

**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, 2020

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, \$0.01 par value per share	EAF	New York Stock Exchange

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 every Interactive Data File required to be submitted 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 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," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	☒	Accelerated Filer	☐	Emerging Growth Company	☐
Non-Accelerated Filer	☐	Smaller Reporting 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 31, 2020, 267,188,547 shares of common stock, par value \$0.01 per share, were outstanding.

TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION:

Item 1. Financial Statements

<u>Condensed Consolidated Balance Sheets (unaudited)</u>	<u>5</u>
<u>Condensed Consolidated Statements of Operations and Comprehensive Income (unaudited)</u>	<u>6</u>
<u>Condensed Consolidated Statements of Cash Flows (unaudited)</u>	<u>7</u>
<u>Condensed Consolidated Statements of Stockholders' Equity (unaudited)</u>	<u>8</u>
<u>Notes to Condensed Consolidated Financial Statements (unaudited)</u>	<u>10</u>

<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>24</u>
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<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	<u>34</u>
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<u>Item 4. Controls and Procedures</u>	<u>35</u>
--	---------------------------

PART II. OTHER INFORMATION:

<u>Item 1. Legal Proceedings</u>	<u>37</u>
--	---------------------------

<u>Item 1A. Risk Factors</u>	<u>37</u>
--	---------------------------

<u>Item 2. Unregistered Sale of Equity Securities and Use of Proceeds</u>	<u>37</u>
---	---------------------------

<u>Item 6. Exhibits</u>	<u>39</u>
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<u>SIGNATURE</u>	<u>40</u>
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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 Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2020 (the "Report") are our own estimates or derived from sources described in our Annual Report on Form 10-K for the year ended December 31, 2019 ("Annual Report on Form 10-K") filed on February 21, 2020. Our estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed under "Forward-Looking Statements" and "Risk Factors" in this Report and in our Annual Report on Form 10-K. 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.

Forward-Looking Statements

Some of the statements under "Management's Discussion and Analysis of Financial Condition and Results of Operations," and elsewhere in this Report 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," "foresee," "intend," "should," "would," "could," "target," "goal," "continue to," "positioned to" or the negative versions of those words or other comparable words. Any forward-looking statements contained in this Report 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. 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 ability to secure and maintain longer-term customer contracts, in an effective manner;
- the risks and uncertainties associated with litigation, arbitration, and like disputes, including the recently filed stockholder litigation and disputes related to contractual commitments;
- 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 continue to 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 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 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 (as defined below);
- 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 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 sections, that are included in our Annual Report on Form 10-K, our Quarterly Reports on Form 10-Q for the quarterly periods ended March 31, 2020 and June 30, 2020, and other filings with the Securities and Exchange Commission ("SEC"). The forward-looking statements made in this Report 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.

If one or more of these or other risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, our actual results may vary materially from what we may have expressed or implied by these forward-looking statements. We caution that you should not place undue reliance on any of our forward-looking statements. You should specifically consider the factors identified in this Report that could cause actual results to differ before making an investment decision to purchase our common stock. Furthermore, new risks and uncertainties arise from time to time, and it is impossible for us to predict those events or how they may affect us.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

(Dollars in thousands)

(Unaudited)

	As of September 30, 2020	As of December 31, 2019
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 158,841	\$ 80,935
Accounts and notes receivable, net of allowance for doubtful accounts of \$8,973 as of September 30, 2020 and \$5,474 as of December 31, 2019	164,195	247,051
Inventories	299,236	313,648
Prepaid expenses and other current assets	35,299	40,946
Total current assets	657,571	682,580
Property, plant and equipment	765,822	733,417
Less: accumulated depreciation	264,304	220,397
Net property, plant and equipment	501,518	513,020
Deferred income taxes	40,767	55,217
Goodwill	171,117	171,117
Other assets	96,616	104,230
Total assets	\$ 1,467,589	\$ 1,526,164
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 49,056	\$ 78,697
Short-term debt	147	141
Accrued income and other taxes	81,756	65,176
Other accrued liabilities	65,058	48,335
Related party payable - tax receivable agreement	16,115	27,857
Total current liabilities	212,132	220,206
Long-term debt	1,564,431	1,812,682
Other long-term obligations	76,403	72,562
Deferred income taxes	44,251	49,773
Related party payable - tax receivable agreement long-term	42,479	62,014
Contingencies - Note 8		
Stockholders' equity:		
Preferred stock, par value \$0.01, 300,000,000 shares authorized, none issued	—	—
Common stock, par value \$0.01, 3,000,000,000 shares authorized, 267,188,547 shares issued and outstanding as of September 30, 2020 and 270,485,308 as of December 31, 2019	2,672	2,705
Additional paid-in capital	757,576	765,419
Accumulated other comprehensive loss	(39,161)	(7,361)
Accumulated deficit	(1,193,194)	(1,451,836)
Total stockholders' deficit	(472,107)	(691,073)
Total liabilities and stockholders' equity	\$ 1,467,589	\$ 1,526,164

See accompanying Notes to Condensed Consolidated Financial Statements

GRAFTECH INTERNATIONAL LTD. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

(Dollars in thousands, except share data)

(Unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2020	2019	2020	2019
CONSOLIDATED STATEMENTS OF OPERATIONS				
Net sales	\$ 286,987	\$ 420,797	\$ 886,351	\$ 1,376,181
Cost of sales	131,862	178,497	401,379	571,068
Gross profit	155,125	242,300	484,972	805,113
Research and development	650	611	2,072	1,961
Selling and administrative expenses	19,062	15,708	49,995	46,328
Operating profit	135,413	225,981	432,905	756,824
Other expense (income), net	694	(688)	(2,309)	642
Related party Tax Receivable Agreement benefit	—	—	(3,346)	—
Interest expense	22,474	31,803	69,026	98,472
Interest income	(93)	(1,765)	(1,582)	(2,910)
Income before provision for income taxes	112,338	196,631	371,116	660,620
Provision for income taxes	18,104	20,755	61,838	90,940
Net income	\$ 94,234	\$ 175,876	\$ 309,278	\$ 569,680
Basic income per common share*:				
Net income per share	\$ 0.35	\$ 0.61	\$ 1.15	\$ 1.96
Weighted average common shares outstanding	267,265,705	290,112,233	267,908,427	290,410,859
Diluted income per common share*:				
Income per share	\$ 0.35	\$ 0.61	\$ 1.15	\$ 1.96
Weighted average common shares outstanding	267,279,555	290,127,296	267,920,890	290,422,351
STATEMENTS OF COMPREHENSIVE INCOME (LOSS)				
Net income	\$ 94,234	\$ 175,876	\$ 309,278	\$ 569,680
Other comprehensive income:				
Foreign currency translation adjustments, net of tax of \$0, \$(92), \$(162) and \$(128), respectively	7,455	(13,597)	(6,083)	(13,519)
Commodity and interest rate derivatives, net of tax of \$(740), \$6,972, \$7,224 and \$1,065, respectively	2,826	(25,934)	(25,717)	(4,358)
Other comprehensive income (loss), net of tax:	10,281	(39,531)	(31,800)	(17,877)
Comprehensive income	\$ 104,515	\$ 136,345	\$ 277,478	\$ 551,803

*See Notes 1 and 12

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,	
	2020	2019
Cash flow from operating activities:		
Net income	\$ 309,278	\$ 569,680
Adjustments to reconcile net income to cash provided by operations:		
Depreciation and amortization	45,074	46,387
Related party Tax Receivable Agreement benefit	(3,346)	—
Deferred income tax provision	16,237	28,696
Interest expense	4,768	4,764
Other charges, net	2,335	17,689
Net change in working capital*	85,098	(80,311)
Change in related party Tax Receivable Agreement	(27,857)	—
Change in long-term assets and liabilities	(14,922)	(2,133)
Net cash provided by operating activities	416,665	584,772
Cash flow from investing activities:		
Capital expenditures	(30,688)	(44,053)
Proceeds from the sale of assets	78	98
Net cash used in investing activities	(30,610)	(43,955)
Cash flow from financing activities:		
Repurchase of common stock-non-related party	(30,099)	(9,484)
Payment of tax withholdings related to net share settlement of equity awards	(71)	—
Principal repayments on long-term debt	(249,214)	(125,000)
Dividends paid to non-related-party	(7,553)	(15,505)
Dividends paid to related-party	(20,650)	(58,507)
Net cash used in financing activities	(307,587)	(208,496)
Net change in cash and cash equivalents	78,468	332,321
Effect of exchange rate changes on cash and cash equivalents	(562)	(1,037)
Cash and cash equivalents at beginning of period	80,935	49,880
Cash and cash equivalents at end of period	<u>\$ 158,841</u>	<u>\$ 381,164</u>
* Net change in working capital due to changes in the following components:		
Accounts and notes receivable, net	\$ 78,408	\$ (20,727)
Inventories	10,371	(19,908)
Prepaid expenses and other current assets	5,437	5,703
Income taxes payable	16,032	(28,152)
Accounts payable and accruals	(25,078)	(17,336)
Interest payable	(72)	109
Net change in working capital	<u>\$ 85,098</u>	<u>\$ (80,311)</u>

See accompanying Notes to Condensed Consolidated Financial Statements

GRAFTECH INTERNATIONAL LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)
(Dollars in thousands, except share data)
(Unaudited)

	Issued Shares of Common Stock	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Accumulated Deficit)	Total Stockholders' Equity (Deficit)
Balance as of December 31, 2019	<u>270,485,308</u>	<u>\$ 2,705</u>	<u>\$ 765,419</u>	<u>\$ (7,361)</u>	<u>\$ (1,451,836)</u>	<u>\$ (691,073)</u>
Comprehensive income (loss):						
Net income	—	—	—	—	122,268	122,268
Other comprehensive income (loss):						
Commodity and interest rate derivatives income (loss), net of tax of \$10,322	—	—	—	(37,577)	—	(37,577)
Commodity derivatives reclassification adjustments, net of tax of \$605	—	—	—	(2,204)	—	(2,204)
Foreign currency translation adjustments, net of tax of \$(163)	—	—	—	(17,168)	—	(17,168)
Total other comprehensive loss	—	—	—	(56,949)	—	(56,949)
Stock-based compensation	29,394	—	405	—	—	405
Dividends paid to related party stockholder (\$0.085 per share)	—	—	—	—	(16,933)	(16,933)
Dividends paid to non-related party stockholders (\$0.085 per share)	—	—	—	—	(5,926)	(5,926)
Common stock repurchased and retired (from non-related party)	(3,328,574)	(33)	(9,700)	—	(20,366)	(30,099)
Common stock withheld for taxes on equity award settlement	(7,465)	—	(21)	—	(25)	(46)
Adoption of ASC 326	—	—	—	—	(2,026)	(2,026)
Balance as of March 31, 2020	<u>267,178,663</u>	<u>\$ 2,672</u>	<u>\$ 756,103</u>	<u>\$ (64,310)</u>	<u>\$ (1,374,844)</u>	<u>\$ (680,379)</u>
Comprehensive income (loss):						
Net income	—	—	—	—	92,776	92,776
Other comprehensive income (loss):						
Commodity and interest rate derivatives income (loss), net of tax of \$(3,199)	—	—	—	12,132	—	12,132
Commodity derivatives reclassification adjustments, net of tax of \$236	—	—	—	(894)	—	(894)
Foreign currency translation adjustments, net of tax of \$1	—	—	—	3,630	—	3,630
Total other comprehensive income	—	—	—	14,868	—	14,868
Stock-based compensation	13,017	—	718	—	—	718
Dividends paid to related party stockholder (\$0.01 per share)	—	—	—	—	(1,993)	(1,993)
Dividends paid to non-related party stockholders (\$0.01 per share)	—	—	—	—	(679)	(679)
Common stock withheld for taxes on equity award settlement	(3,133)	—	(9)	—	(16)	(25)
Balance as of June 30, 2020	<u>267,188,547</u>	<u>\$ 2,672</u>	<u>\$ 756,812</u>	<u>\$ (49,442)</u>	<u>\$ (1,284,756)</u>	<u>\$ (574,714)</u>
Comprehensive income (loss):						
Net income	—	—	—	—	94,234	94,234
Other comprehensive income (loss):						
Commodity and interest rate derivative income (loss), net of tax of \$(1,009)	—	—	—	3,852	—	3,852
Commodity derivatives reclassification adjustments, net of tax of \$269	—	—	—	(1,026)	—	(1,026)
Foreign currency translation adjustments, net of tax of \$0	—	—	—	7,455	—	7,455
Total other comprehensive income	—	—	—	10,281	—	10,281
Stock-based compensation	—	—	764	—	—	764
Dividends paid to related party stockholder (\$0.01 per share)	—	—	—	—	(1,724)	(1,724)
Dividends paid to non-related party stockholders (\$0.01 per share)	—	—	—	—	(948)	(948)
Balance as of September 30, 2020	<u>267,188,547</u>	<u>\$ 2,672</u>	<u>\$ 757,576</u>	<u>\$ (39,161)</u>	<u>\$ (1,193,194)</u>	<u>\$ (472,107)</u>

	Issued Shares of Common Stock	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income(Loss)	Retained Earnings (Accumulated Deficit)	Total Stockholders' Equity (Deficit)
Balance as of December 31, 2018	<u>290,537,612</u>	<u>\$ 2,905</u>	<u>\$ 819,622</u>	<u>\$ (5,800)</u>	<u>\$ (1,893,496)</u>	<u>\$ (1,076,769)</u>
Comprehensive income (loss):						
Net income	—	—	—	—	197,436	197,436
Other comprehensive income (loss):						
Commodity derivatives foreign currency derivatives income (loss), net of tax of \$(7,295)	—	—	—	27,113	—	27,113
Commodity derivatives reclassification adjustments, net of tax of \$392	—	—	—	(1,456)	—	(1,456)
Foreign currency translation adjustments, net of tax \$(3)	—	—	—	(3,539)	—	(3,539)
Total other comprehensive income	—	—	—	22,118	—	22,118
Stock-based compensation			293			293
Dividends paid to related party stockholder (\$0.085 per share)	—	—	—	—	(19,502)	(19,502)
Dividends paid to non-related party stockholders (\$0.085 per share)	—	—	—	—	(5,194)	(5,194)
Balance as of March 31, 2019	<u>290,537,612</u>	<u>\$ 2,905</u>	<u>\$ 819,915</u>	<u>\$ 16,318</u>	<u>\$ (1,720,756)</u>	<u>\$ (881,618)</u>
Comprehensive income (loss):						
Net income	—	—	—	—	196,368	196,368
Other comprehensive income (loss):						
Commodity derivatives income (loss), net of tax of \$603	—	—	—	(2,472)	—	(2,472)
Commodity derivatives reclassification adjustments, net of tax of \$393	—	—	—	(1,609)	—	(1,609)
Foreign currency translation adjustments, net of tax of \$(33)	—	—	—	3,617	—	3,617
Total other comprehensive (loss)	—	—	—	(464)	—	(464)
Stock-based compensation			570			570
Dividends paid to related party stockholder (\$0.085 per share)	—	—	—	—	(19,503)	(19,503)
Dividends paid to non-related party stockholders (\$0.085 per share)	—	—	—	—	(5,191)	(5,191)
Balance as of June 30, 2019	<u>290,537,612</u>	<u>\$ 2,905</u>	<u>\$ 820,485</u>	<u>\$ 15,854</u>	<u>\$ (1,549,082)</u>	<u>\$ (709,838)</u>
Comprehensive income (loss):						
Net income	—	—	—	—	175,876	175,876
Other comprehensive income (loss):						
Commodity and foreign currency derivatives loss, net of tax of \$6,306	—	—	—	(23,456)	—	(23,456)
Commodity derivatives reclassification adjustments, net of tax of \$666	—	—	—	(2,478)	—	(2,478)
Foreign currency translation adjustments of \$(92)	—	—	—	(13,597)	—	(13,597)
Total other comprehensive income	—	—	—	(39,531)	—	(39,531)
Stock-based compensation	—	—	705	—	—	705
Dividends paid to related party stockholder (\$0.085 per share)	—	—	—	—	(19,502)	(19,502)
Dividends paid to non-related party stockholders (\$0.085 per share)	—	—	—	—	(5,118)	(5,118)
Common stock repurchases and retirement	(879,134)	(8)	(2,470)	—	(7,006)	(9,484)
Balance as of September 30, 2019	<u>289,658,478</u>	<u>\$ 2,897</u>	<u>\$ 818,720</u>	<u>\$ (23,677)</u>	<u>\$ (1,404,832)</u>	<u>\$ (606,892)</u>

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 a leading manufacturer of high quality graphite electrode products essential to the production of electric arc furnace steel and other ferrous and non-ferrous metals. References herein to "GrafTech," "we," "our," or "us" refer collectively to GrafTech International Ltd. and its subsidiaries.

On August 15, 2015, we became an indirect wholly owned subsidiary of Brookfield Asset Management Inc. (together with its affiliates, "Brookfield"). In April 2018, we completed our initial public offering ("IPO") of 38,097,525 shares of our common stock held by Brookfield at a price of \$15.00 per share. We did not receive any proceeds related to the IPO. Our common stock is listed on the NYSE under the symbol "EAF." On July 22, 2020, Brookfield distributed a portion of its GrafTech common stock to the owners in the Brookfield consortium, resulting in the reduction in Brookfield's ownership of outstanding shares of GrafTech common stock to 65%. Brookfield owned approximately 65% of our outstanding common stock as of September 30, 2020.

The Company's only reportable segment, Industrial Materials, is comprised of our two major product categories: graphite electrodes and petroleum needle coke products. Petroleum needle coke is a key raw material used in the production of graphite electrodes. The Company's vision is to provide highly engineered graphite electrode services, solutions and products to electric arc furnace operators.

B. Basis of Presentation

The interim condensed 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, 2019 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, 2019 ("Annual Report on Form 10-K"), filed on February 21, 2020, but does not include all disclosures required by GAAP in audited financial statements. These interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements, including the accompanying notes, contained in our Annual Report on Form 10-K.

The unaudited condensed 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

Recently Adopted Accounting Standards

In January 2017, the Financial Accounting Standards Board ("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. This ASU No. 2017-04 is effective beginning January 1, 2020. The Company adopted ASU No. 2017-04 on January 1, 2020, with no impact to our financial position, results of operations or cash flows.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments-Credit Losses* (Topic 326), which introduces the Current Expected Credit Losses ("CECL") accounting model. CECL requires earlier recognition of credit losses, while also providing additional transparency about credit risk. CECL utilizes a lifetime expected credit loss measurement objective for the recognition of credit losses at the time the financial asset is originated or acquired. The expected credit losses are adjusted each period for changes in expected lifetime credit losses. ASU No. 2016-13 was effective for the Company on January 1, 2020. The adoption of ASU No. 2016-13 resulted in a cumulative-effect adjustment of \$2.0 million included as an adjustment to our accounts receivable reserve and to retained earnings on January 1, 2020.

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

Accounting Standards Not Yet Adopted

In March 2020, the FASB issued ASU No. 2020-04, *Facilitation of the Effects of Reference Rate Reform on Financial Reporting* (Topic 848). This pronouncement contains optional expedients and exceptions for applying GAAP to contracts, hedging relationships and other transactions affected by reference rate reform. ASU 2020-04 is elective and applies to all entities, subject to meeting certain criteria, that have contracts, hedging relationships and other transactions that reference the London Interbank Offered Rate ("LIBOR") or another reference rate expected to be discontinued because of reference rate reform. ASU 2020-04 can be elected for both interim and annual periods from March 12, 2020 through December 31, 2022. We plan to adopt ASU 2020-04 as of January 1, 2021. The adoption of ASU 2020-04 is not expected to have a material impact on our financial position, results of operations or cash flows.

In December 2019, the FASB issued ASU No. 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*. ASU 2019-12 is intended to improve consistent application of Topic 740 and simplify the accounting for income taxes. This pronouncement removes certain exceptions to the general principles in Topic 740 and clarifies and amends existing guidance. ASU 2019-12 is effective for annual and interim reporting periods beginning after December 12, 2020, with early adoption permitted. The Company is currently evaluating the effects of this on our financial position, results of operations or cash flows.

(2) Revenue from Contracts with Customers

Disaggregation of Revenue

The following table provides information about disaggregated revenue by type of product and contract for the three and nine months ended September 30, 2020 and 2019:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2020	2019	2020	2019
	<i>(Dollars in thousands)</i>			
Graphite Electrodes - Three-to-five-year take-or-pay contracts	\$ 250,011	\$ 334,097	\$ 771,400	\$ 1,107,742
Graphite Electrodes - Short-term agreements and spot sales	32,303	67,704	93,232	191,249
By-products and other	4,673	18,996	21,719	77,190
Total Revenues	\$ 286,987	\$ 420,797	\$ 886,351	\$ 1,376,181

The Graphite Electrodes revenue categories include only graphite electrodes manufactured by GrafTech. The revenue category "By-products and Other" includes resales of low-grade electrodes purchased from third-party suppliers, which represent a minimal contribution to our profitability.

Contract Balances

Receivables, net of allowances for doubtful accounts, were \$164.2 million as of September 30, 2020 and \$247.1 million as of December 31, 2019. Accounts receivables are recorded when the right to consideration becomes unconditional. Payment terms on invoices range from 30 to 120 days depending on the customary business practices of the jurisdictions in which we operate.

Certain short-term and longer-term sales contracts require up-front payments prior to the Company's fulfillment of any performance obligation. These contract liabilities are recorded as current or long-term deferred revenue, depending on the lag between the pre-payment and the expected delivery of the related products. Additionally, under ASC 606, *Revenue from Contracts with Customers*, deferred revenue or contract assets originate from contracts where the allocation of the transaction price to the performance obligations based on their relative stand-alone selling prices results in the timing of revenue recognition being different from the timing of the invoicing. In this case, deferred revenue is amortized into revenue based on the transaction price allocated to the remaining performance obligations and contract assets are realized through the contract invoicing.

Contract assets as of September 30, 2020 were \$0.8 million and are included in "Prepaid expenses and other current assets" on the Condensed Consolidated Balance Sheets. There were no contract assets as of December 31, 2019.

Current deferred revenue is included in "Other accrued liabilities" and long-term deferred revenue is included in "Other long-term obligations" on the Condensed Consolidated Balance Sheets.

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

The following table provides information about deferred revenue from contracts with customers (in thousands):

	Current Deferred Revenue	Long-Term Deferred Revenue
	<i>(Dollars in thousands)</i>	
Balance as of December 31, 2019	\$ 11,776	\$ 3,858
Increases due to cash received	10,535	—
Revenue recognized	(3,684)	—
Foreign currency impact	(924)	—
Balance as of September 30, 2020	\$ 17,703	\$ 3,858

Transaction Price Allocated to the Remaining Performance Obligations

We estimate that our long-term contract revenue in 2020 will be in the range of \$1,000 million to \$1,080 million. We recorded \$771 million of revenue in the first nine months of 2020, and we expect to record approximately \$230 million to \$310 million of revenue for the remainder of 2020. As a result of recent contract modifications, as well as on-going discussions with many of our customers, the remaining revenue associated with our long-term sales agreements is expected to be approximately as follows:

	2021	2022	2023 through 2024
	<i>(Dollars in millions)</i>		
Estimated LTA revenue	\$925-\$1,025	\$910-\$1,010	\$350-\$450 ⁽¹⁾

⁽¹⁾ Includes expected termination fees from a few customers that have failed to meet certain obligations under their long-term agreements ("LTAs").

The majority of the long-term take-or-pay contracts are defined as pre-determined fixed annual volume contracts while a small portion are defined with a specified volume range. For the year 2021 and beyond, the contractual revenue amounts above are based upon the minimum volume for those contracts with specified ranges. The actual revenue realized from these contracted volumes may vary in timing and total due to the credit risk associated with certain customers facing financial challenges and non-performance on contracts, as well as customer demand related to contracted volume ranges. Some of our customers are struggling to take their committed volumes. This is causing some non-performance and disputes including a few arbitrations associated with, among other things, efforts to modify existing contracts.

(3) Retirement Plans and Postretirement Benefits

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,	
	2020	2019	2020	2019
	<i>(Dollars in thousands)</i>			
Service cost	\$ 623	\$ 574	\$ 1,863	\$ 1,724
Interest cost	1,033	1,316	3,098	3,948
Expected return on plan assets	(1,283)	(1,339)	(3,849)	(4,015)
Net cost	\$ 373	\$ 551	\$ 1,112	\$ 1,657

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,	
	2020	2019	2020	2019
	<i>(Dollars in thousands)</i>			
Interest cost	\$ 180	\$ 236	\$ 545	\$ 717
Net cost	\$ 180	\$ 236	\$ 545	\$ 717

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

(4) Goodwill and Other Intangible Assets

We are required to review goodwill and indefinite-lived intangible assets annually for impairment. Goodwill impairment is tested at the reporting unit level 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 carrying value of goodwill and intangibles for the nine months ended September 30, 2020, which are reported in "Other assets" on the balance sheets:

Goodwill						
<i>(Dollars in thousands)</i>						
Balance as of December 31, 2019						\$ 171,117
Adjustments						—
Balance as of September 30, 2020						<u>\$ 171,117</u>

Intangible Assets						
	As of September 30, 2020			As of December 31, 2019		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
<i>(Dollars in thousands)</i>						
Trade name	\$ 22,500	\$ (11,425)	\$ 11,075	\$ 22,500	\$ (9,861)	\$ 12,639
Technological know-how	55,300	(32,945)	22,355	55,300	(29,112)	26,188
Customer-related intangible	64,500	(22,759)	41,741	64,500	(19,473)	45,027
Total finite-lived intangible assets	<u>\$ 142,300</u>	<u>\$ (67,129)</u>	<u>\$ 75,171</u>	<u>\$ 142,300</u>	<u>\$ (58,446)</u>	<u>\$ 83,854</u>

Amortization expense of acquired intangible assets was \$2.8 million and \$3.0 million in the three months ended September 30, 2020 and 2019, respectively, and \$8.7 million and \$9.2 million in the nine months ended September 30, 2020 and 2019, respectively. Estimated amortization expense will be approximately \$2.7 million for the remainder of 2020, \$10.7 million in 2021, \$10.1 million in 2022, \$9.2 million in 2023 and \$8.0 million in 2024.

(5) Debt and Liquidity

The following table presents our long-term debt:

	As of September 30, 2020	As of December 31, 2019
<i>(Dollars in thousands)</i>		
2018 Credit Facility (2018 Term Loan and 2018 Revolving Credit Facility)	\$ 1,563,903	\$ 1,812,204
Other debt	675	619
Total debt	1,564,578	1,812,823
Less: Short-term debt	(147)	(141)
Long-term debt	<u>\$ 1,564,431</u>	<u>\$ 1,812,682</u>

During 2019, we repaid a total of \$350 million under our 2018 Term Loan Facility (as defined below). These payments satisfied our then-current obligations relative to the minimum quarterly installments. During the nine months ended September 30, 2020, we executed several transactions to repurchase a total of \$80 million of principal of our 2018 Term Loan facility. Additionally, during the nine months ended September 30, 2020, we repaid a total of \$173 million of principal of our 2018 Term Loan Facility. The fair value of the 2018 Term Loan Facility was approximately \$1,576 million and \$1,813 million as of September 30, 2020 and December 31, 2019, respectively. The fair value of the debt is measured using level 3 inputs.

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

2018 Credit Agreement

On February 12, 2018, the Company entered into a credit agreement (the "2018 Credit Agreement") among the Company, GrafTech Finance Inc. ("GrafTech Finance"), GrafTech Switzerland SA ("Swissco"), GrafTech Luxembourg II S.à.r.l. ("Luxembourg Holdco" and, together with GrafTech Finance and Swissco, the "Co-Borrowers"), the lenders and issuing banks party thereto and JPMorgan Chase Bank, N.A. as administrative agent (the "Administrative Agent") and as collateral agent, which provides for (i) a \$1,500 million senior secured term facility (the "2018 Term Loan Facility") and (ii) a \$250 million senior secured revolving credit facility (the "2018 Revolving Credit Facility" and, together with the 2018 Term Loan Facility, the "Senior Secured Credit Facilities"), which may be used from time to time for revolving credit borrowings denominated in dollars or Euro, the issuance of one or more letters of credit denominated in dollars, euro, pounds sterling or Swiss francs and one or more swing line loans denominated in dollars. GrafTech Finance is the sole borrower under the 2018 Term Loan Facility, while GrafTech Finance, Swissco and Lux Holdco are Co-Borrowers under the 2018 Revolving Credit Facility. On February 12, 2018, GrafTech Finance borrowed \$1,500 million under the 2018 Term Loan Facility (the "2018 Term Loans"). The 2018 Term Loans mature on February 12, 2025. The maturity date for the 2018 Revolving Credit Facility is February 12, 2023.

The proceeds of the 2018 Term Loans were used to (i) repay in full all outstanding indebtedness of the Co-Borrowers under our previous credit agreement and terminate all commitments thereunder, (ii) redeem in full our previously held senior notes at a redemption price of 101.594% of the principal amount thereof plus accrued and unpaid interest to the date of redemption, (iii) pay fees and expenses incurred in connection with (i) and (ii) above and the Senior Secured Credit Facilities and related expenses, and (iv) declare and pay a dividend to the sole pre-IPO stockholder, with any remainder to be used for general corporate purposes. See Note 7 "Interest Expense" for a breakdown of expenses associated with these repayments. In connection with the repayment of our previous credit agreement and redemption of our previously held senior notes, all guarantees of obligations under the previous credit agreement, the senior notes and related indenture were terminated, all mortgages and other security interests securing obligations under the previous credit agreement were released and the indenture was terminated.

Borrowings under the 2018 Term Loan Facility bear interest, at GrafTech Finance's option, at a rate equal to either (i) the Adjusted LIBO Rate (as defined in the 2018 Credit Agreement), plus an applicable margin initially equal to 3.50% per annum or (ii) the ABR Rate (as defined in the 2018 Credit Agreement), plus an applicable margin initially equal to 2.50% per annum, in each case with one step down of 25 basis points based on achievement of certain public ratings of the 2018 Term Loans.

Borrowings under the 2018 Revolving Credit Facility bear interest, at the applicable Co-Borrower's option, at a rate equal to either (i) the Adjusted LIBO Rate, plus an applicable margin initially equal to 3.75% per annum or (ii) the ABR Rate, plus an applicable margin initially equal to 2.75% per annum, in each case with two 25 basis point step downs based on achievement of certain senior secured first lien net leverage ratios. In addition, the Co-Borrowers will be required to pay a quarterly commitment fee on the unused commitments under the 2018 Revolving Credit Facility in an amount equal to 0.25% per annum.

For borrowings under both the 2018 Term Loan Facility and the 2018 Revolving Credit Facility, if the Administrative Agent determines that adequate and reasonable means do not exist for ascertaining the Adjusted LIBO Rate or the LIBO Rate and such circumstances are unlikely to be temporary or the relevant authority has made a public statement identifying a date after which the LIBO Rate shall no longer be used for determining interest rates for loans, then the Administrative Agent and the Co-Borrowers shall endeavor to establish an alternate rate of interest, which shall be effective so long as the majority in interest of the lenders for each Class (as defined in the 2018 Credit Agreement) of loans under the 2018 Credit Agreement do not notify the Administrative Agent otherwise. Until such an alternate rate of interest is determined, (a) any request for a borrowing denominated in dollars based on the Adjusted LIBO Rate will be deemed to be a request for a borrowing at the ABR Rate plus the applicable margin for an ABR Rate borrowing of such loan while any request for a borrowing denominated in any other currency will be ineffective and (b) any outstanding borrowings based on the Adjusted LIBO Rate denominated in dollars will be converted to a borrowing at the ABR Rate plus the applicable margin for an ABR Rate borrowing of such loan while any outstanding borrowings denominated in any other currency will be repaid.

All obligations under the 2018 Credit Agreement are guaranteed by GrafTech Finance and each domestic subsidiary of GrafTech, subject to certain customary exceptions, and all obligations under the 2018 Credit Agreement of each foreign subsidiary of GrafTech that is a Controlled Foreign Corporation (within the meaning of Section 956 of the Internal Revenue Code of 1986, as amended from time to time (the "Code")) are guaranteed by GrafTech Luxembourg I S.à.r.l., a Luxembourg

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

société à responsabilité limitée and an indirect wholly owned subsidiary of GrafTech, Luxembourg Holdco and Swissco (collectively, the "Guarantors").

All obligations under the 2018 Credit Agreement are secured, subject to certain exceptions and Excluded Assets (as defined in the 2018 Credit Agreement), by: (i) a pledge of all of the equity securities of GrafTech Finance and each domestic Guarantor (other than GrafTech) and of each other direct, wholly owned domestic subsidiary of GrafTech and any Guarantor, (ii) a pledge on no more than 65% of the equity interests of each subsidiary that is a Controlled Foreign Corporation (within the meaning of Section 956 of ("the Code")), and (iii) security interests in, and mortgages on, personal property and material real property of GrafTech Finance and each domestic Guarantor, subject to permitted liens and certain exceptions specified in the 2018 Credit Agreement. The obligations of each foreign subsidiary of GrafTech that is a Controlled Foreign Corporation under the Revolving Credit Facility are secured by (i) a pledge of all of the equity securities of each Guarantor that is a Controlled Foreign Corporation and of each direct, wholly owned subsidiary of any Guarantor that is a Controlled Foreign Corporation, and (ii) security interests in certain receivables and personal property of each Guarantor that is a Controlled Foreign Corporation, subject to permitted liens and certain exceptions specified in the 2018 Credit Agreement.

The 2018 Term Loans amortize at a rate equal to 5% per annum of the original principal amount of the 2018 Term Loans payable in equal quarterly installments, with the remainder due at maturity. The Co-Borrowers are permitted to make voluntary prepayments at any time without premium or penalty. GrafTech Finance is required to make prepayments under the 2018 Term Loans (without payment of a premium) with (i) net cash proceeds from non-ordinary course asset sales (subject to customary reinvestment rights and other customary exceptions and exclusions), and (ii) commencing with the Company's fiscal year ended December 31, 2019, 75% of Excess Cash Flow (as defined in the 2018 Credit Agreement), subject to step-downs to 50% and 0% of Excess Cash Flow based on achievement of a senior secured first lien net leverage ratio greater than 1.25 to 1.00 but less than or equal to 1.75 to 1.00 and less than or equal to 1.25 to 1.00, respectively. Scheduled quarterly amortization payments of the 2018 Term Loans during any calendar year reduce, on a dollar-for-dollar basis, the amount of the required Excess Cash Flow prepayment for such calendar year, and the aggregate amount of Excess Cash Flow prepayments for any calendar year reduce subsequent quarterly amortization payments of the 2018 Term Loans as directed by GrafTech Finance.

The 2018 Credit Agreement contains customary representations and warranties and customary affirmative and negative covenants applicable to GrafTech and restricted subsidiaries, including, among other things, restrictions on indebtedness, liens, investments, fundamental changes, dispositions, and dividends and other distributions. The 2018 Credit Agreement contains a financial covenant that requires GrafTech to maintain a senior secured first lien net leverage ratio not greater than 4.00:1.00 when the aggregate principal amount of borrowings under the 2018 Revolving Credit Facility and outstanding letters of credit issued under the 2018 Revolving Credit Facility (except for undrawn letters of credit in an aggregate amount equal to or less than \$35 million), taken together, exceed 35% of the total amount of commitments under the 2018 Revolving Credit Facility. The 2018 Credit Agreement also contains customary events of default.

First Amendment to 2018 Credit Agreement

On June 15, 2018, the Company entered into a first amendment (the "First Amendment") to its 2018 Credit Agreement. The First Amendment amended the 2018 Credit Agreement to provide for an additional \$750 million in aggregate principal amount of incremental term loans (the "Incremental Term Loans") to GrafTech Finance. The Incremental Term Loans increased the aggregate principal amount of term loans incurred by GrafTech Finance under the 2018 Credit Agreement from \$1,500 million to \$2,250 million. The Incremental Term Loans have the same terms as those applicable to the 2018 Term Loans, including interest rate, payment and prepayment terms, representations and warranties and covenants. The Incremental Term Loans mature on February 12, 2025, the same date as the 2018 Term Loans. GrafTech paid an upfront fee of 1.00% of the aggregate principal amount of the Incremental Term Loans on the effective date of the First Amendment.

The proceeds of the Incremental Term Loans were used to repay, in full, the \$750 million of principal outstanding on a promissory note to the Company's sole pre-IPO stockholder.

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

(6) Inventories

Inventories are comprised of the following:

	As of September 30, 2020	As of December 31, 2019
	<i>(Dollars in thousands)</i>	
Inventories:		
Raw materials	\$ 95,136	\$ 104,820
Work in process	126,673	137,230
Finished goods	77,427	71,598
Total	\$ 299,236	\$ 313,648

(7) 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,	
	2020	2019	2020	2019
	<i>(Dollars in thousands)</i>			
Interest incurred on debt	\$ 20,893	\$ 30,222	\$ 64,285	\$ 93,731
Accretion of original issue discount on 2018 Term Loans	549	549	1,647	1,647
Amortization of debt issuance costs	1,032	1,032	3,094	3,094
Total interest expense	\$ 22,474	\$ 31,803	\$ 69,026	\$ 98,472

Interest Rates

The 2018 Credit Agreement had an effective interest rate of 4.50% as of September 30, 2020 and 5.30% as of December 31, 2019. During the third quarter of 2019, the Company entered into four interest rate swap contracts to fix our cash flows associated with the risk in variability in the one-month U.S. London Interbank Offered Rate ("US LIBOR") for a portion of our outstanding debt. See Note 10 "Derivative Instruments" for details of these transactions.

(8) Contingencies

Legal Proceedings

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

Pending litigation in Brazil has been brought by employees seeking to recover additional amounts and interest thereon 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). Companies in Brazil have settled claims arising out of these provisions and, in May 2015, the litigation was remanded by the Brazilian Supreme Court in favor of the employees union. After denying an interim appeal by the Bahia region employers on June 26, 2019, the Brazilian Supreme Court finally ruled in favor of the employees union on September 26, 2019. The employers union has determined not to seek annulment of such decision. Separately, on October 1, 2015, a related 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. If the Brazilian Supreme Court proceeding above had been determined in favor of the employers union, it would also have resolved this proceeding in our favor. In the first quarter of 2017, the state court initially ruled in favor of the employees. We appealed this state court ruling, and the appellate court issued a decision in our favor on May 19, 2020. The employees have further appealed and we intend to vigorously defend it. As of September 30, 2020, we are unable to assess the

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

potential loss associated with these proceedings as the claims do not currently specify the number of employees seeking damages or the amount of damages being sought.

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, 2020, are presented below:

	<i>(Dollars in thousands)</i>
Balance as of December 31, 2019	\$ 1,835
Product warranty accruals and adjustments	920
Settlements	(613)
Balance as of September 30, 2020	\$ 2,142

Tax Receivable Agreement

On April 23, 2018, the Company entered into a tax receivable agreement (the "TRA") that provides Brookfield, as the sole pre-IPO stockholder, the right to receive future payments from us for 85% of the amount of cash savings, if any, in U.S. federal income tax and Swiss tax that we and our subsidiaries realize as a result of the utilization of certain tax assets attributable to periods prior to our IPO, including certain federal net operating losses ("NOLs"), previously taxed income under Section 959 of the Code, foreign tax credits, and certain NOLs in GrafTech Switzerland SA. In addition, we will pay interest on the payments we will make to Brookfield with respect to the amount of these cash savings from the due date (without extensions) of our tax return where we realize these savings to the payment date at a rate equal to the LIBO Rate plus 1.00% per annum. The term of the TRA commenced on April 23, 2018 and will continue until there is no potential for any future tax benefit payments.

There was no liability recognized on the date we entered into the TRA as there was a full valuation allowance recorded against our deferred tax assets. During the second quarter of 2018, it was determined that the conditions were appropriate for the Company to release a valuation allowance of certain tax assets as we exited our three year cumulative loss position. This release resulted in the recording of a \$86.5 million liability related to the TRA on the Consolidated Statements of Operations as "Related Party Tax Receivable Agreement Expense."

As of December 31, 2019, the total TRA liability was \$89.9 million, of which \$27.9 million was classified as a current liability in "Related party payable-tax receivable agreement" on the balance sheet, and \$62.0 million of the liability remained as a long-term liability in "Related party payable-tax receivable agreement" on the balance sheet. The 2019 current liability was settled in the first quarter of 2020. In the first quarter of 2020, the TRA liability was reduced by \$3.3 million due to the revised profit expectation for 2020, caused by the COVID-19 pandemic. The reduction was recorded as a "Related Party Tax Receivable Agreement Benefit" on the Consolidated Statement of Operations. As of September 30, 2020, the total TRA liability was \$58.6 million, of which \$16.1 million was classified as a current liability in "Related party payable-tax receivable agreement" and \$42.5 million remained as a long-term liability in "Related party payable-tax receivable agreement" on the balance sheet.

Long-term Incentive Plan

The long-term incentive plan ("LTIP") was adopted by the Company effective as of August 17, 2015, as amended and restated as of March 15, 2018. The purpose of the plan is to retain senior management of the Company, to incentivize them to make decisions with a long-term view and to influence behavior in a way that is consistent with maximizing value for the pre-IPO stockholder of the Company in a prudent manner. Each participant is allocated a number of profit units, with a maximum of 30,000 profit units ("Profit Units") available under the plan. Awards of Profit Units generally vest in equal increments over a five-year period beginning on the first anniversary of the grant date and subject to continued employment with the Company through each vesting date. Any unvested Profit Units that have not been previously forfeited will accelerate and become fully vested upon a "Change in Control" (as defined below).

Profit Units will generally be settled in a lump sum payment within 30 days following a Change in Control based on the "Sales Proceeds" (as defined below) received by Brookfield Capital Partners IV, L.P. (together with its affiliates, "Brookfield Capital IV") in connection with the Change in Control. The LTIP defines "Change in Control" as any transaction

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

or series of transactions (including, without limitation, the consummation of a combination, share purchases, recapitalization, redemption, issuance of capital stock, consolidation, reorganization or otherwise) pursuant to which (a) a Person not affiliated with Brookfield Capital IV acquires securities representing more than seventy percent (70%) of the combined voting power of the outstanding voting securities of the Company or the entity surviving or resulting from such transaction, (b) following a public offering of the Company's stock, Brookfield Capital IV has ceased to have a beneficial ownership interest in at least 30% of the Company's outstanding voting securities (effective on the first of such date), or (c) the Company sells all or substantially all of the assets of the Company and its subsidiaries on a consolidated basis. It is intended that the occurrence of a Change in Control in which Sales Proceeds exceed the Threshold Value would constitute a "substantial risk of forfeiture" within the meaning of Section 409A of the Code. The LTIP defines "Threshold Value" as, as of any date of determination, an amount equal to \$855,000,000 (which represents the amount of the total invested capital of Brookfield Capital IV as of August 17, 2015), plus the dollar value of any cash or other consideration contributed to or invested in the Company by Brookfield Capital IV after August 17, 2015. The Threshold Value shall be determined by the Company's Board of Directors in its sole discretion. The LTIP defines "Sales Proceeds" as, as of any date of determination, the sum of all proceeds actually received by the Brookfield Capital IV, net of all Sales Costs (as defined below), (i) as consideration (whether cash or equity) upon the Change in Control and (ii) as distributions, dividends, repurchases, redemptions or otherwise as a holder of such equity interests in the Company. Proceeds that are not paid upon or prior to or in connection with the Change in Control, including earn-outs, escrows and other contingent or deferred consideration shall become "Sale Proceeds" only as and when such proceeds are received by Brookfield Capital IV. "Sales Costs" means any costs or expenses (including legal or other advisory costs), fees (including investment banking fees), commissions or discounts payable directly by Brookfield Capital IV in connection with, arising out of or relating to a Change in Control, as determined by the Company's Board of Directors in its sole discretion.

Given the successful completion of the IPO in the second quarter of 2018, it is reasonably possible that a Change in Control, as defined above, may ultimately happen and that the awarded Profit Units will be subsequently paid out to the participants. Depending on Brookfield's sales proceeds, the potential liability triggered by a Change in Control is estimated to be in the range of \$55 million to \$70 million. As of September 30, 2020, the Profit Unit awards are 100% vested.

(9) Income Taxes

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

The following table summarizes the provision for income taxes for the three and nine months ended September 30, 2020 and 2019:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2020	2019	2020	2019
	<i>(Dollars in thousands)</i>			
Tax expense	\$ 18,104	\$ 20,755	\$ 61,838	\$ 90,940
Pretax income	112,338	196,631	371,116	660,620
Effective tax rates	16.1 %	10.6 %	16.7 %	13.8 %

The effective tax rate for the three months ended September 30, 2020 was 16.1%. This rate differs from the U.S. statutory rate of 21% primarily due to worldwide earnings from various countries taxed at different rates, which is partially offset by the net combined impact related to the U.S. taxation of global intangible low taxed income ("GILTI") and Foreign Tax Credits ("FTCs").

The effective tax rate for the three months ended September 30, 2019 was 10.6%. This rate differs from the U.S. statutory rate of 21% primarily due to worldwide earnings from various countries taxed at different rates.

The tax expense decreased from \$20.8 million for the three months ended September 30, 2019 to \$18.1 million for the three months September 30, 2020. This decrease is primarily related to the reduction in pretax income and worldwide earnings from various countries taxed at different rates, partially offset by a higher relative combined impact of GILTI and FTCs.

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

For the nine months ended September 30, 2020, the effective tax rate of 16.7% differs from the U.S. statutory rate of 21% primarily due to worldwide earnings from various countries taxed at different rates which is partially offset by the net combined impact related to the U.S. taxation of GILTI and FTCs.

For the nine months ended September 30, 2019, the effective tax rate of 13.8% differs from the U.S. statutory rate of 21% primarily due to worldwide earnings from various countries taxed at different rates.

The tax expense decreased from \$90.9 million for the nine months ended September 30, 2019 to \$61.8 million for the nine months ended September 30, 2020. This decrease is primarily related to the reduction in pretax income and worldwide earnings from various countries taxed at different rates, partially offset by a higher relative combined impact of GILTI and FTCs.

As of September 30, 2020, we had unrecognized tax benefits of \$0.1 million, 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 2015 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 2012.

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.

(10) Derivative Instruments

We use derivative instruments as part of our overall foreign currency, interest rate and commodity risk management strategies to manage the risk of exchange rate movements that would reduce the value of our foreign cash flows, manage the risk associated with fluctuations in interest rate indices 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 counterparties to our instruments.

Foreign currency derivatives

We enter into foreign currency derivatives from time to time to attempt to manage exposure to changes in currency exchange rates. These foreign currency instruments, which include, but are not limited to, forward exchange contracts and purchased currency options, are used to hedge global currency exposures such as foreign currency denominated debt, sales, receivables, payables and purchases.

We have no foreign currency cash flow hedges outstanding as of September 30, 2020 and December 31, 2019 and, therefore, no unrealized gains or losses reported under accumulated other comprehensive income (loss).

As of September 30, 2020, we had outstanding Mexican peso, euro, Swiss franc, South African rand and Japanese yen currency contracts with an aggregate notional amount of \$63.5 million. As of December 31, 2019, we had outstanding Mexican peso, South African rand, euro, Swiss franc and Japanese yen currency contracts, with an aggregate notional amount of \$78.8 million. The foreign currency derivatives outstanding as of September 30, 2020 have maturities through December 31, 2020, and were not designated as hedging instruments.

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

Commodity derivative contracts

We have entered into commodity derivative contracts for refined oil products. These contracts are entered into to protect against the risk that eventual cash flows related to these products will be adversely affected by future changes in prices. We had outstanding commodity derivative contracts as of September 30, 2020 with a notional amount of \$67.2 million with maturities from October 2020 to June 2022. The outstanding commodity derivative contracts represented a pre-tax net unrealized loss within "Accumulated Other Comprehensive Income" of \$8.9 million as of September 30, 2020. We had outstanding commodity derivative contracts as of December 31, 2019 with a notional amount of \$99.5 million representing a pre-tax net unrealized loss of \$3.7 million.

Interest rate swap contracts

During the third quarter of 2019, the Company entered into four interest rate swap contracts. The contracts are "pay fixed, receive variable" with notional amounts of \$500 million maturing in two years and another \$500 million maturing in five years. The Company's risk management objective was to fix its cash flows associated with the risk in variability in the one-month U.S. LIBO Rate for a portion of our outstanding debt. It is expected that these swaps will fix the cash flows associated with the forecasted interest payments on this notional amount of debt to an effective fixed interest rate of 5.1%, which could be lowered to 4.85% depending on credit ratings. Within "Other Comprehensive Income", we recorded a net unrealized pre-tax loss of \$16.2 million for the nine months ended September 30, 2020. The fair value of these contracts was determined using Level 2 inputs.

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). In the second quarter of 2020, we discontinued our net investment hedge following a reduction in the investment that materially decreased the currency exposure. As of December 31, 2019, intercompany debt denominated in foreign currency and designated as a non-derivative net investment hedging instrument was \$5.5 million. Within the currency translation adjustment portion of "Other Comprehensive Income", we recorded no pre-tax gains or losses and \$1.2 million pre-tax gains for the three and nine months ended September 30, 2020, respectively. Within the currency translation adjustment portion of "Other Comprehensive Income", we recorded pre-tax loss of \$0.7 million and \$0.5 million for the three and nine months ended September 30, 2019.

The fair value of all derivatives is recorded as assets or liabilities on a gross basis in our Condensed Consolidated Balance Sheets. As of September 30, 2020 and December 31, 2019, the fair value of our derivatives and their respective balance sheet locations are presented in the following tables:

Asset Derivatives		Liability Derivatives	
Location	Fair Value	Location	Fair Value
As of September 30, 2020			
<i>(Dollars in thousands)</i>			
Derivatives designated as cash flow hedges:			
Commodity derivative contracts	Prepaid and other current assets \$ 1	Other accrued liabilities	\$ 4,653
	Other long-term assets —	Other long-term obligations	4,261
Interest rate swap contracts	Prepaid and other current assets —	Other accrued liabilities	5,730
	Other long-term assets —	Other long-term obligations	7,609
Total fair value	\$ 1		\$ 22,253
As of December 31, 2019			
Derivatives designated as cash flow hedges:			
Commodity derivative contracts	Prepaid and other current assets \$ 104	Other accrued liabilities	\$ 1,872
	Other long-term assets 369	Other long-term obligations	2,255
Interest rate swap contracts	Prepaid and other current assets 253	Other accrued liabilities	—
	Other long-term assets 2,684	Other long-term obligations	72
Total fair value	\$ 3,410		\$ 4,199

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

	Asset Derivatives		Liability Derivatives	
	Location	Fair Value	Location	Fair Value
As of September 30, 2020				
<i>(Dollars in thousands)</i>				
Derivatives not designated as hedges:				
Foreign currency derivatives	Prepaid and other current assets	\$ 817	Other current liabilities	\$ 161
Commodity derivatives contracts	Prepaid and other current assets	165	Other accrued liabilities	—
		\$ 982		\$ 161
As of December 31, 2019				
Derivatives not designated as hedges:				
Foreign currency derivatives	Prepaid and other current assets	\$ 239	Other current liabilities	\$ 81
Commodity derivatives contracts	Prepaid and other current assets	376	Other accrued liabilities	—
		\$ 615		\$ 81

The realized (gains) losses resulting from the settlement of commodity derivative contracts designated as hedges remain in "Accumulated Other Comprehensive Income" until they are recognized in the Statement of Operations when the hedged item impacts earnings, which is when the finished product is sold. As of September 30, 2020 and 2019, net realized pre-tax losses of \$8.0 million and pre-tax gains of \$7.3 million, respectively, were reported under "Accumulated Other Comprehensive Income" and will be and were, respectively, released to earnings within the following 12 months. See the table below for amounts recognized in the Statement of Operations.

The location and amount of realized (gains) losses on derivatives are recognized in the Statements of Operations as follows for the periods ended September 30, 2020 and 2019:

		Amount of (Gain)/Loss Recognized	
		For the Three Months Ended September 30,	
		2020	2019
Location of (Gain)/Loss Recognized in the Consolidated Statement of Operations			
Derivatives designated as cash flow hedges:		(Dollars in thousands)	
Commodity derivative contracts	Cost of sales	\$ (1,295)	\$ (3,145)
Interest rate swap	Interest expense	1,537	(323)
Derivatives not designated as hedges:			
Foreign currency derivatives	Cost of sales, Other (income) expense	\$ (243)	\$ 173
Commodity derivative contracts	Cost of sales	(207)	—
		Amount of (Gain)/Loss Recognized	
		For the Nine Months Ended September 30,	
		2020	2019
Location of (Gain)/Loss Recognized in the Consolidated Statement of Operations			
Derivatives designated as cash flow hedges:		(Dollars in thousands)	
Commodity contract hedges	Cost of sales	\$ (5,234)	\$ (6,994)
Interest rate swap contracts	Interest expense	2,852	(323)
Derivatives not designated as hedges:			
Foreign currency derivatives	Cost of sales, Other (income) expense	\$ (959)	\$ (648)
Commodity derivative contracts	Cost of sales	(321)	—

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

(11) Accumulated Other Comprehensive Income (Loss)

The balance in our accumulated other comprehensive income (loss) is set forth in the following table:

	As of September 30, 2020	As of December 31, 2019
	<i>(Dollars in thousands)</i>	
Foreign currency translation adjustments, net of tax	\$ (15,376)	\$ (9,293)
Commodity and interest rate derivatives, net of tax	(23,785)	1,932
Total accumulated comprehensive income (loss)	<u>\$ (39,161)</u>	<u>\$ (7,361)</u>

(12) Earnings per Share

During the nine months ended September 30, 2020, we repurchased 3,328,574 shares of our common stock under the repurchase program that was approved on July 30, 2019. These shares were subsequently retired. There were no shares repurchased under this program during the three months ended September 30, 2020.

The following table shows the information used in the calculation of our basic and diluted earnings per share calculation for the three and nine months ended September 30, 2020 and 2019:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2020	2019	2020	2019
Weighted average common shares outstanding for basic calculation	267,265,705	290,112,233	267,908,427	290,410,859
Add: Effect of stock options, deferred share units and restricted stock units	13,850	15,063	12,463	11,492
Weighted average common shares outstanding for diluted calculation	267,279,555	290,127,296	267,920,890	290,422,351

Basic earnings per common share are calculated by dividing net income (loss) by the weighted average number of common shares outstanding, which includes 77,157 and 65,264 shares of participating securities in the three and nine months ended September 30, 2020, respectively, and 36,546 and 28,914 shares of participating securities in the three and nine months ended September 30, 2019. Diluted earnings per share are calculated by dividing net income (loss) by the sum of the weighted average number of common shares outstanding plus the additional common shares that would have been outstanding if potentially dilutive securities had been issued.

The weighted average common shares outstanding for the diluted earnings per share calculation excludes consideration of 1,730,960 and 1,644,002 equivalent shares in the three and nine months ended September 30, 2020, respectively, and 1,303,854 and 1,203,220 equivalent shares in the three and nine months ended September 30, 2019, respectively, as these shares are anti-dilutive.

(13) Stock-Based Compensation

Stock-based compensation awards granted by our Board of Directors for the three and nine months ended September 30, 2020 and 2019 were as follows:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2020	2019	2020	2019
Award type:				
Stock options	4,000	—	304,000	207,000
Deferred share units	20,027	16,176	44,670	23,121
Restricted stock units	16,729	1,551	328,720	235,170

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

In the three months ended September 30, 2020 and 2019, we recognized \$0.8 million and \$0.7 million, respectively, in stock-based compensation expense. A majority of the expense, \$0.7 million and \$0.6 million respectively, was recorded as selling and administrative expense in the Consolidated Statement of Operations, with the remaining expenses incurred as cost of sales.

In the nine months ended September 30, 2020 and 2019, we recognized \$1.9 million and \$1.6 million, respectively, in stock-based compensation expense. A majority of the expense, \$1.6 million and \$1.4 million, respectively, was recorded as selling and administrative expense in the Consolidated Statement of Operations, with the remaining expenses incurred as cost of sales.

As of September 30, 2020, unrecognized compensation cost related to non-vested stock options, deferred share units and restricted stock units was \$8.4 million, which will be recognized over the remaining weighted average life of 3.6 years.

Stock Option, Deferred Share Unit and Restricted Stock Unit awards activity under the Omnibus Equity Incentive Plan for the nine months ended September 30, 2020 was as follows:

Stock Options

	Number of Shares	Weighted- Average Exercise Price
Outstanding unvested as of December 31, 2019	931,658	\$ 15.06
Granted	304,000	8.99
Vested	(186,162)	15.20
Forfeited	(143,960)	14.82
Outstanding unvested as of September 30, 2020	905,536	\$ 13.03

Deferred Share Unit and Restricted Stock Unit awards

	Number of Shares	Weighted- Average Grant Date Fair Value
Outstanding unvested as of December 31, 2019	282,716	\$ 12.83
Granted	373,390	8.77
Vested	(87,112)	10.18
Forfeited	(45,760)	12.24
Outstanding unvested as of September 30, 2020	523,234	\$ 10.43

(14) Subsequent Events

In October 2020, we repaid an additional \$60 million under our term loan. We will continue to prioritize balance sheet flexibility and expect to use the majority of fourth quarter incremental free cash flow to further repay debt.

On November 2, 2020, our Board of Directors declared a quarterly dividend of \$0.01 per share to stockholders of record as of the close of business on November 30, 2020, to be paid on December 31, 2020.

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

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

The Company

GrafTech is a leading manufacturer of graphite electrodes, the critical consumable for the electric arc furnace industry. We are the only graphite electrode producer that is substantially vertically integrated into petroleum needle coke, a key raw material for graphite electrodes. Vertical integration has allowed us to adopt a commercial strategy with long-term, fixed price, fixed volume, take-or-pay contracts providing earnings stability and visibility. These contracts define volumes and prices, along with price-escalation mechanisms for inflation, and include significant termination payments (typically, 50% to 70% of remaining contracted revenue) and, in certain cases, parent guarantees and collateral arrangements to manage our customer credit risk.

The environmental and economic advantages of electric arc furnace steel production positions both that industry and the graphite electrode industry for continued long-term growth.

We believe GrafTech's leadership position, strong cash flows, and advantaged low cost structure and vertical integration are sustainable competitive advantages. Our services and solutions we provide will position our customers and us for a better future.

COVID-19 and Operational Update

GrafTech continues to proactively manage through the COVID-19 crisis. Our executive-led COVID-19 response team meets three times per week to monitor the ongoing situation and respond as needed.

Our plants have remained operational through the current pandemic and maintained a 98% on-time delivery rate. Our global footprint gives us the flexibility to move or adjust production if needed.

We continue to focus on containing our costs and aligning production to current sales levels for the remainder of the year. We expect to meet our reduced full year capital expenditure estimate of approximately \$35 million.

Commercial Update

GrafTech services customers at over 300 locations across the globe, all of which have been impacted by COVID-19. We are seeing a measured recovery in the global steel markets compared to the second quarter, with each region recovering at different rates, and anticipate this will have a positive influence on graphite electrode demand. In the third quarter, the global (ex-China) steel market capacity utilization rate improved to over 60%. In the U.S., the third quarter capacity utilization rate was approximately 64%. By late October, the capacity utilization rate in the U.S. steel market approached 70%.

The commercial team has worked diligently to achieve solid results in the current environment. Year-to-date sales volumes through the third quarter were 98 thousand metric tons ("MT"), consisting of LTA volumes of 82 thousand MT and non-LTA volumes of 16 thousand MT.

During the third quarter, our average price from LTAs declined slightly to approximately \$9,300 per MT, reflecting the impacts of product mix, LTA modifications and other adjustments. Due to favorable mix in the quarter, the average price for our non-LTA business increased slightly to approximately \$5,700 per MT. However, as anticipated, we believe the general spot price of graphite electrodes continued to trend lower during the third quarter. Given the continuing uncertainty caused by the pandemic and the macro-economic headwinds we and our customers face, we expect overall demand and pricing for our graphite electrodes to remain low for the remainder of 2020 as our customers continue to work through their existing graphite electrode inventories.

The current market conditions are challenging for our customers, including those with LTAs, and we have some customers that are continuing to struggle to take their committed volumes. This is causing some non-performance and disputes, including a few arbitrations associated with, among other things, efforts to modify existing contracts. As such, we will continue to work to preserve our rights under the LTAs.

We are working hard with our valued customers to develop mutually beneficial solutions and have successfully negotiated LTA modifications with several of these customers during the third quarter. We are able to provide near-term relief in exchange for additional contractual commitments going forward. We expect to continue to finalize more of these beneficial negotiations in the coming months.

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

Capital Structure and Capital Allocation

During the third quarter, we reduced our debt by approximately \$150 million. After the quarter end, we further reduced our debt by an additional \$60 million, bringing 2020 debt reduction to \$313 million through the end of October. We will continue to prioritize balance sheet flexibility and expect to use the majority of fourth quarter incremental free cash flow to reduce debt.

Outlook

For the remainder of 2020, we anticipate our full year LTA sales volumes to be above the midpoint of the expected range of 100 thousand - 115 thousand MT. We now expect our full year LTA revenue will be between \$1,000 million and \$1,080 million in 2020.

With the LTA modifications and ongoing customer discussions, we are able to provide estimated shipments of graphite electrodes for the final two years of the initial term under our LTAs and for the years 2023 through 2024 as follows:

	2021	2022	2023 through 2024
Estimated LTA volume ⁽¹⁾	98-108	95-105	35-45
Estimated LTA revenue ⁽²⁾	\$925-\$1,025	\$910-\$1,010	\$350-\$450 ⁽³⁾

(1) In thousands of metric tons

(2) In millions

(3) Includes expected termination fees from a few customers that have failed to meet certain obligations under their LTAs

Key metrics used by management to measure performance

In addition to measures of financial performance presented in our Consolidated Financial Statements in accordance with U.S. generally accepted accounting principles ("GAAP"), we use certain other financial measures and operating metrics to analyze the performance of our company. The "non-GAAP" financial measures consist of EBITDA and adjusted EBITDA, which help us evaluate growth trends, establish budgets, assess operational efficiencies and evaluate our overall financial performance. The key operating metrics consist of sales volume, production volume, production capacity and capacity utilization.

Key financial measures

<i>(in thousands)</i>	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2020	2019	2020	2019
Net sales	\$ 286,987	\$ 420,797	\$ 886,351	\$ 1,376,181
Net income	94,234	175,876	309,278	569,680
EBITDA ⁽¹⁾	150,960	242,026	483,634	802,569
Adjusted EBITDA ⁽¹⁾	153,105	245,454	483,408	813,673

⁽¹⁾ Non-GAAP financial measures; see below for information and a reconciliation of EBITDA and adjusted EBITDA to net income, the most directly comparable financial measure calculated and presented in accordance with GAAP.

Key operating metrics

<i>(in thousands, except price data)</i>	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2020	2019	2020	2019
Sales volume (MT) ⁽¹⁾	33	40	98	130
Production volume (MT) ⁽²⁾	32	40	98	136
Production capacity excluding St. Marys (MT) ⁽³⁾⁽⁴⁾	48	48	150	150
Capacity utilization excluding St. Marys ⁽³⁾⁽⁵⁾	67 %	83 %	65 %	91 %
Total production capacity (MT) ⁽⁴⁾⁽⁶⁾	55	55	171	171
Total capacity utilization ⁽⁵⁾⁽⁶⁾	58 %	73 %	57 %	80 %

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

⁽¹⁾ Sales volume reflects only graphite electrodes manufactured by GrafTech.

⁽²⁾ Production volume reflects graphite electrodes we produced during the period.

⁽³⁾ In the first quarter of 2018, our St. Marys facility began graphitizing a limited amount of electrodes sourced from our Monterrey, Mexico facility.

⁽⁴⁾ Production capacity reflects expected maximum production volume during the period under normal operating conditions, standard product mix and expected maintenance outage. Actual production may vary.

⁽⁵⁾ Capacity utilization reflects production volume as a percentage of production capacity.

⁽⁶⁾ Includes graphite electrode facilities in Calais, France; Monterrey, Mexico; Pamplona, Spain and St. Marys, Pennsylvania.

Non-GAAP financial measures

In addition to providing results that are determined in accordance with GAAP, we have provided certain financial measures that are not in accordance with GAAP. EBITDA and adjusted EBITDA are non-GAAP financial measures. 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 define adjusted EBITDA as EBITDA plus any pension and other post-employment benefit ("OPEB") plan expenses, initial and follow-on public offering and related expenses, non-cash gains or losses from foreign currency remeasurement of non-operating assets and liabilities in our foreign subsidiaries where the functional currency is the U.S. dollar, related party Tax Receivable Agreement adjustment, stock-based compensation and non-cash fixed asset write-offs. Adjusted EBITDA 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 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.

Our use of adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are:

- adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs;
- adjusted EBITDA does not reflect our cash expenditures for capital equipment or other contractual commitments, including any capital expenditure requirements to augment or replace our capital assets;
- adjusted EBITDA does not reflect the interest expense or the cash requirements necessary to service interest or principal payments on our indebtedness;
- adjusted EBITDA does not reflect tax payments that may represent a reduction in cash available to us;
- adjusted EBITDA does not reflect expenses relating to our pension and OPEB plans;
- adjusted EBITDA does not reflect the non-cash gains or losses from foreign currency remeasurement of non-operating assets and liabilities in our foreign subsidiaries where the functional currency is the U.S. dollar;
- adjusted EBITDA does not reflect initial and follow-on public offering and related expenses;
- adjusted EBITDA does not reflect related party Tax Receivable Agreement adjustments;
- adjusted EBITDA does not reflect stock-based compensation or the non-cash write-off of fixed assets; and
- other companies, including companies in our industry, may calculate EBITDA and adjusted EBITDA differently, which reduces its usefulness as a comparative measure.

In evaluating EBITDA and adjusted EBITDA, you should be aware that in the future, we will incur expenses similar to the adjustments in this presentation. Our presentations of EBITDA and adjusted EBITDA should not be construed as suggesting that our future results will be unaffected by these expenses or any unusual or non-recurring items. When evaluating our performance, you should consider EBITDA and adjusted EBITDA alongside other financial performance measures, including our net income (loss) and other GAAP measures.

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

The following table reconciles our non-GAAP key financial measures to the most directly comparable GAAP measures:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2020	2019	2020	2019
	(in thousands)			
Net income	\$ 94,234	\$ 175,876	\$ 309,278	\$ 569,680
Add:				
Depreciation and amortization	16,241	15,357	45,074	46,387
Interest expense	22,474	31,803	69,026	98,472
Interest income	(93)	(1,765)	(1,582)	(2,910)
Income taxes	18,104	20,755	61,838	90,940
EBITDA	150,960	242,026	483,634	802,569
Adjustments:				
Pension and OPEB plan expenses ⁽¹⁾	583	800	1,666	2,397
Initial and follow-on public offering and related expenses ⁽²⁾	—	160	4	1,409
Non-cash loss (gain) on foreign currency remeasurement ⁽³⁾	798	(185)	(441)	842
Stock-based compensation ⁽⁴⁾	764	706	1,891	1,568
Non-cash fixed asset write-off ⁽⁵⁾	—	1,947	—	4,888
Related party Tax Receivable Agreement adjustment ⁽⁶⁾	—	—	(3,346)	—
Adjusted EBITDA	<u>\$ 153,105</u>	<u>\$ 245,454</u>	<u>\$ 483,408</u>	<u>\$ 813,673</u>

- (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 assets and 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 adjustment for future payment to our sole pre-IPO stockholder for tax assets that are expected to be utilized.

Key Operating Metrics

In addition to measures of financial performance presented in accordance with GAAP, we use certain operating metrics to analyze the performance of our company. The key operating metrics consist of sales volume, production volume, production capacity and capacity utilization. These metrics align with management's assessment of our revenue performance and profit margin and will help investors understand the factors that drive our profitability.

Sales volume reflects only graphite electrodes manufactured by GrafTech. For a discussion of our revenue recognition policy, see "Management's Discussion and Analysis of Financial Condition and Results of Operations-Critical Accounting Policies-Revenue Recognition." in our Annual Report on Form 10-K. Sales volume helps investors understand the factors that drive our net sales.

Production volume reflects graphite electrodes produced during the period. Production capacity reflects expected maximum production volume during the period under normal operating conditions, standard product mix and expected maintenance downtime. Capacity utilization reflects production volume as a percentage of production capacity. Production volume, production capacity and capacity utilization help us understand the efficiency of our production, evaluate cost of sales and consider how to approach our contract initiative.

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

Results of Operations

The Three Months Ended September 30, 2020 Compared to the Three Months Ended September 30, 2019

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

	For the Three Months Ended September 30,		Increase/ Decrease	% Change
	2020	2019		
	<i>(Dollars in thousands)</i>			
Net sales	\$ 286,987	\$ 420,797	\$ (133,810)	(32)%
Cost of sales	131,862	178,497	(46,635)	(26)%
Gross profit	155,125	242,300	(87,175)	(36)%
Research and development	650	611	39	6 %
Selling and administrative expenses	19,062	15,708	3,354	21 %
Operating income	135,413	225,981	(90,568)	(40)%
Other expense (income), net	694	(688)	1,382	(201)%
Interest expense	22,474	31,803	(9,329)	(29)%
Interest income	(93)	(1,765)	1,672	(95)%
Income before provision for income taxes	112,338	196,631	(84,293)	(43)%
Provision for income taxes	18,104	20,755	(2,651)	(13)%
Net income	<u>\$ 94,234</u>	<u>\$ 175,876</u>	<u>\$ (81,642)</u>	(46)%

Net sales. Net sales decreased from \$420.8 million in the three months ended September 30, 2019 to \$287.0 million in the three months ended September 30, 2020. Lower net sales reflect an 18% decrease in sales volume driven primarily by the impact of COVID-19 on steel production levels and continued customer inventory destocking. We realized lower average spot prices resulting from this lower demand. Prices achieved from our long-term agreements ("LTAs") were also lower in the three months ended September 30, 2020 as compared to the same period of 2019 due primarily to mix, LTA modifications and other adjustments.

Cost of sales. We experienced a decrease in cost of sales from \$178.5 million in the three months ended September 30, 2019 to \$131.9 million in the three months ended September 30, 2020, primarily due to the 18% decrease in sales volume of manufactured electrodes. Additionally, cost of sales was lower due to less usage of third-party needle coke.

Selling and administrative expenses. Selling and administrative expenses increased from \$15.7 million in the three months ended September 30, 2019 to \$19.1 million in the three months ended September 30, 2020 primarily due to higher legal costs.

Interest expense. Interest expense decreased from \$31.8 million in the three months ended September 30, 2019 to \$22.5 million in the three months ended September 30, 2020, primarily due to lower interest rates and lower average borrowings. During the three months ended September 30, 2020, we reduced our term loan by \$150.0 million. We realized a \$0.8 million benefit to interest expense resulting from gains on certain of these transactions in the three months ended September 30, 2020.

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

Provision for income taxes. The following table summarizes the expense for income taxes:

	For the Three Months Ended September 30,	
	2020	2019
	<i>(Dollars in thousands)</i>	
Tax expense	\$ 18,104	\$ 20,755
Pretax income	112,338	196,631
Effective tax rates	16.1 %	10.6 %

The effective tax rate for the three months ended September 30, 2020 was 16.1%. This rate differs from the U.S. statutory rate of 21% primarily due to worldwide earnings from various countries taxed at different rates which are offset by the net increase related to the U.S. taxation of global intangible low taxed income ("GILTI") and the Section 250 Deduction and Foreign Tax Credits ("FTC").

The effective tax rate for the three months ended September 30, 2019 was 10.6%. This rate differs from the U.S. statutory rate of 21% primarily due to worldwide earnings from various countries taxed at different rates.

Tax expense decreased from \$20.8 million for the three months ended September 30, 2019 to \$18.1 million for the three months ended September 30, 2020. This change is primarily related to the reduction in profits.

The Nine Months Ended September 30, 2020 Compared to the Nine Months Ended September 30, 2019

The tables presented in our period-over-period comparisons summarize our Condensed 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,		Increase/ Decrease	% Change
	2020	2019		
	<i>(Dollars in thousands)</i>			
Net sales	\$ 886,351	\$ 1,376,181	\$ (489,830)	(36)%
Cost of sales	401,379	571,068	(169,689)	(30)%
Gross profit	484,972	805,113	(320,141)	(40)%
Research and development	2,072	1,961	111	6 %
Selling and administrative expenses	49,995	46,328	3,667	8 %
Operating income	432,905	756,824	(323,919)	(43)%
Other (income) expense	(2,309)	642	(2,951)	(460)%
Related party Tax Receivable Agreement benefit	(3,346)	—	(3,346)	N/A
Interest expense	69,026	98,472	(29,446)	(30)%
Interest income	(1,582)	(2,910)	1,328	(46)%
Income before provision for income taxes	371,116	660,620	(289,504)	(44)%
Provision for income taxes	61,838	90,940	(29,102)	(32)%
Net income	\$ 309,278	\$ 569,680	\$ (260,402)	(46)%

Net sales. Net sales decreased by \$489.8 million, or 36%, from \$1,376.2 million in the nine months ended September 30, 2019 to \$886.4 million in the nine months ended September 30, 2020. Lower net sales reflect a 25% decrease in sales volume driven primarily by the impact of COVID-19 on steel production levels and continued customer inventory destocking. Additionally, during the same period, spot prices declined significantly and we experienced a reduction in the resale of purchased electrodes.

Cost of sales. Cost of sales decreased by \$169.7 million, or 30%, from \$571.1 million in the nine months ended September 30, 2019 to \$401.4 million in the nine months ended September 30, 2020. This decrease was primarily due to the

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

25% decrease in sales volume of manufactured electrodes, as well as less usage of third-party needle coke. Additionally, cost of sales was lower due to a reduction in the resale of purchased electrodes.

Selling and administrative expenses. Selling and administrative expenses increased from \$46.3 million in the nine months ended September 30, 2019 to \$50.0 million in the nine months ended September 30, 2020 primarily due to increased legal costs.

Other (income) expense. Other expense changed by \$3.0 million, from an expense of \$0.6 million in the nine months ended September 30, 2019 to income of \$2.3 million in the nine months ended September 30, 2020. This change was primarily due to advantageous non-cash foreign currency impacts on non-operating assets and liabilities.

Related party Tax Receivable Agreement benefit. During the first quarter of 2020, the Company recorded an adjustment to our Related-party payable-Tax Receivable Agreement liability resulting in a benefit of \$3.3 million due to the revised profit expectation for the year 2020, primarily caused by the COVID-19 pandemic.

Interest expense. Interest expense decreased by \$29.4 million from \$98.5 million in the nine months ended September 30, 2019 to \$69.0 million in the same period of 2020, primarily due to lower interest rates and lower average borrowings. We made repayments of \$125 million on our term loans in the first quarter of 2019 and \$225 million in the fourth quarter of 2019. During the nine months ended September 30, 2020, we reduced our term loan by \$253 million. We realized a \$3.8 million benefit to interest expense resulting from gains on certain of these transactions in the nine months ended September 30, 2020.

Provision for income taxes. The following table summarizes the expense for income taxes:

	For the Nine Months Ended September 30,	
	2020	2019
	<i>(Dollars in thousands)</i>	
Tax expense	\$ 61,838	\$ 90,940
Pre-tax income	371,116	660,620
Effective tax rates	16.7 %	13.8 %

The effective tax rate for the nine months ended September 30, 2020 was 16.7%. This rate differs from the U.S. statutory rate of 21% primarily due to worldwide earnings from various countries taxed at different rates, which was offset by a net increase related to the U.S. taxation of GILTI and FTC.

The tax expense decreased from \$90.9 million for the nine months ended September 30, 2019 to \$61.8 million for the nine months ended September 30, 2020 primarily from the decrease in earnings.

The effective tax rate for the nine months ended September 30, 2019 was 13.8%. This rate differed from the U.S. statutory rate of 21% primarily due to worldwide earnings from various countries taxed at different rates.

GrafTech has considered the tax impact of COVID-19 legislation, including the U.S. Coronavirus Aid, Relief and Economic Security (CARES) Act and has concluded that there is no material tax impact. The Company continues to monitor the tax effects of any legislative changes.

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 in which we have manufacturing facilities, and in certain export markets, we sell in currencies other than the U.S. dollar. Accordingly, when these currencies increase (or decline) in value relative to the U.S. 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

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

exchange rates in the future or whether those changes will have net positive or negative impacts on our net sales, cost of sales or net income.

The impact of these changes in the average exchange rates of other currencies against the U.S. dollar on our net sales was an increase of \$2.5 million and \$0.5 million for the three and nine months ended September 30, 2020, respectively, compared to the same period of 2019. The impact of these changes on our cost of sales was a decrease of \$0.7 million and \$5.0 million for the three and nine months ended September 30, 2020, respectively, compared to the same period of 2019.

We have in the past and may in the future use various financial instruments to manage certain exposures to 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

Our sources of funds have consisted principally of cash flow from operations and debt, including our credit facilities (subject to continued compliance with the financial covenants and representations). Our uses of those funds (other than for operations) have consisted principally of dividends, capital expenditures, scheduled debt repayments, optional debt repayments, share repurchases and other obligations. Disruptions in the U.S. and international financial markets could adversely affect our liquidity and the cost and availability of financing to us in the future.

We believe that we have adequate liquidity to meet our needs. As of September 30, 2020, we had liquidity of \$405.7 million, consisting of \$246.9 million of availability under our 2018 Revolving Facility (subject to continued compliance with the financial covenants and representations) and cash and cash equivalents of \$158.8 million. We had long-term debt of \$1,564.4 million and short-term debt of \$0.1 million as of September 30, 2020. As of December 31, 2019, we had liquidity of \$327.8 million consisting of \$246.9 million available on our 2018 Revolving Facility (subject to continued compliance with the financial covenants and representations) and cash and cash equivalents of \$80.9 million. We had long-term debt of \$1,812.7 million and short-term debt of \$0.1 million as of December 31, 2019.

As of September 30, 2020 and December 31, 2019, \$130.3 million and \$41.4 million, respectively, of our cash and cash equivalents were located outside of the U.S. We repatriate funds from our foreign subsidiaries through dividends. All of our subsidiaries face the customary statutory limitation that distributed dividends do not exceed the amount of retained and current earnings. In addition, for our subsidiary in South Africa, the South Africa Central Bank requires that certain solvency and liquidity ratios remain above defined levels after the dividend distribution, which historically has not materially affected our ability to repatriate cash from this jurisdiction. The cash and cash equivalents balances in South Africa were \$0.6 million and \$0.8 million as of September 30, 2020 and December 31, 2019, respectively. Upon repatriation to the U.S., the foreign source portion of dividends we receive from our foreign subsidiaries is no longer subject to U.S. federal income tax as a result of The Tax Cuts and Jobs Act (the “Tax Act”).

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 tax payments, timing of capital expenditures, acquisitions, divestitures and other factors. Cash flow from operations is expected to remain at positive sustained levels due to the predictable earnings generated by our three-to-five-year sales contracts with our customers.

We had availability under the 2018 Revolving Facility of \$246.9 million as of September 30, 2020 and December 31, 2019, which consisted of the \$250 million limit reduced by \$3.1 million of outstanding letters of credit.

On February 12, 2018, we entered into the 2018 Credit Agreement, which provides for the 2018 Revolving Facility and the 2018 Term Loan Facility. On February 12, 2018, our wholly owned subsidiary, GrafTech Finance, borrowed \$1,500 million under the 2018 Term Loan Facility. The funds received were used to pay off our outstanding debt, including borrowings under our prior credit facility and the previously outstanding senior notes and accrued interest relating to those borrowings and the senior notes, declare and pay a dividend of \$1,112 million to our sole pre-IPO stockholder, pay fees and expenses incurred in connection therewith and for other general corporate purposes.

On June 15, 2018, GrafTech entered into the First Amendment to its 2018 Credit Agreement. The First Amendment amends the 2018 Credit Agreement to provide for an additional \$750 million in aggregate principal amount of the Incremental Term Loans to GrafTech Finance. The Incremental Term Loans increase the aggregate principal amount of term loans incurred by GrafTech Finance under the 2018 Credit Agreement from \$1,500 million to \$2,250 million. The Incremental Term Loans have the same terms as those applicable to the existing term loans under the 2018 Credit Agreement, including interest rate,

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

payment and prepayment terms, representations and warranties and covenants. The Incremental Term Loans mature on February 12, 2025, the same date as the existing term loans. GrafTech paid an upfront fee of 1.00% of the aggregate principal amount of the Incremental Term Loans on the effective date of the First Amendment. The proceeds of the Incremental Term Loans were used to repay, in full, the \$750 million of our existing debt to our sole pre-IPO stockholder.

On July 30, 2019, our Board of Directors authorized a program to repurchase up to \$100 million of our outstanding common stock. We may purchase shares from time to time on the open market, including under Rule 10b5-1 and/or Rule 10b-18 plans. The amount and timing of repurchases are subject to a variety of factors including liquidity, stock price, applicable legal requirements, other business objectives and market conditions. We have repurchased 4,333,259 shares of common stock for a total purchase price of \$40.9 million under this program since inception. There were no shares repurchased under this program during the three months ended September 30, 2020.

In April 2020, as a result of the deteriorating economic environment, our Board of Directors reduced our dividend rate to \$0.01 per share or \$0.04 on an annualized basis. We expect our Board of Directors to revisit the dividend level when economic conditions improve. There can be no assurance that we will pay dividends in the future in these amounts or at all. Our Board of Directors may change the timing and amount of any future dividend payments or eliminate the payment of future dividends in its sole discretion, without any prior notice to our stockholders. Our ability to pay dividends will depend upon many factors, including our financial position and liquidity, results of operations, legal requirements, restrictions that may be imposed by the terms of our current and future credit facilities and other debt obligations and other factors deemed relevant by our Board of Directors.

We repaid \$350 million on our 2018 Term Loan Facility in 2019. During the three and nine months ended September 30, 2020, we retired \$149.7 million and \$253.0 million of principal of our term loans, respectively. Subsequent to September 30, 2020, we repaid an additional \$60.0 million of our term loans. In light of the recent economic downturn, we are now prioritizing balance sheet flexibility and debt repayment. We anticipate using a majority of the cash flow that we generate to repay debt, but we will continue to examine opportunities to repurchase our common stock. As a result of government enacted COVID-19 relief in a foreign jurisdiction, we were able to defer a tax payment of approximately \$50 million that was scheduled to be made in the first quarter of 2020 until the fourth quarter of 2020. During the nine months ended September 30, 2020, we paid \$31.9 million to various tax collecting agencies worldwide.

Potential uses of our liquidity include dividends, share repurchases, capital expenditures, acquisitions, scheduled debt repayments, optional debt repayments and other general purposes. 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, including the current downturn caused by the COVID-19 pandemic, 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 order to seek to minimize our credit risks, we may reduce our sales of, or refuse to sell (except for prepayment, cash on delivery or under letters of credit or parent guarantees), our products to some customers and potential customers. Our unrecovered trade receivables worldwide have not been material during the last two years individually or in the aggregate.

We manage our capital expenditures by 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 Company as a whole and other factors.

Capital expenditures totaled \$30.7 million in the nine months ended September 30, 2020. We previously reduced our planned capital expenditures for the full year by approximately one-half to a level of approximately \$35 million and we remain committed to this goal. We are managing inventory levels to match demand. Due to timing of purchases, inventory levels increased during the first quarter of 2020. We expect overall inventory levels to decrease over the remainder of 2020.

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 2018 Revolving Facility, to the extent available.

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

Cash Flows

The following table summarizes our cash flow activities:

	For the Nine Months Ended September 30,	
	2020	2019
	<i>(in millions)</i>	
Cash flow provided by (used in):		
Operating activities	\$ 416.7	\$ 584.8
Investing activities	\$ (30.6)	\$ (44.0)
Financing activities	\$ (307.6)	\$ (208.5)

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, 2020, changes in working capital resulted in a net source of funds of \$85.1 million, which was impacted by:

- net cash inflows in accounts receivable of \$78.4 million from the decrease in accounts receivable due to lower sales;
- net cash inflows in inventory of \$10.4 million from our efforts to reduce inventory levels and lower production levels;
- net cash inflows of \$5.4 million from the decrease in other current assets primarily due to value-added tax refunds received from foreign governments;
- net cash inflows from increased income taxes payable of \$16.0 million resulting from our ability to defer approximately \$50.0 million of tax payment in a foreign jurisdiction resulting from government enacted COVID-19 relief, partially offset by lower required tax payments due to lower profitability; and
- net cash outflows from decreases in accounts payable and accruals of \$25.1 million, due to lower purchases of third-party needle coke and payments.

Uses of cash in the nine months ended September 30, 2020 included contributions to pension and other benefit plans of \$5.3 million, cash paid for interest of \$68.0 million, payments under our Tax Receivable Agreement of \$27.9 million and taxes paid of \$31.9 million.

During the nine months ended September 30, 2019, changes in working capital resulted in a net use of funds of \$80.3 million, which was impacted by:

- net cash outflows in accounts receivable of \$20.7 million from the increase in accounts receivable due to the timing of sales and collections;
- net cash outflows from increases in inventory of \$19.9 million, due primarily to higher priced raw materials;

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

- net cash inflows from the utilization of prepaid assets of \$5.7 million;
- net cash outflows from decreased income taxes payable of \$28.2 million, resulting from required tax payments as our profitability has increased; and
- net cash inflows from increases in accounts payable and accruals of \$17.3 million, due to the timing of payments.

Uses of cash in the six months ended September 30, 2019 included contributions to pension and other benefit plans of \$2.3 million, cash paid for interest of \$93.6 million and taxes paid of \$87.0 million.

Investing Activities

Net cash used in investing activities was \$30.6 million during the nine months ended September 30, 2020, resulting from capital expenditures.

Net cash used in investing activities was \$44.0 million during the nine months ended September 30, 2019, resulting from capital expenditures.

Financing Activities

Net cash outflow from financing activities was \$307.6 million during the nine months ended September 30, 2020, which was the result of the repayment of \$249.2 million on our Term Loans, \$28.2 million of total dividends to stockholders and \$30.1 million of stock repurchases.

Net cash outflow from financing activities was \$208.5 million during the nine months ended September 30, 2019, which was the result of our \$125.0 million payment on our Term Loan debt, \$74.0 million of total dividends to stockholders and \$9.5 million of stock repurchases.

Related Party Transactions

We have engaged in transactions with affiliates or related parties during 2020 and we expect to continue to do so in the future. These transactions include ongoing obligations under the Tax Receivable Agreement, Stockholders Rights Agreement and Registration Rights Agreement, each with Brookfield.

Recent Accounting Pronouncements

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

Description of Our Financing Structure

We discuss our financing structure in more detail in Note 5, "Debt and Liquidity" of the Notes to Condensed Consolidated Financial Statements.

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. From time to time, we enter into transactions that have been authorized according to documented policies and procedures in order to manage these risks. These transactions primarily relate 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 LIBO Rate or Euro LIBO Rate.

Our exposure to changes in currency exchange rates results primarily from:

- sales made by our subsidiaries in currencies other than local currencies;

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

- 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 U.S. 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.

Interest rate risk management. We periodically enter into agreements with financial institutions that are intended to limit our exposure to additional interest expense due to increases in variable interest rates. These instruments effectively cap our interest rate exposure. During the third quarter of 2019, we entered into interest rate swaps resulting in a net unrealized pre-tax loss of \$13.3 million as of September 30, 2020 and net unrealized pre-tax gain of \$2.9 million as of December 31, 2019.

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 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 fair value.

The outstanding foreign currency derivatives represented \$0.7 million pre-tax net gain as of September 30, 2020 and a net pre-tax gain of \$0.2 million as of December 31, 2019.

Energy commodity management. We have entered into commodity derivative contracts to effectively fix some or all of our exposure to refined oil products. The outstanding commodity derivative contracts represented a net unrealized pre-tax loss of \$8.9 million and \$3.7 million as of September 30, 2020 and December 31, 2019, respectively.

Sensitivity analysis. We use sensitivity analysis to quantify potential impacts that market rate changes may have on the underlying exposures as well as on the fair values of our derivatives. The sensitivity analysis for the derivatives represents the hypothetical changes in value of the hedge position and does not reflect the related gain or loss on the forecasted underlying transaction.

A hypothetical increase in interest rates of 100 basis points (1%) would have increased our interest expense by \$3.5 million, net of the impact of our interest rate swap, for the nine months ended September 30, 2020. The same 100 basis points increase would have resulted in an increase of \$13.7 million in the fair value of our interest rate swap portfolio.

As of September 30, 2020, a 10% appreciation or depreciation in the value of the U.S. dollar against foreign currencies from the prevailing market rates would have resulted in a corresponding decrease of \$5.3 million or a corresponding increase of \$5.3 million, respectively, in the fair value of the foreign currency hedge portfolio.

A 10% increase or decrease in the value of the underlying commodity prices that we hedge would have resulted in a corresponding increase or decrease of \$6.7 million in the fair value of the commodity hedge portfolio as of September 30, 2020. 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.

For further information related to the financial instruments described above, see Note 10 "Derivative Instruments" to the Notes to Condensed Consolidated Financial Statements.

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 Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended (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.

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

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, 2020. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that these controls and procedures were effective at the reasonable assurance level as of September 30, 2020.

Changes in Internal Control over Financial Reporting. There have been no changes in our internal control over financial reporting that occurred during the three months ended September 30, 2020 that materially affected or are reasonably likely to materially affect our internal control over financial reporting.

PART II. OTHER INFORMATION
GRAFTECH INTERNATIONAL LTD. AND SUBSIDIARIES

Item 1. Legal Proceedings

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

We are involved in various arbitrations pending before the International Chamber of Commerce with several customers who, among other things, have failed to perform under their LTAs and in certain instances are seeking to modify or frustrate their contractual commitments to us. We intend to vigorously enforce our rights under these agreements.

On September 30, 2020, a stockholder of the Company filed a lawsuit in the Delaware Court of Chancery. The stockholder challenges the fairness of the Company's repurchase of shares of its common stock from Brookfield Asset Management Inc. ("Brookfield"), for \$250 million pursuant to a December 3, 2019 share repurchase agreement and also a related block trade by Brookfield of GrafTech shares of common stock. The stockholder, on behalf of an alleged class of holders of GrafTech shares of common stock as of December 3, 2019 and also purportedly on behalf of the Company, asserts claims for breach of fiduciary duty against certain members of the Company's Board of Directors and Brookfield. The stockholder also challenges the appointment of the newest independent director to the Company's Board of Directors, as allegedly in violation of the Company's Amended and Restated Certificate of Incorporation and the Stockholder Rights Agreement with certain Brookfield entities and affiliates. The stockholder seeks, among other things, an award of monetary relief to the Company and a declaration that the appointment of the newest independent director to the Board of Directors is invalid.

Pending litigation in Brazil has been brought by employees seeking to recover additional amounts and interest thereon 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). Companies in Brazil have settled claims arising out of these provisions and, in May 2015, the litigation was remanded by the Brazilian Supreme Court in favor of the employees union. After denying an interim appeal by the Bahia region employers on June 26, 2019, the Brazilian Supreme Court finally ruled in favor of the employees union on September 26, 2019. The employers union has determined not to seek annulment of such decision. Separately, on October 1, 2015, a related 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. If the Brazilian Supreme Court proceeding above had been determined in favor of the employers union, it would also have resolved this proceeding in our favor. In the first quarter of 2017, the state court initially ruled in favor of the employees. We appealed this state court ruling, and the appellate court issued a decision in our favor on May 19, 2020. The employees have further appealed and we intend to vigorously defend it. As of September 30, 2020, we are unable to assess the potential loss associated with these proceedings as the claims do not currently specify the number of employees seeking damages or the amount of damages being sought.

The National Water Commission in Mexico ("CONAGUA"), initiated an administrative proceeding with respect to water usage at the Company's Monterrey facility on November 26, 2018. The inquiry relates to an audit of historical water usage fees and related assessments for the facility. The Company is cooperating with CONAGUA with respect to this matter.

Item 1A. Risk Factors

The following disclosure modifies the discussion of certain risks and uncertainties previously disclosed in Part I - Item 1A. of our Annual Report on Form 10-K. These risks and uncertainties, along with those previously disclosed, could materially adversely affect our business or financial results. Additional risks and uncertainties that are not presently known to us or that we deem immaterial may also impact our business or financial results.

The COVID-19 pandemic has had, and is expected to continue to have, an adverse impact on our business, results of operations, financial position and cash flows.

In December 2019, there was an outbreak of a novel strain of coronavirus ("COVID-19") identified in China that has since spread to nearly all regions of the world. The outbreak was subsequently declared a pandemic by the World Health Organization in March 2020. To date, the COVID-19 outbreak and preventative measures taken to contain or mitigate the outbreak have caused, and are continuing to cause, business slowdowns or shutdowns in affected areas and significant disruption in the financial markets and economy both globally and in the U.S.

In response to the pandemic and related mitigation measures, we began implementing changes in our business in February 2020 to protect our employees and customers, and to support appropriate health and safety protocols, which included: (i) canceling travel and eliminating in-person meetings, (ii) working from home where possible, and (iii) establishing a "Safe-Work Playbook" for our sites. Our plant procedures include temperature measurements where permitted, personal protective equipment, mandatory use of gloves, social distancing, frequent cleaning and disinfecting and the use of daily check sheets to keep team members highly focused on these new procedures. As the pandemic continues, we continue to limit travel and have certain employees working from home on rotations so that all employees are not in our offices at the same time. While all of these measures have been necessary and appropriate, they have resulted in additional costs and have adversely impacted our business and financial performance.

While the outbreak had begun to subside in certain areas of the world where we operate and serve our customers, the infection rates in some of these areas have experienced a resurgence in the spread of COVID-19 and the infection rates in other areas continue to escalate. As a result, we are unable to predict the ultimate impact of the COVID-19 outbreak at this time. The pandemic has adversely affected, and is expected to continue to adversely affect, our business, results of operations, financial position and cash flows. Such effects may be material and the potential impacts include, but are not limited to:

- adverse impact on our customers, and resultant impact on demand for our products;
- disruptions at our facilities, including reductions in operating hours, labor shortages and changes in operating procedures, including for additional cleaning and disinfecting procedures;
- disruptions in our supply chain due to transportation delays, travel restrictions, raw material cost increases and shortages, and closures of businesses or facilities;
- reductions in our operating effectiveness due to workforce disruptions from COVID-19 restrictions and social distancing resulting from, among other things, "shelter in place" and "stay at home" orders, and the unavailability of key personnel necessary to conduct our business activities; and
- volatility in the global financial markets, which could have a negative impact on our ability to access capital and additional sources of financing in the future.

In addition, we cannot predict the impact that the COVID-19 pandemic will have on our customers, employees, suppliers and distributors, and any adverse impacts on these parties may have a material adverse impact on our business. The impact of the COVID-19 pandemic may also exacerbate other risks discussed in Item 1A, "Risk Factors" section included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019, any of which could have a material effect on us. This situation is continues to change rapidly and additional impacts may arise that we are not aware of currently.

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

The table below sets forth the information on a monthly basis regarding GrafTech's purchases of its common stock, par value \$0.01 per share, during the third quarter of 2020.

<u>Period</u>	<u>Total Number of Shares Purchased</u>	<u>Average Price Paid per Share</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</u>	<u>Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs ⁽¹⁾</u>
July 1 through July 31, 2020	—	\$ —	—	\$ 59,030,305
August 1 through August 31, 2020	—	\$ —	—	\$ 59,030,305
September 1 through September 30, 2020	—	\$ —	—	\$ 59,030,305
Total	—	—	—	—

⁽¹⁾ Authorization remaining pursuant to our previously announced program to repurchase, which was authorized by our Board of Directors on July 30, 2019 (the "Share Repurchase Program"). The Share Repurchase Program was announced on July 31, 2019 and allows for the purchase of up to \$100 million of outstanding shares of our common stock from time to time on the open market, including under Rule 10b5-1 and/or Rule 10b-18 plans.

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>
3.1	<u>Amended and Restated Certificate of Incorporation of GrafTech International Ltd. (incorporated by reference to Exhibit 3.1 to GrafTech International Ltd.'s Quarterly Report on Form 10-Q filed May 1, 2019).</u>
3.2	<u>Amended and Restated By Laws of GrafTech International Ltd. (incorporated by reference to Exhibit 3.2 to GrafTech International Ltd.'s Registration Statement on Form S 1/A (Registration No. 333 223791) filed April 13, 2018).</u>
31.1*	<u>Certification pursuant to Rule 13a-14(a) under the Exchange Act by David J. Rintoul, President and Chief Executive Officer (Principal Executive Officer).</u>
31.2*	<u>Certification pursuant to Rule 13a-14(a) under the Exchange Act by Quinn J. Coburn, Chief Financial Officer, Vice President Finance and Treasurer (Principal Financial Officer).</u>
32.1*	<u>Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by David J. Rintoul, President and Chief Executive Officer (Principal Executive Officer).</u>
32.2*	<u>Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by Quinn J. Coburn, Chief Financial Officer, Vice President Finance and Treasurer (Principal Financial Officer).</u>
101	The following financial information from GrafTech International Ltd.'s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2020 formatted in Inline XBRL (Extensible Business Reporting Language) includes: (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Operations and Comprehensive Income (Loss), (iii) the Condensed Consolidated Statements of Cash Flows, (v) the Condensed Consolidated Statements of Stockholders' Equity (Deficit), and (vi) Notes to the Condensed Consolidated Financial Statements.
104	Cover Page Interactive Data file (formatted as Inline XBRL and contained in Exhibit 101).

* Filed herewith

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: November 3, 2020

By: **GRAFTECH INTERNATIONAL LTD.**

/s/ Quinn J. Coburn
Quinn J. Coburn
Chief Financial Officer, Vice President Finance and Treasurer (Principal Financial Officer)

CERTIFICATION

I, David J. Rintoul, certify that:

1. I have reviewed this Quarterly 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/ David J. Rintoul
David J. Rintoul
President and Chief Executive Officer,
(Principal Executive Officer)
November 3, 2020

CERTIFICATION

I, Quinn J. Coburn, certify that:

1. I have reviewed this Quarterly 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
Chief Financial Officer, Vice President Finance and Treasurer
(Principal Financial and Accounting Officer)

November 3, 2020

**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, 2020, 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, David J. Rintoul, 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/ David J. Rintoul
David J. Rintoul
President and Chief Executive Officer,
(Principal Executive Officer)
November 3, 2020

**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, 2020, 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, Chief Financial Officer, Vice President Finance and Treasurer 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

Chief Financial Officer, Vice President Finance and Treasurer
(Principal Financial and Accounting Officer)

November 3, 2020