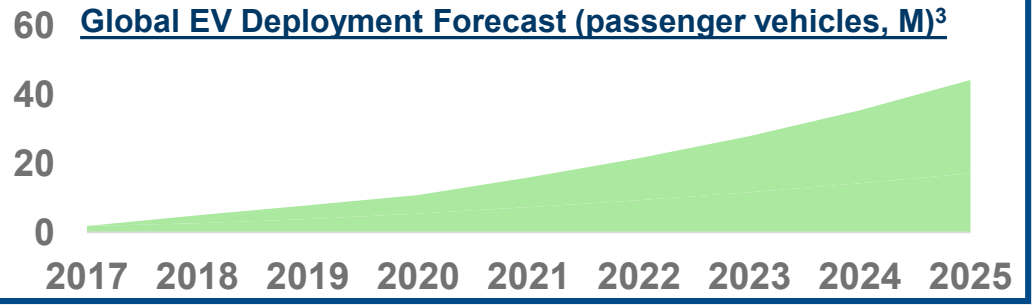
Steel Production Growth (ex-China)[2]



3

Competing needle coke demand from electric vehicle batteries is supportive of long-term graphite electrode pricing

Global EV Deployment Forecast (passenger vehicles, M)[3]



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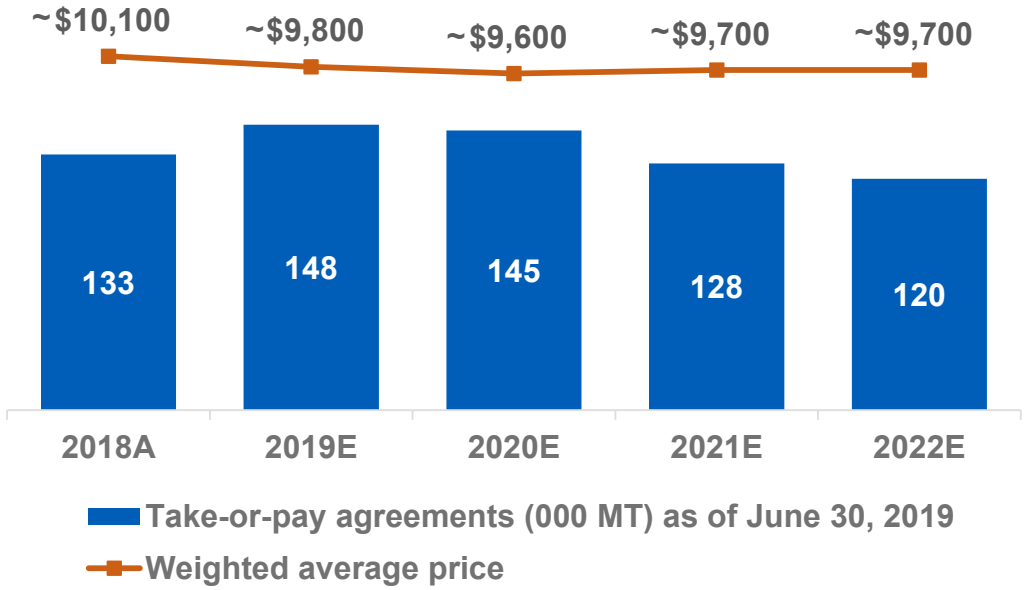
[1] Wood Mackenzie, BAML, management estimates [2] World Steel Association's April 2019 Short Range Outlook [3] International Energy Agency (IEA), Global EV Outlook 2018

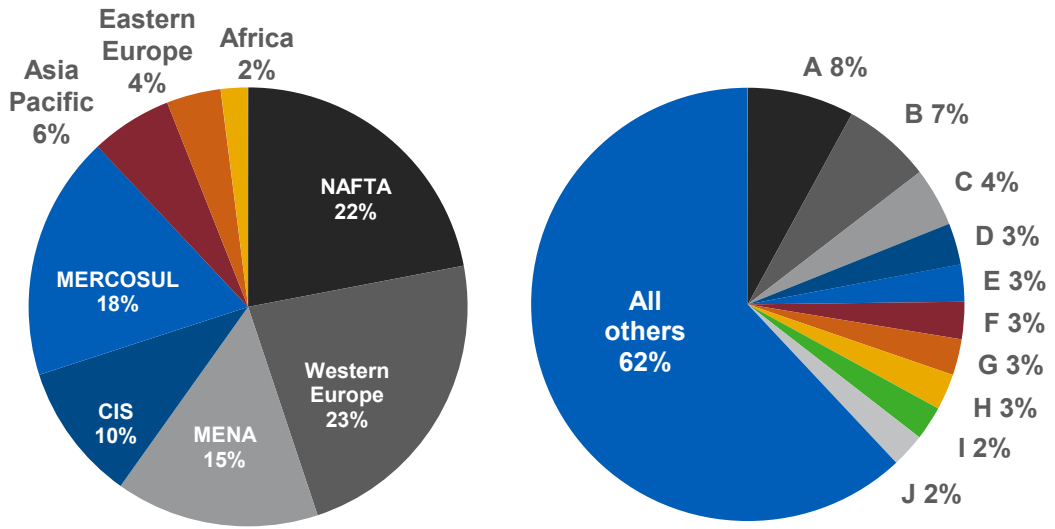
Long-Term Contracts Provide Profitability and Visibility

- Vertical integration supports commercial strategy to sell majority of volumes on long-term (3- to 5-year), take-or-pay, fixed price and volume contracts
- Long-term agreements (LTAs) with >100 customers; ~675,000 MT contracted at a weighted average contract price of ~$9,800/MT (2018 – 2023)

Take-or-Pay Agreements



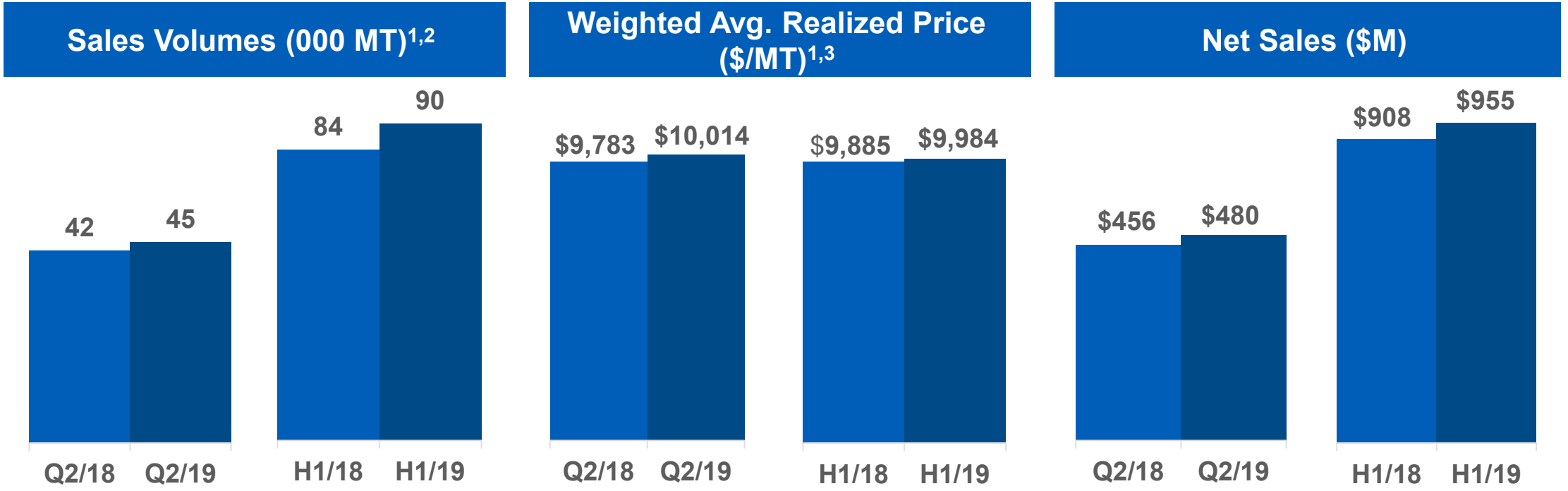
>100 Customers Located Globally, With No Customer Concentration[1]



Source: GrafTech estimates; [1] Based on contracted volume as of June 30, 2019

Higher Net Sales Driven by Higher Volumes and Pricing

- Q2/19 sales volumes up 7% from the prior year quarter with completion of debottlenecking projects
- Q2/19 weighted average realized price up 2% from prior year quarter

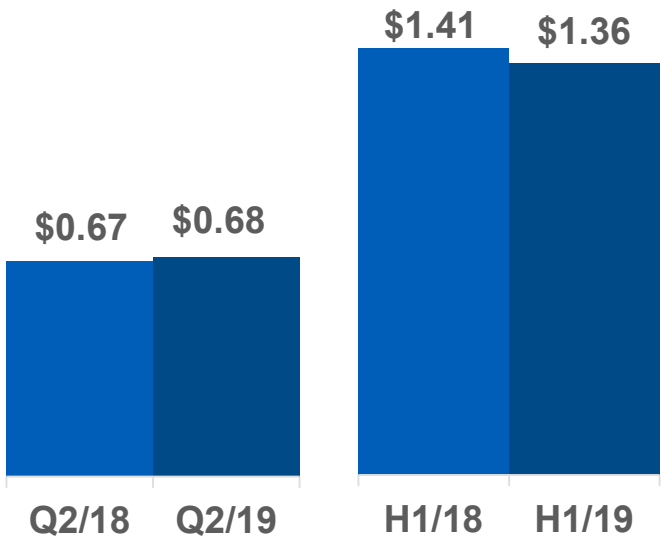


[1] As of Q1/19, sales volumes and weighted average realized price have been recast to include only graphite electrodes manufactured by GrafTech. This presentation better reflects management's assessment of profitability and excludes resales of low grade electrodes manufactured by third-party suppliers. For comparability purposes, the prior period has been recast to conform to this presentation. [2] Sales volumes have been recast to reflect the total sales volumes of GrafTech manufactured graphite electrodes for which revenue has been recognized during the period. [3] Weighted average realized price has been recast to reflect the total revenues from sales of GrafTech manufactured graphite electrodes for the period divided by the total sales volumes of GrafTech manufactured graphite electrodes for that period.

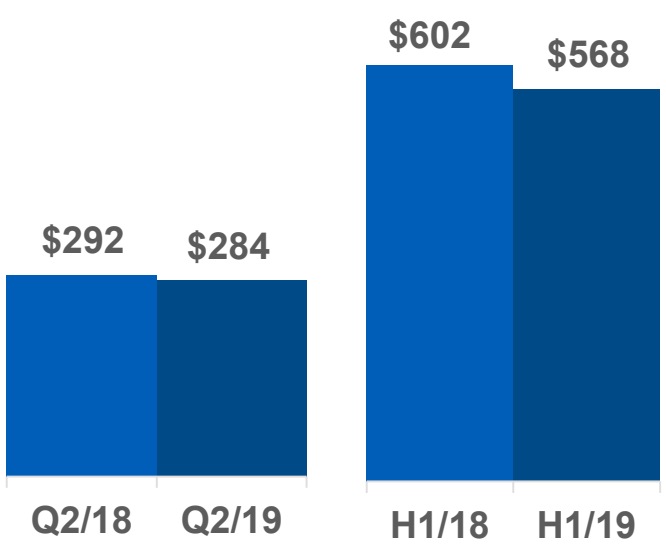
Continued Strong Financial Results

- Financial results benefitted from increased net sales offset by higher cost of sales compared to 2018
- Cost of sales continue to be impacted by higher third party needle coke costs
- Q2/19 Free cash flow (FCF)[3] was down 16% from the prior year period due to timing of working capital changes

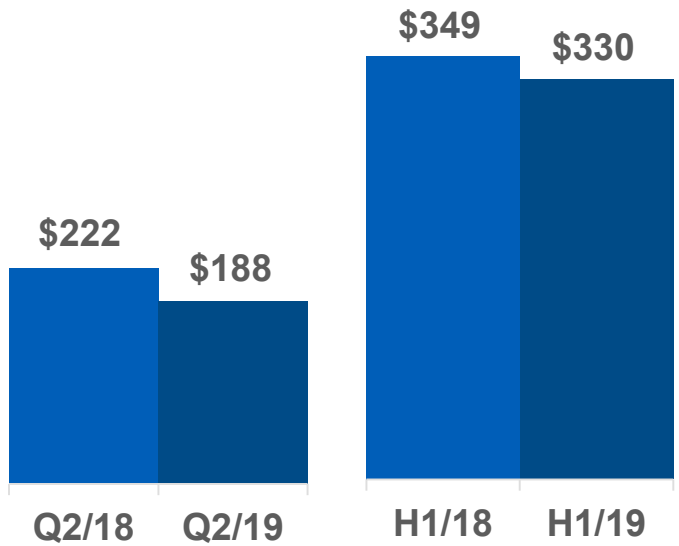
Earnings Per Share[1]



Adj. EBITDA Cont'g Ops ($M)[2]

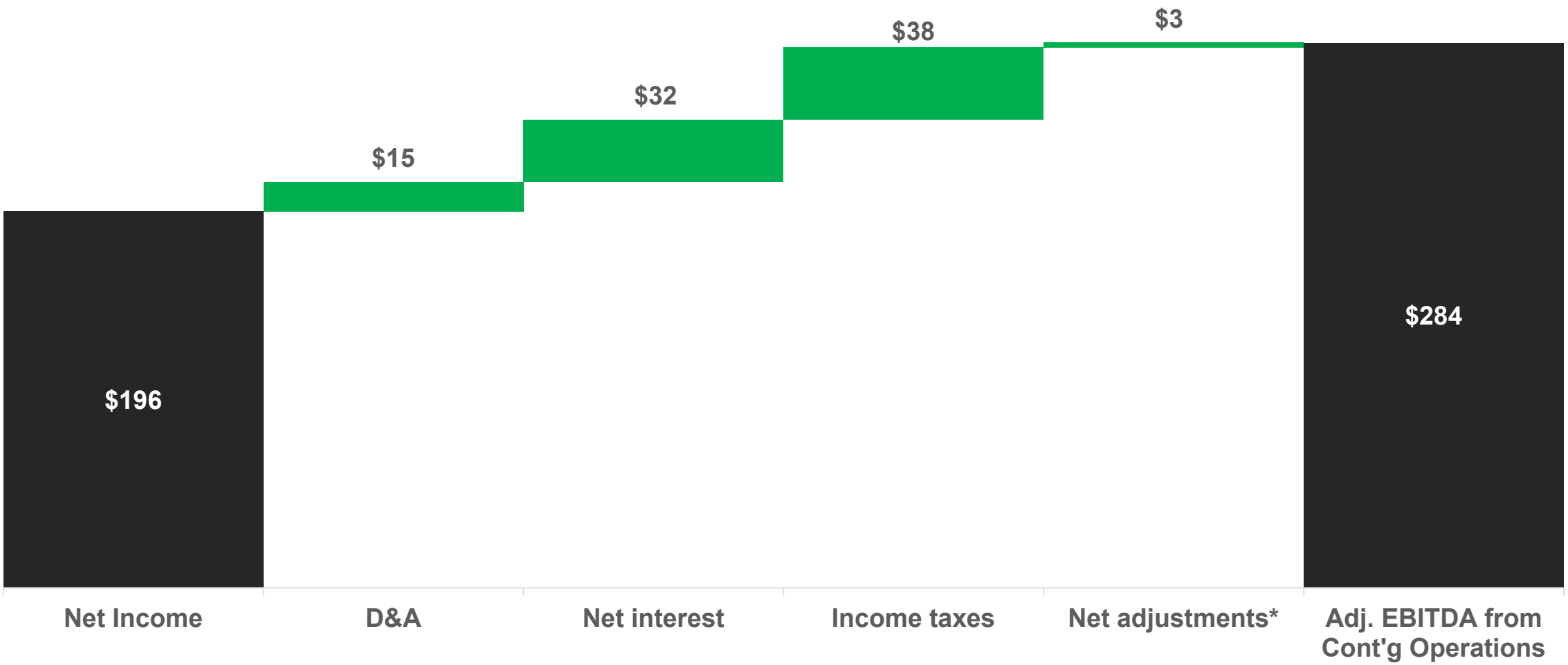


Free Cash Flow ($M)[3]



[1] Earnings per share represents diluted earnings per share after giving effect to the stock split effected on April 12, 2018 for all periods and the share repurchase effected on August 13, 2018, resulting in weighted average shares outstanding of 290,574,153 and 302,231,431 for the three months ended June 30, 2019 and 2018, respectively and 290,571,132 and 302,228,712 for the six months ended June 30, 2019 and 2018, respectively. [2] Non-GAAP measure, see page 16 for reconciliation. [3] Non-GAAP measure, see page 17 for reconciliation

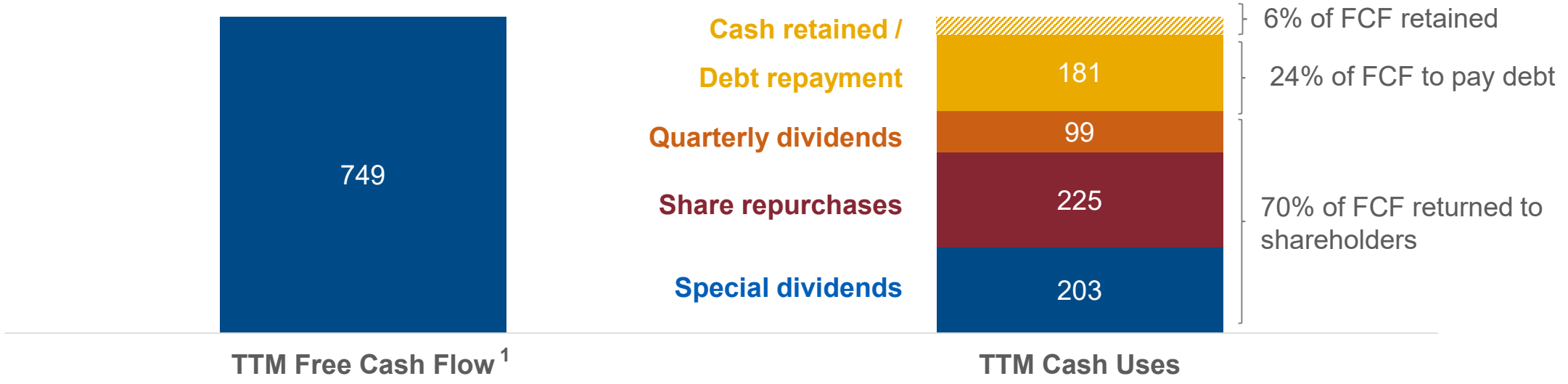
$284M Q2 2019 Adjusted EBITDA from Continuing Operations



*Includes Pension and OPEB plan expenses, Public offering expenses, Non-cash loss on foreign currency remeasurement, Stock-based compensation, Non-cash fixed asset write-off

Strong Track Record of Shareholder Returns

Trailing Twelve-Month (TTM) Capital Allocation



- GrafTech has returned 70% of free cash flow to shareholders while maintaining a strong balance sheet
- Debt repayment and shareholder returns are key priorities
  - Regular quarterly dividend: sustainable through the cycle, designed to be in-line with market dividend yields
  - Share repurchases are accretive to all shareholders and a tax efficient distribution
  - Direct repurchases address overhang and preserve liquidity in the market

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[1] Non-GAAP measure, see page 17 for reconciliation

Balance reinvestment, debt repayment, shareholder returns

Solid financial results

- As of 6/30/19, total liquidity was approximately $452M[1] including $205M in cash and equivalents
- Trailing 12-month free cash flow[2] of $749M

Reinvest in the business to maintain productive, high quality, low cost operations

- Focus on operational improvements with appropriate levels of capital investment
- Expect 2019 capital expenditures of $60M – $70M

Maintain prudent capital structure to ensure operational and strategic flexibility

- Manage over time to maintain a prudent capital structure consistent with the nature of the business
- Will consider the evolving market conditions and associated product price volatility

Return capital to shareholders

- Targeting ~50 – 60% of 2019 free cash flow[2] to be returned to shareholders[3]
- Board has authorized open market repurchases of up to $100M of common stock or ~15% of public float[4]

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[1] Liquidity includes available revolver capacity and cash and equivalents [2] Non-GAAP measure, see page 17 for reconciliation. [3]Any dividends or share repurchases are subject to the discretion and approval by the Board of Directors and may vary in amounts from prior periods due to circumstances considered by the Board of Directors at the time of such approval [4] Based on market price of $11.18 per share as of July 30, 2019

Key Investment Highlights

- ☑ Mission critical, highly engineered consumable for the growing EAF market
- ☑ High capacity, low cost, high quality production
- ☑ Vertical integration provides security of supply and sustainable competitive advantage
- ☑ Long-term contracts provide profitability, stability and visibility
- ☑ Prioritizing shareholder returns and debt repayments



Disclosures

Non-GAAP financial measures

Investors are encouraged to read the information contained in this presentation in conjunction with the following information, the Forward-looking statements information on slide 2 and the factors described under the “Risk Factors” section of the Company’s annual report on Form 10-K and disclosure in the Company’s other SEC filings.

Adjusted EBITDA from continuing operations, a non-GAAP financial measure, is the primary metric used by our management and our board of directors to establish budgets and operational goals for managing our business and evaluating our performance. We define Adjusted EBITDA from continuing operations as EBITDA from continuing operations plus any pension and other post-employment benefit plan expenses, initial and follow-on public offering expenses, non-cash gains or losses from foreign currency remeasurement of non-operating liabilities in our foreign subsidiaries where the functional currency is the U.S. dollar, related party Tax Receivable Agreement expense, stock-based compensation and non-cash fixed asset write offs. We define EBITDA from continuing operations, a non-GAAP financial measure, as net income or loss plus interest expense, minus interest income, plus income taxes, discontinued operations and depreciation and amortization from continuing operations. We monitor Adjusted EBITDA from continuing operations as a supplement to our GAAP measures, and believe it is useful to present to investors because we believe that it facilitates evaluation of our period to period operating performance by eliminating items that are not operational in nature, allowing comparison of our recurring core business operating results over multiple periods unaffected by differences in capital structure, capital investment cycles and fixed asset base. In addition, we believe Adjusted EBITDA from continuing operations and similar measures are widely used by investors, securities analysts, ratings agencies, and other parties in evaluating companies in our industry as a measure of financial performance and debt service capabilities.

Free cash flow, a non-GAAP financial measure, is a metric used by our management and our board of directors to analyze cash flows generated from operations. We define free cash flow as net cash provided by operating activities less capital expenditures. We believe free cash flow is useful to present to investors because we believe that it facilitates comparison of the Company’s performance with its competitors.

Although Adjusted EBITDA from continuing operations, free cash flow and similar measures are frequently used by other companies, our calculation of these measures is not necessarily comparable to such other similarly titled measures of other companies. The non-GAAP presentations of Adjusted EBITDA from continuing operations and free cash flow are not meant to be considered in isolation or as a substitute for analysis of our results as reported under GAAP. When evaluating our performance, you should consider these measures alongside other measures of financial performance and liquidity, including our net income (loss) and cash flow from operating activities, respectively, and other GAAP measures.

Reconciliation to Adjusted EBITDA from Cont'g Operations

(in thousands)	For the Three Months Ended June 30, 2019	2018	For the Six Months Ended June 30, 2019	2018
Net income	196,368	201,448	393,804	425,121
Add:				
Discontinued operations	—	315	—	(1,311)
Depreciation and amortization	15,445	15,368	31,030	31,696
Interest expense	32,969	28,667	66,669	66,532
Interest income	(731)	(391)	(1,145)	(506)
Income taxes	37,767	(17,264)	70,185	11,379
EBITDA from continuing operations	281,818	228,143	560,543	532,911
Adjustments:				
Pension and OPEB plan expenses [(1)]	827	484	1,597	995
Initial and follow-on public offering expenses [(2)]	610	1,935	1,296	5,122
Non-cash loss on foreign currency remeasurement [(3)]	616	(1,650)	1,027	223
Stock-based compensation [(4)]	570	181	862	181
Non-cash fixed asset write-off [(5)]	(37)	1,062	2,894	1,062
Related party Tax Receivable Agreement expense [(6)]	—	61,801	—	61,801
Adjusted EBITDA from continuing operations	284,404	291,956	568,219	602,295

(1) Service and interest cost of our OPEB plans. Also includes a mark-to-market loss (gain) for plan assets as of December of each year.
(2) Legal, accounting, printing and registration fees associated with the initial and follow-on public offerings.
(3) Non-cash (gain) loss from foreign currency remeasurement of non-operating liabilities of our non-U.S. subsidiaries where the functional currency is the U.S. dollar.
(4) Non-cash expense for stock-based compensation grants.
(5) Non-cash fixed asset write-off recorded for obsolete manufacturing equipment.
(6) Non-cash expense for future payment to our sole pre-IPO stockholder for tax assets that are expected to be utilized.

Reconciliation to Free Cash Flow

(in thousands)	For the Three Months Ended June 30, 2019	2018	For the Six Months Ended June 30, 2019	2018
Net cash provided by operating activities	202,206	237,122	359,023	377,675
Capital expenditures	(14,630)	(14,710)	(29,199)	(28,735)
Free cash flow	187,576	222,412	329,824	348,940

(in thousands)	September 30, 2018	December 31, 2018	For the Three Months Ended March 31, 2019	June 30, 2019	Trailing Twelve Months Ended June 30, 2019
Net cash provided by operating activities	234,569	224,359	156,817	202,206	817,951
Capital expenditures	(18,897)	(20,589)	(14,569)	(14,630)	(68,685)
Free cash flow	215,672	203,770	142,248	187,576	749,266