GRAFTech International

Q1 2020 Results

May 6, 2020



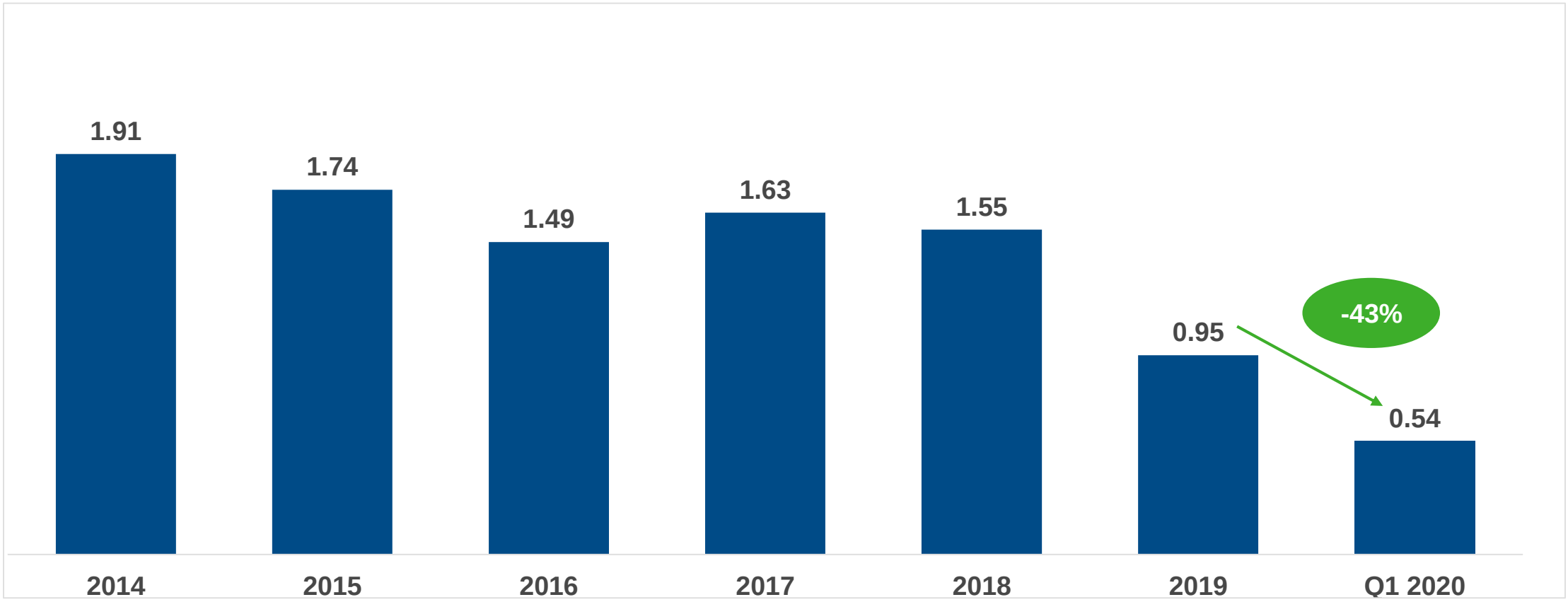
Forward-looking Statements

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 presentation 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 ultimate impact that the COVID-19 pandemic has on our business, results of operations, financial condition and cash flows; 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 global graphite electrode overcapacity may adversely affect graphite electrode prices; 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 or at all; our dependence on the global steel industry generally and the electric arc furnace ("EAF") steel industry in particular; 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, such as the COVID-19 pandemic, 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 tax legislation could adversely affect us or our stockholders; 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 subject 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 Safe and Efficient Operations

Total Recordable Injury Rates[1]



[1] Total recordable injury rates measured per 200,000 hours worked.

Health & Safety - Response to COVID-19 Pandemic

Actions were implemented early to protect the Safety & Health of our employees

- Created COVID-19 Response Team; meets 3 – 5 times per week
- All travel and in-person employee meetings cancelled
- Work-from-home protocol implemented for office based employees
- Temperature measurements
- Personal protective equipment
- Mandatory use of gloves by 100% of workforce at operating facilities
- Social distancing strictly adhered to
- Use of “check-sheets” to ensure highest priority and focus given to safe COVID-19 practices

Created “Safe-work Playbook”

- Comprehensive document outlining exact protocols for safe operations in a new COVID-19 environment

Operational Response to COVID-19 Pandemic

Immediate actions implemented to keep plants running efficiently and safely

- Proactively navigated and implemented governmental controls and guidelines in eight different locations
- Rapidly ***implemented protective measures*** to keep our employees and work environment safe
- Managed through this crisis with over ***99% of team members*** remaining healthy.

Successfully served our customers during this crisis

- Successfully ***continued to operate all plants***
- ***Met all customer requirements***
- All while ***achieving on-time delivery rate of 96%***
- And ***attaining record levels*** of safety and environmental performance

Industry Conditions

- COVID-19 is significantly impacting steel demand
  - Global steel production down 1.4% in the first quarter compared to prior year first quarter and down 4.1% excluding China[1]
  - Steel prices have decreased significantly since March
  - A number of our customers have had to temporarily suspend or reduce operations
- Customer destocking of electrode inventory had been progressing prior to COVID-19, but will now be delayed
  - We now expect softness in graphite electrode demand for the remainder of the year
  - The pace of customer destocking will now largely depend on the timing of the economic recovery

[1]Source: World Steel Association, April 22 2020

Revised Outlook for Long-Term Contracts in Current Environment

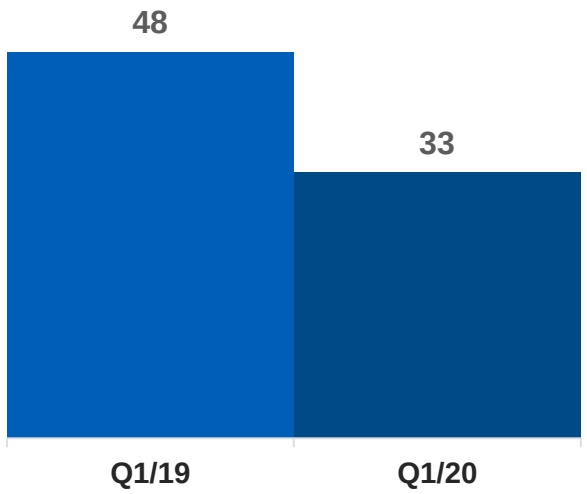
- Customers are being significantly impacted by the current environment
- We are starting to experience increased pressure and being challenged by customers on long-term contracts
- LTA shipments are being impacted by the following:
  - Fixed share contracts with volume ranges[1]
  - Deferrals due to force majeure events or other take-or-pay shortfalls
  - Potential losses due to financial distress or disputes
- 2020 LTA shipment volume now estimated to be 100,000 –115,000 MT
- Working with customers and taking measures to ensure contractual obligations are fulfilled

[1]Contracts have fixed prices and either fixed volumes (83% of the portfolio) or a specified volume range (17% of the portfolio). Due to contracts with a specified volume range, the aggregate difference between the volume midpoint and the minimum or maximum volumes across our cumulative portfolio of take-or-pay contracts is approximately 5,000 MT per year in 2020-2022.

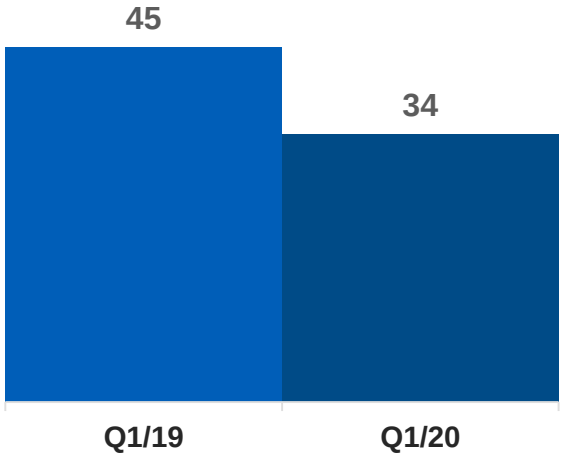
Production and Sales

- Graphite electrode production volumes of 33 thousand MT were in-line with sales volumes
- Sales volumes were down due to customer destocking and the impact of COVID-19 in the latter part of the quarter
- Net sales were down from the prior year primarily due to lower volumes along with lower spot pricing

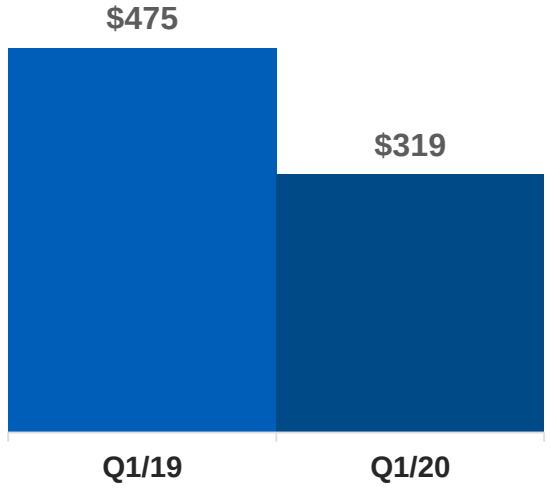
Production (000 MT)



Sales Volumes (000 MT)



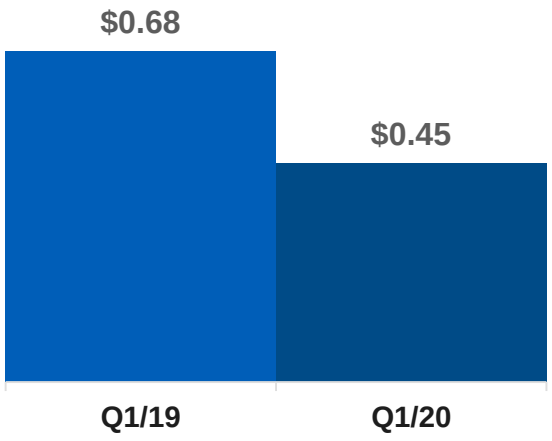
Net Sales ($M)



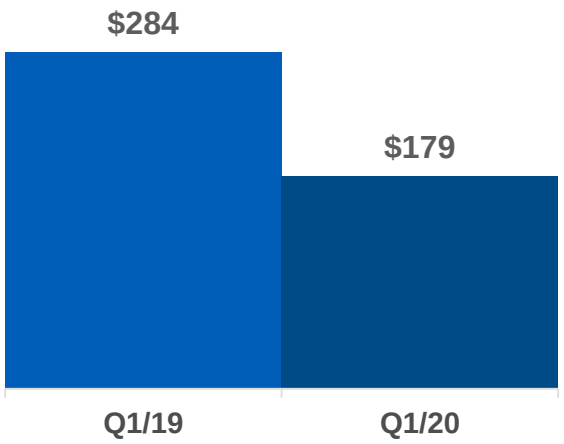
Earnings and Cash Flow

- Earnings Per Share (EPS) and Adjusted EBITDA[1] declines due primarily to lower sales volumes
- EPS of $0.45 represents 20%+ annualized return on current share price[2]
- Majority of Adjusted EBITDA converts to Free Cash Flow[3]

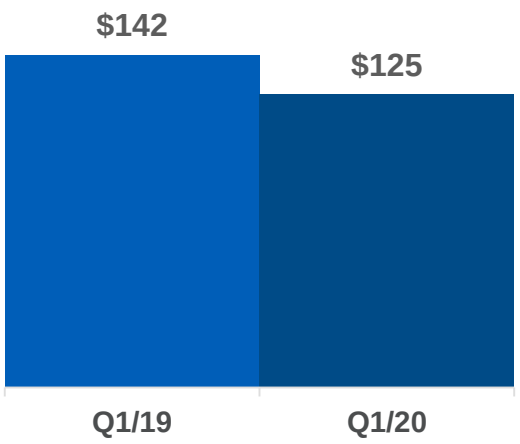
Earnings Per Share



Adjusted EBITDA ($M)[1]



Free Cash Flow ($M)[3]



[1]Non-GAAP measure, see page 18 for reconciliation. [2]Based on the closing share price on April 22, 2020 of $7.19 [3]Non-GAAP measure, see page 19 for reconciliation.

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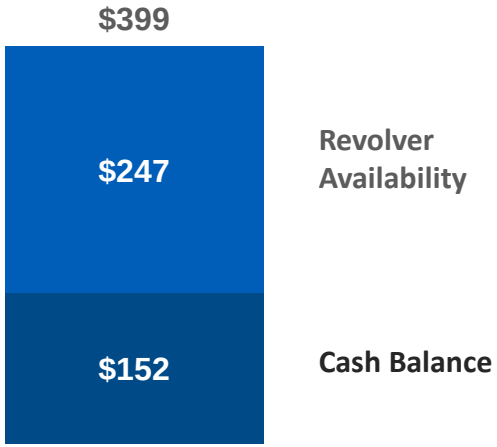
Liquidity & Debt Maturity Profile

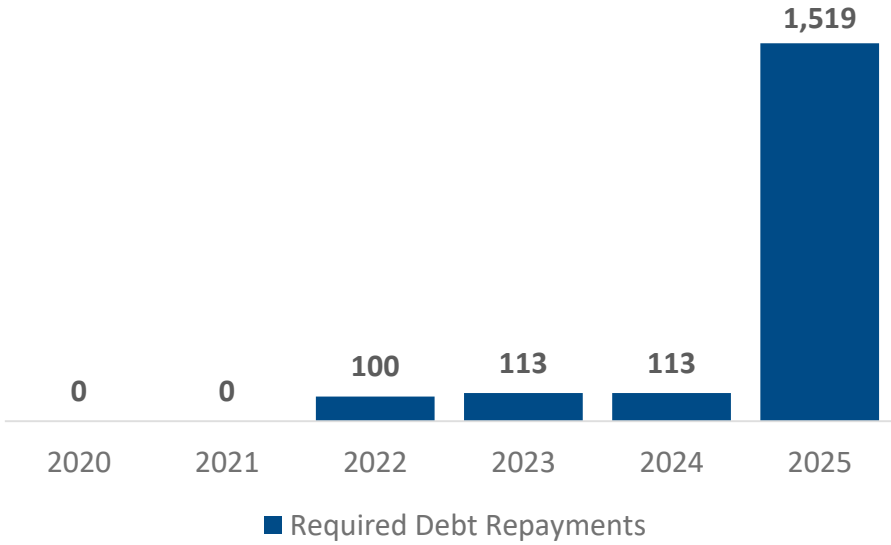
- Liquidity of ~$400 million as of March 31, 2020
  - Cash Balance of $152 million
  - Revolver Availability of $247 million
  - Favorable revolver covenants

- No near-term debt maturities
  - Term Loan matures in February 2025
  - Prepaid ~2 years of amortization payments in 2019
  - Next amortization payment due in 2022

Liquidity ($M)



Debt Maturity Profile ($M)



COVID-19 Financial Action Plan

Implemented a "Financial Action Plan" to address the impact of this pandemic

1. ***Eliminated discretionary spending***

2. ***Reduced 2020 capital expenditures plan by 50%***
   - Performed detail review of all 2020 capex projects

3. ***Rightsizing workforce – down by 15% at electrode plants***
   - Eliminated our temporary workforce
   - Substantially eliminated contractors
   - Reducing full-time workforce to match production

4. ***Reducing "fixed" manufacturing costs by 15%***
   - Performed a plant by plant review of all production costs

5. ***Managing inventory levels to match demand***
   - Reduced raw materials and other variable spend consistent with lower volumes
   - Expect inventories to decline over the course of the year

Proactive Measures to Increase Financial Flexibility

Adjusting 2020 Capital Allocation Strategy

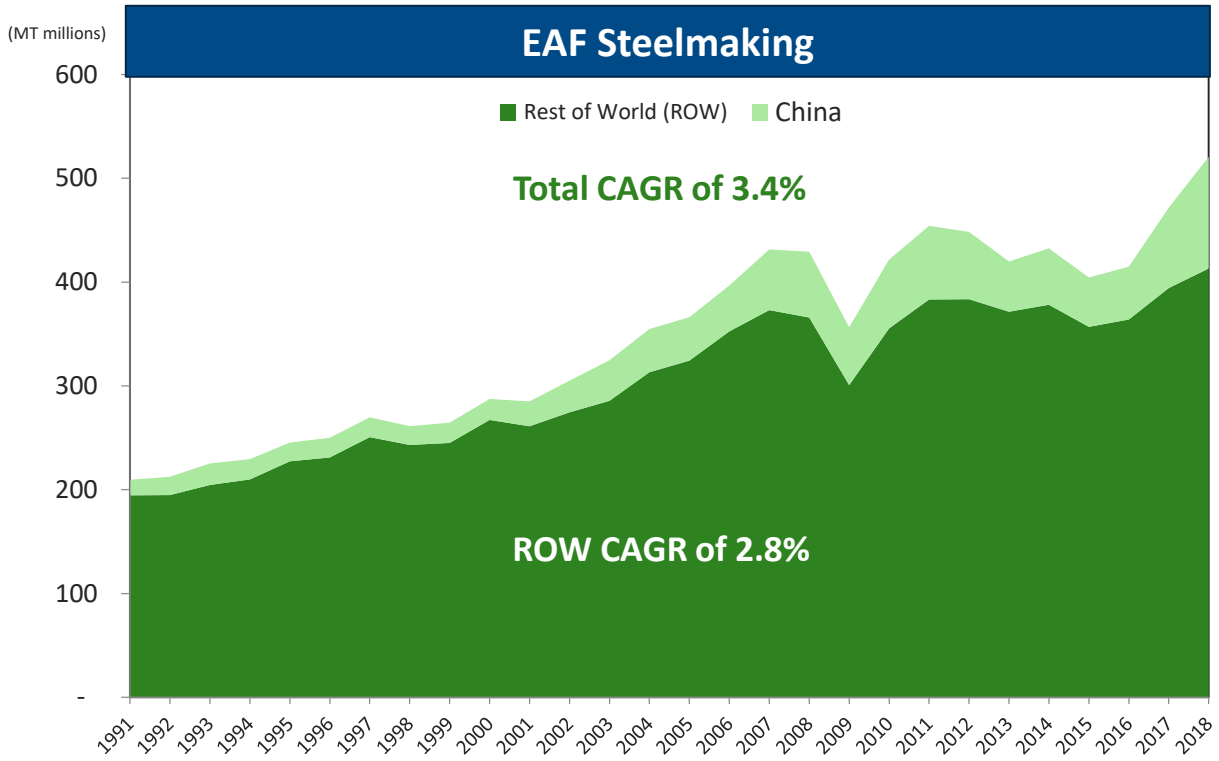
- During ***Q1 $53 million was returned to stockholders*** ($30 million of share repurchases and $23 of dividends)
- For the balance of 2020 our ***strategy will be reprioritized to focus on liquidity and debt repayment***
- Quarterly dividend is being reduced to $0.01 per share (annual rate of $0.04 per share)
- The Board of Directors will revisit the dividend level when conditions improve[1]
- Majority of free cash flow will be targeted to reduce debt

[1]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

EAF Steelmaking is Advantaged for the Long-Term

Mini-Mill Advantages

- ✓ Long-term growth rate of ~3%
- ✓ Environmentally advantageous
- ✓ 75% less carbon emissions
- ✓ Among the world's largest recycling industries
- ✓ Low capital and cost structure
- ✓ Flexible to operate



Source: World Steel Association
* Excluding China

Graphite Electrode Sustainable Strengths

Graphite Electrode Advantages

- ✓ Mission critical
- ✓ No known alternative
- ✓ Sustainable long-term growth
- ✓ Consumed every 8-10 hours
- ✓ Only 1-5% of EAF production costs
- ✓ Highly engineered - extensive product and process knowledge required



GrafTech - A Leading Supplier of Graphite Electrodes

- ✓ High quality, low cost, global leader
- ✓ Substantial vertical integration provides security of supply and sustainable competitive advantage
- ✓ Long-term contracts provide profitability, stability and visibility
- ✓ Generating significant cash flows with strong liquidity and balance sheet

Global Network of Production and Sales



Disclosures

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 is a non-GAAP financial measure and 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 as EBITDA 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, a non-GAAP financial measure, as net income or loss plus interest expense, minus interest income, plus income taxes, and depreciation and amortization. We monitor Adjusted EBITDA 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 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, 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 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

(in thousands)	For the Three Months Ended March 31, 2020	2019
Net income	122,268	197,436
Add:		
Depreciation and amortization	14,284	15,585
Interest expense	25,672	33,700
Interest income	(1,141)	(414)
Income taxes	23,946	32,418
EBITDA	185,029	278,725
Adjustments:		
Pension and OPEB plan expenses [(1)]	542	770
Initial and follow-on public offering and related expenses [(2)]	4	685
Non-cash (gain) loss on foreign currency remeasurement [(3)]	(3,461)	411
Stock-based compensation [(4)]	410	292
Non-cash fixed asset write-off [(5)]	-	2,932
Related party Tax Receivable Agreement benefit [(6)]	(3,346)	-
Adjusted EBITDA	179,178	283,815

(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 offering and related expenses.
(3) Non-cash gains and losses 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 assets.
(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 March 31, 2020	2019
Net cash provided by operating activities	139,283	156,817
Capital expenditures	(13,901)	(14,569)
Free cash flow	**125,382**	**142,248**