

**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 June 30, 2021

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, a smaller reporting company, or an emerging growth 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 Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of July 31, 2021, 267,880,752 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 (Deficit) (unaudited)</u>	<u>8</u>
<u>Notes to Condensed Consolidated Financial Statements (unaudited)</u>	<u>10</u>

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Item 4. Controls and Procedures

PART II. OTHER INFORMATION:

Item 1. Legal Proceedings

Item 1A. Risk Factors

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

Item 6. Exhibits

SIGNATURE

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 June 30, 2021 (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, 2020 ("Annual Report on Form 10-K") filed on February 23, 2021. 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 have 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," "are confident," 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 considering information currently available to us. The inclusion of this forward-looking information should not be regarded as a representation by us that the future plans, estimates, or expectations contemplated by us will be achieved. Our expectations and targets are not predictions of actual performance and historically our performance has deviated, often significantly, from our expectations and targets. These forward-looking statements are subject to various risks and uncertainties and assumptions relating to our operations, financial results, financial condition, business, prospects, growth strategy and liquidity. Accordingly, there are or will be important factors that could cause our actual results to differ materially from those indicated in these statements. We believe that these factors include, but are not limited to:

- the ultimate impact that the COVID-19 pandemic has on our business, results of operations, financial condition and cash flows;
- the cyclical nature of our business and the selling prices of our products may lead to periods of reduced profitability and net losses in the future;
- the possibility that we may be unable to implement our business strategies, including our 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 current 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;
- 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 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 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 Asset Management Inc. and its affiliates;
- 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
- the loss of our status as a “controlled company” within the meaning of the New York Stock Exchange corporate governance standards, which will result in us no longer qualifying 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, 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 June 30, 2021	As of December 31, 2020
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 114,131	\$ 145,442
Accounts and notes receivable, net of allowance for doubtful accounts of \$8,177 as of June 30, 2021 and \$8,243 as of December 31, 2020	173,409	182,647
Inventories	257,338	265,964
Prepaid expenses and other current assets	59,462	35,114
Total current assets	604,340	629,167
Property, plant and equipment	800,973	784,902
Less: accumulated depreciation	299,212	278,685
Net property, plant and equipment	501,761	506,217
Deferred income taxes	32,495	32,551
Goodwill	171,117	171,117
Other assets	87,427	93,660
Total assets	\$ 1,397,140	\$ 1,432,712
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 89,192	\$ 70,989
Short-term debt	129	131
Accrued income and other taxes	38,480	48,720
Other accrued liabilities	83,706	56,501
Related party payable - tax receivable agreement	3,922	21,752
Total current liabilities	215,429	198,093
Long-term debt	1,224,897	1,420,000
Other long-term obligations	72,975	81,478
Deferred income taxes	45,223	43,428
Related party payable - tax receivable agreement	15,176	19,098
Contingencies - Note 7		
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, 267,880,752 shares issued and outstanding as of June 30, 2021 and 267,188,547 as of December 31, 2020	2,679	2,672
Additional paid-in capital	773,552	758,354
Accumulated other comprehensive loss	(391)	(19,641)
Accumulated deficit	(952,400)	(1,070,770)
Total stockholders' deficit	(176,560)	(329,385)
Total liabilities and stockholders' equity	\$ 1,397,140	\$ 1,432,712

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 June 30,		For the Six Months Ended June 30,	
	2021	2020	2021	2020
<u>CONSOLIDATED STATEMENTS OF OPERATIONS</u>				
Net sales	\$ 330,750	\$ 280,718	\$ 635,147	\$ 599,364
Cost of sales	201,867	130,600	348,263	269,517
Gross profit	128,883	150,118	286,884	329,847
Research and development	1,018	710	1,987	1,422
Selling and administrative expenses	75,783	16,001	95,936	30,933
Operating profit	52,082	133,407	188,961	297,492
Other expense (income), net	357	311	3	(3,003)
Related party Tax Receivable Agreement expense (benefit)	—	—	47	(3,346)
Interest expense	15,994	20,880	38,161	46,552
Interest income	(199)	(348)	(236)	(1,489)
Income before provision for income taxes	35,930	112,564	150,986	258,778
Provision for income taxes	7,765	19,788	24,022	43,734
Net income	\$ 28,165	\$ 92,776	\$ 126,964	\$ 215,044
Basic income per common share*:				
Net income per share	\$ 0.11	\$ 0.35	\$ 0.47	\$ 0.80
Weighted average common shares outstanding	267,560,712	267,249,580	267,440,501	268,233,233
Diluted income per common share*:				
Income per share	\$ 0.11	\$ 0.35	\$ 0.47	\$ 0.80
Weighted average common shares outstanding	267,807,944	267,260,395	267,765,378	268,243,997
<u>STATEMENTS OF COMPREHENSIVE INCOME (LOSS)</u>				
Net income	\$ 28,165	\$ 92,776	\$ 126,964	\$ 215,044
Other comprehensive income:				
Foreign currency translation adjustments, net of tax of \$0, \$1, \$0 and \$(162) respectively	8,854	3,630	(4,577)	(13,538)
Commodity and interest rate derivatives, net of tax of \$(3,079), \$(2,963), \$(6,411), and \$7,964 respectively	11,472	11,238	23,827	(28,543)
Other comprehensive income (loss), net of tax:	20,326	14,868	19,250	(42,081)
Comprehensive income	\$ 48,491	\$ 107,644	\$ 146,214	\$ 172,963

*See Note 11

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 Six Months Ended June 30,	
	2021	2020
Cash flow from operating activities:		
Net income	\$ 126,964	\$ 215,044
Adjustments to reconcile net income to cash provided by operations:		
Depreciation and amortization	32,831	28,833
Related party Tax Receivable Agreement expense (benefit)	47	(3,346)
Deferred income tax provision	(4,195)	13,990
Stock- based compensation	16,031	1,124
Interest expense	7,199	3,181
Other charges, net	3,354	(1,284)
Net change in working capital*	50,434	61,943
Change in related-party Tax Receivable Agreement	(21,799)	(27,857)
Change in long-term assets and liabilities	(2,111)	(3,972)
Net cash provided by operating activities	208,755	287,656
Cash flow from investing activities:		
Capital expenditures	(26,052)	(24,355)
Proceeds from the sale of assets	219	65
Net cash used in investing activities	(25,833)	(24,290)
Cash flow from financing activities:		
Debt issuance and modification costs	(3,084)	—
Repurchase of common stock-non-related party	—	(30,099)
Payment of tax withholdings related to net share settlement of equity awards	(4,074)	(71)
Principal repayments on long-term debt	(200,000)	(100,028)
Dividends paid to non-related-party	(3,418)	(6,605)
Dividends paid to related-party	(1,927)	(18,926)
Other	(2,109)	—
Net cash used in financing activities	(214,612)	(155,729)
Net change in cash and cash equivalents	(31,690)	107,637
Effect of exchange rate changes on cash and cash equivalents	379	(916)
Cash and cash equivalents at beginning of period	145,442	80,935
Cash and cash equivalents at end of period	\$ 114,131	\$ 187,656
* Net change in working capital due to changes in the following components:		
Accounts and notes receivable, net	\$ 9,305	\$ 58,713
Inventories	7,823	(2,924)
Prepaid expenses and other current assets	(12,071)	6,132
Income taxes payable	(17,761)	25,095
Accounts payable and accruals	62,748	(25,019)
Interest payable	390	(54)
Net change in working capital	\$ 50,434	\$ 61,943

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, 2020	<u>267,188,547</u>	<u>\$ 2,672</u>	<u>\$ 758,354</u>	<u>\$ (19,641)</u>	<u>\$ (1,070,770)</u>	<u>\$ (329,385)</u>
Comprehensive income (loss):						
Net income	—	—	—	—	98,799	98,799
Other comprehensive income (loss):						
Commodity and interest rate derivatives income (loss), net of tax of \$(3,144)	—	—	—	11,660	—	11,660
Commodity and interest rate derivatives reclassification adjustments, net of tax of \$(187)	—	—	—	695	—	695
Foreign currency translation adjustments, net of tax of \$0	—	—	—	(13,431)	—	(13,431)
Total other comprehensive loss	—	—	—	(1,076)	—	(1,076)
Stock-based compensation	92,135	1	766	—	—	767
Dividends paid to related party stockholder (\$0.01 per share)	—	—	—	—	(1,277)	(1,277)
Dividends paid to non-related party stockholders (\$0.01 per share)	—	—	—	—	(1,394)	(1,394)
Common stock repurchased and retired (from non-related party)	—	—	—	—	—	—
Common stock withheld for taxes on equity award settlement	(23,090)	—	(65)	—	(210)	(275)
Balance as of March 31, 2021	<u>267,257,592</u>	<u>\$ 2,673</u>	<u>\$ 759,055</u>	<u>\$ (20,717)</u>	<u>\$ (974,852)</u>	<u>\$ (233,841)</u>
Comprehensive income (loss):						
Net income	—	—	—	—	28,165	28,165
Other comprehensive income (loss):						
Commodity and interest rate derivatives income (loss), net of tax of \$(1,921)	—	—	—	7,158	—	7,158
Commodity derivatives reclassification adjustments, net of tax of \$(1,158)	—	—	—	4,314	—	4,314
Foreign currency translation adjustments, net of tax of \$0	—	—	—	8,854	—	8,854
Total other comprehensive income	—	—	—	20,326	—	20,326
Stock-based compensation	917,410	9	15,254	—	—	15,263
Dividends paid to related party stockholder (\$0.01 per share)	—	—	—	—	(650)	(650)
Dividends paid to non-related party stockholders (\$0.01 per share)	—	—	—	—	(2,024)	(2,024)
Common stock repurchased and retired (from non-related party)	—	—	—	—	—	—
Common stock withheld for taxes on equity award settlement	(294,250)	(3)	(757)	—	(3,039)	(3,799)
Balance as of June 30, 2021	<u>267,880,752</u>	<u>\$ 2,679</u>	<u>\$ 773,552</u>	<u>\$ (391)</u>	<u>\$ (952,400)</u>	<u>\$ (176,560)</u>

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 derivatives foreign currency 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 \$(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 repurchased and retired for 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 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 repurchased and retired for 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>

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,” the “Company,” “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.” Brookfield has since distributed a portion of its GrafTech common stock to the owners in the Brookfield consortium and sold shares of GrafTech common stock in public and private transactions, resulting in Brookfield's ownership of outstanding shares of GrafTech common stock decreasing to 55.3% as of December 31, 2020 and 23.9% as of June 30, 2021.

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, 2020 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, 2020 (“Annual Report on Form 10-K”), filed on February 23, 2021, 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 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 15, 2020, with early adoption permitted. The Company adopted ASU 2019-12 on January 1, 2021, with an immaterial effect on our financial position, results of operations and cash flows.

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, 2023. The adoption of ASU 2020-04 is not expected to have a material impact on our financial position, results of operations and cash flows.

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

(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 six months ended June 30, 2021 and 2020:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2021	2020	2021	2020
	<i>(Dollars in thousands)</i>			
Graphite Electrodes - Three-to-five-year take-or-pay contracts	\$ 253,589	\$ 245,010	\$ 499,154	\$ 521,389
Graphite Electrodes - Short-term agreements and spot sales	65,204	30,111	112,459	60,929
By-products and other	11,957	5,597	23,534	17,046
Total Revenues	\$ 330,750	\$ 280,718	\$ 635,147	\$ 599,364

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

Contract Balances

Substantially all of the Company's receivables relate to contracts with customers. 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 do business.

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, 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 June 30, 2021 were \$2.1 million, of which \$1.8 million and \$0.3 million are included in "Prepaid expenses and other current assets" and "Other long-term assets," respectively, on the Condensed Consolidated Balance Sheets. Contract assets as of December 31, 2020 were \$2.7 million, of which \$1.5 million and \$1.2 million are included in "Prepaid expenses and other current assets" and "Other long-term assets," respectively, on the Condensed Consolidated Balance Sheets.

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, 2020	\$ 13,056	\$ 5,662
Increases due to cash received	32,099	—
Revenue recognized	(14,783)	—
Reclassifications between long-term and current	4,404	(4,404)
Foreign currency impact	10	—
Balance as of June 30, 2021	\$ 34,786	\$ 1,258

Transaction Price Allocated to the Remaining Performance Obligations

The following table presents estimated revenues expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at the end of reporting period. The estimated revenues do not include contracts with original duration of one year or less. During the challenging market conditions in 2020, we were able to work with our customers to develop mutually beneficial solutions to their challenges, including volume commitments. We have negotiated long-term sales agreement ("LTA") modifications with many of these customers. We also worked to preserve our rights under the LTAs in a few arbitrations that arose from some non-performance and other disputes during the year.

We recorded \$499 million of LTA revenue in the first six months of 2021, and we expect to record approximately \$425 million to \$525 million of LTA revenue for the remainder of 2021. The remaining revenue associated with our LTAs is expected to be approximately as follows:

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

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

The majority of the LTAs 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 contract non-performance, contract arbitrations, credit risk associated with certain customers facing financial challenges and customer demand related to contracted volume ranges.

(3) 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 Goodwill balance was \$171.1 million as of June 30, 2021 and December 31, 2020.

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

The following table summarizes intangible assets with determinable useful lives by major category which are included in "Other Assets" on our Condensed Consolidated Balance Sheets:

	Intangible Assets					
	As of June 30, 2021			As of December 31, 2020		
	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	\$ (12,946)	\$ 9,554	\$ 22,500	\$ (11,932)	\$ 10,568
Technological know-how	55,300	(36,384)	18,916	55,300	(34,091)	21,209
Customer-related intangible	64,500	(26,027)	38,473	64,500	(23,848)	40,652
Total finite-lived intangible assets	<u>\$ 142,300</u>	<u>\$ (75,357)</u>	<u>\$ 66,943</u>	<u>\$ 142,300</u>	<u>\$ (69,871)</u>	<u>\$ 72,429</u>

Amortization expense of intangible assets was \$2.7 million and \$2.9 million in the three months ended June 30, 2021 and 2020, respectively and \$5.5 million and \$5.8 million in the six months ended June 30, 2021 and 2020, respectively. Estimated amortization expense will be approximately \$5.3 million for the remainder of 2021, \$10.1 million in 2022, \$9.2 million in 2023, \$8.0 million in 2024 and \$7.3 million in 2025.

(4) Debt and Liquidity

The following table presents our long-term debt:

	As of June 30, 2021	As of December 31, 2020
	<i>(Dollars in thousands)</i>	
2018 Credit Facility (2018 Term Loan and 2018 Revolving Credit Facility)	\$ 743,708	\$ 943,708
2020 Senior Notes	500,000	500,000
Other debt	596	615
Unamortized debt discount and issuance costs	(19,278)	(24,192)
Total debt	<u>1,225,026</u>	<u>1,420,131</u>
Less: Short-term debt	<u>(129)</u>	<u>(131)</u>
Long-term debt	<u>\$ 1,224,897</u>	<u>\$ 1,420,000</u>

In the first half of 2021, we repaid \$200 million of principal of our 2018 Term Loan Facility (as defined below). The fair value of our debt was approximately \$1,260 million and \$1,453 million as of June 30, 2021 and December 31, 2020, respectively. The fair value of the debt is measured using level 3 inputs.

2018 Term Loan and 2018 Revolving Credit Facility

In February 2018, the Company entered into a credit agreement (the "2018 Credit Agreement"), which provides for (i) a \$2,250 million senior secured term facility (the "2018 Term Loan Facility") after giving effect to the June 2018 amendment (the "First Amendment") that increased the aggregate principal amount of the 2018 Term Loan Facility from \$1,500 million to \$2,250 million 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"). GrafTech Finance Inc. ("GrafTech Finance") is the sole borrower under the 2018 Term Loan Facility while GrafTech Finance, GrafTech Switzerland SA ("Swissco") and GrafTech Luxembourg II S.à.r.l. ("Luxembourg Holdco") and, together with GrafTech Finance and Swissco, the "Co-Borrowers" are co-borrowers under the 2018 Revolving Credit Facility. The 2018 Term Loan Facility and the 2018 Revolving Credit Facility mature on February 12, 2025 and February 12, 2023, respectively.

The 2018 Term Loan Facility bears interest, at our option, at a rate equal to either (i) the Adjusted LIBO Rate (as defined in the 2018 Credit Agreement), plus an applicable margin equal to 3.00% per annum following an amendment in February 2021 (the "Second Amendment") that decreased the Applicable Rate (as defined in the 2018 Credit Agreement) by 0.50% for each pricing level or (ii) the ABR Rate (as defined in the 2018 Credit Agreement), plus an applicable margin equal to

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

2.00% per annum following the Second Amendment, in each case with one step down of 25 basis points based on achievement of certain public ratings of the 2018 Term Loan Facility. The Second Amendment also decreased the interest rate floor from 1.0% to 0.50% for the 2018 Term Loan Facility.

The 2018 Revolving Credit Facility bears interest, at our 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, we are 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.

The Senior Secured Credit Facilities are guaranteed by each of our domestic subsidiaries, subject to certain customary exceptions, and by GrafTech Luxembourg I S.à.r.l., a Luxembourg société à responsabilité limitée and an indirect wholly owned subsidiary of GrafTech, Luxembourg HoldCo, and Swissco (collectively, the “Guarantors”) with respect to all obligations under the 2018 Credit Agreement of each of our foreign subsidiaries 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”)).

All obligations under the 2018 Credit Agreement are secured, subject to certain exceptions, by: (i) a pledge of all of the equity securities of each domestic Guarantor 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 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 2018 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 Loan Facility amortizes at a rate of \$112.5 million a year 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 Loan Facility (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 Loan Facility 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 Loan Facility as directed by GrafTech Finance. As of June 30, 2021, we have satisfied all amortization requirements through prepayments through the maturity date.

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.

2020 Senior Notes

In December 2020, GrafTech Finance issued \$500 million aggregate principal amount of 4.625% senior secured notes due 2028 (the “2020 Senior Notes”) in a private offering. The 2020 Senior Notes and related guarantees are secured on a pari passu basis by the collateral securing the Senior Secured Credit Facilities. All of the proceeds from the 2020 Senior Notes were used to partially repay borrowings under our 2018 Term Loan Facility.

The 2020 Senior Notes pay interest in arrears on June 15 and December 15 of each year, with the principal due in full on December 15, 2028. Prior to December 15, 2023, up to 40% of the 2020 Senior Notes may be redeemed with the net cash proceeds of certain equity offerings at a price equal to 104.625% of the principal amount thereof, together with accrued and unpaid interest, if any. The 2020 Senior Notes may be redeemed, in whole or in part, at any time prior to December 15, 2023 at a price equal to 100% of the principal amount of the notes redeemed plus a premium together with accrued and unpaid interest,

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

if any, to, but not including, the redemption date. Thereafter, the 2020 Senior Notes may be redeemed, in whole or in part, at various prices depending on the date redeemed.

The indenture governing the 2020 Senior Notes (the "Indenture") contains certain covenants that, among other things, limit the Company's ability, and the ability of certain of its subsidiaries, to incur or guarantee additional indebtedness or issue preferred stock, pay distributions on, redeem or repurchase capital stock or redeem or repurchase subordinated debt, incur or suffer to exist liens securing indebtedness, make certain investments, engage in certain transactions with affiliates, consummate certain asset sales and effect a consolidation or merger, or sell, transfer, lease or otherwise dispose of all or substantially all assets. Pursuant to the Indenture, if our pro forma consolidated first lien net leverage ratio is no greater than 2.00 to 1.00, we can make restricted payments so long as no default or event of default has occurred and is continuing. If our pro forma consolidated first lien net leverage ratio is greater than 2.00 to 1.00, we can make restricted payments pursuant to certain baskets.

The Indenture contains events of default customary for agreements of its type (with customary grace periods, as applicable) and provides that, upon the occurrence of an event of default arising from certain events of bankruptcy or insolvency with respect to the Company or GrafTech Finance, all outstanding 2020 Senior Notes will become due and payable immediately without further action or notice. If any other type of event of default occurs and is continuing, then the trustee or the holders of at least 30% in principal amount of the then outstanding 2020 Senior Notes may declare all of the 2020 Senior Notes to be due and payable immediately.

(5) Inventories

Inventories are comprised of the following:

	As of June 30, 2021	As of December 31, 2020
	<i>(Dollars in thousands)</i>	
Inventories:		
Raw materials	\$ 98,691	\$ 101,098
Work in process	119,171	110,331
Finished goods	39,476	54,535
Total	\$ 257,338	\$ 265,964

(6) Interest Expense

The following tables present the components of interest expense:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2021	2020	2021	2020
	<i>(Dollars in thousands)</i>			
Interest incurred on debt	\$ 14,085	\$ 19,300	\$ 30,950	\$ 43,392
Accretion of original issue discount on 2018 Term Loans	572	549	1,843	1,098
Amortization of debt issuance and modification costs	1,337	1,031	5,368	2,062
Total interest expense	\$ 15,994	\$ 20,880	\$ 38,161	\$ 46,552

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

Interest Rates

The 2020 Senior Notes carry a fixed interest rate of 4.625%. The 2018 Credit Agreement had an effective interest rate of 3.50% as of June 30, 2021 and 4.50% as of December 31, 2020. See Note 4 "Debt and Liquidity" for details of these transactions.

During the three months ended June 30, 2021, we made a prepayment of \$50.0 million under our 2018 Term Loan Facility. In connection with this, we recorded \$0.4 million of accelerated amortization of the debt issuance costs and \$0.3 million of accelerated accretion of the original issue discount.

During the six months ended June 30, 2021, we made prepayments for a total of \$200.0 million under our 2018 Term Loan Facility. In connection with this, we recorded \$2.0 million of accelerated amortization of the debt issuance costs and \$1.2 million of accelerated accretion of the original issue discount. We also recorded \$1.6 million of modification costs related to the term loan repricing in the first quarter of 2021. See Note 4 "Debt and Liquidity" for details of these transactions.

The Company has several interest rate swap contracts to fix the cash flows associated with the risk in variability in the one-month USD. London Interbank Offered Rate ("USD LIBOR") for the 2018 Credit Agreement debt. See Note 9 "Derivative Instruments" for details of these transactions.

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

(7) 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, on December 16, 2020, the court upheld the decision in favor of GrafTech Brazil. On February 22, 2021, the employees filed a further appeal and, on April 28, 2021, the court rejected the employees' appeal in favor of GrafTech Brazil. The employees filed a further appeal. As of June 30, 2021, 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.

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 six months ended June 30, 2021, are presented below:

	<i>(Dollars in thousands)</i>
Balance as of December 31, 2020	\$ 1,997
Product warranty accruals and adjustments	722
Settlements	(793)
Balance as of June 30, 2021	\$ 1,926

Tax Receivable Agreement

On April 23, 2018, the Company entered into the tax receivable agreement ("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 the pre-IPO tax assets. 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 LIBOR 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.

As of June 30, 2021, the total TRA liability was \$19.1 million, of which \$3.9 million was classified as a current liability in "Related party payable-tax receivable agreement" and \$15.2 million remained as a long-term liability in "Related party payable-tax receivable agreement" on the balance sheet. As of December 31, 2020, the total TRA liability was \$40.9 million, of which \$21.8 million was classified as a current liability in "Related party payable - tax receivable agreement" on the balance sheet, as we expected this portion to be settled within twelve months, and \$19.1 million of the liability remained as a long-term liability in "Related party payable - tax receivable agreement" on the balance sheet.

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

Long-term Incentive Plan

The long-term incentive plan ("LTIP") was adopted by the Company in August 2015 and amended and restated in March 2018. The purpose of the plan was 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 was 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 vested in equal increments over a five-year period beginning on the first anniversary of the grant date of the Profit Units, subject to continued employment with the Company through each vesting date. If a participant ceased to provide services prior to any applicable vesting date for any reason, other than a termination for cause, then the participant forfeited all unvested Profit Units and any vested Profit Units remained outstanding. If a Participant had been terminated for cause, both vested and unvested Profit Units would have been forfeited. Upon a "Change in Control" (as defined in the LTIP), the Profit Units entitled the participant to a payment based on a percentage of the sum of (i) all net "Sale Proceeds" (as defined in the LTIP) received by Brookfield Capital IV L.P. and its affiliates ("Brookfield Capital IV") less (ii) the "Threshold Value" (as defined in the LTIP), with such payment amount being determined by the Company's Board of Directors in its sole discretion. In the event that, in connection with a Change in Control, Brookfield Capital IV disposes of less than 100% of its ownership interest in the Company, the amount of the Sale Proceeds in excess of the Threshold Value shall be determined on a pro-rata basis by reference to the percentage of ownership interest disposed, as determined by the Board of Directors of the Company.

The May 2021 secondary offering of our common stock by Brookfield Capital IV constituted a "Change in Control" under the LTIP. A "Change in Control" under the LTIP is defined as, among other things, a transaction 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 following a public offering of the Company's stock, Brookfield Capital IV ceases to have a beneficial ownership interest in at least 30% of the Company's outstanding voting securities (effective on the first of such date). Upon completion of the May 2021 secondary offering, Brookfield beneficially owned approximately 24% of the Company's outstanding voting securities. Accordingly, the Company settled the vested Profit Units in lump sum payment within 30 days following a Change in Control. The settlement of the Profit Units consisted of a pre-tax charge of \$73.4 million, of which \$30.7 million was recorded in cost of sales and \$42.7 million was recorded in selling and administrative expense. As of June 30, 2021, \$61.5 million of the charges have been settled in cash by the Company while the remainder of the liability, related to payroll taxes, is expected to be paid in the third quarter of 2021, which will satisfy all obligations under the LTIP.

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

(8) 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 six months ended June 30, 2021 and 2020:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2021	2020	2021	2020
	<i>(Dollars in thousands)</i>			
Tax expense	\$ 7,765	\$ 19,788	\$ 24,022	\$ 43,734
Pretax income	35,930	112,564	150,986	258,778
Effective tax rates	21.6 %	17.6 %	15.9 %	16.9 %

The effective tax rate for the three months ended June 30, 2021 was 21.6%. 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"). A portion of the one-time Change in Control charges recorded in the three months ended June 30, 2021 was not deductible and contributed to the increase in the effective rate. We expect the full year effective tax rate to be approximately 16% to 17%.

The effective tax rate for the three months ended June 30, 2020 was 17.6%. 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 \$19.8 million for the three months ended June 30, 2020 to \$7.8 million for the three months June 30, 2021. This change is primarily related to a reduction in pretax income, worldwide earnings from various countries taxed at different rates and U.S. taxation of GILTI.

For the six months ended June 30, 2021, the effective tax rate of 15.9% 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 six months ended June 30, 2020, the effective tax rate of 16.9% 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 \$43.7 million for the six months ended June 30, 2020 to \$24.0 million for the six months ended June 30, 2021. This change is primarily related to the reduction in pretax income, worldwide earnings from various countries taxed at different rates and the U.S. taxation of GILTI.

As of June 30, 2021, 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. U.S. federal tax years prior to 2017 are generally closed by statute or have been audited and settled with the applicable domestic tax authorities. Other jurisdictions are still open to examination beginning after 2014.

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

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

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.

(9) 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 June 30, 2021 and December 31, 2020 and, therefore, no unrealized gains or losses reported under accumulated other comprehensive income (loss).

As of June 30, 2021, we had outstanding Mexican peso, euro, Swiss franc, South African rand and Japanese yen currency contracts with an aggregate notional amount of \$80.5 million. As of December 31, 2020, we had outstanding Mexican peso, South African rand, euro, Swiss franc and Japanese yen currency contracts, with an aggregate notional amount of \$71.0 million. The foreign currency derivatives outstanding as of June 30, 2021 have maturities through December 31, 2021, and were not designated as hedging instruments.

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 June 30, 2021 with a notional amount of \$38.4 million and maturities from July 2021 to June 2022. The outstanding commodity derivative contracts represented a pre-tax net unrealized gain within "Accumulated Other Comprehensive Income" of \$12.8 million as of June 30, 2021. We had outstanding commodity derivative contracts as of December 31, 2020 with a notional amount of \$61.3 million representing a pre-tax net unrealized loss of \$2.2 million.

In connection with de-designated commodity derivative contracts, we recognized in cost of sales \$0.9 million unrealized gain as of June 30, 2021 as a result of the variation in fair value from the de-designation date. This resulted from a small portion of our commodity derivative contracts that ceased to qualify for hedge accounting in the second quarter of 2021.

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 due to mature in August 2021 and another \$500 million due to mature in August 2024. The Company's risk management objective was to fix its cash flows associated with the risk in variability in the one-month USD LIBOR 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. In December 2020, in connection with the \$500 million principal repayment of the 2018 Term Loan Facility, we de-designated one interest rate swap contract of \$250 million notional maturing in the third quarter of 2021 and in February 2021 we closed it and recorded a \$0.9 million charge in interest expense.

Additionally, in February 2021, the Company modified the three remaining swaps with notional amounts of \$250 million maturing in the third quarter 2021 and \$500 million maturing in the third quarter 2024 in order to align their terms

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

to the amended 2018 Term Loan Facility (see Note 4 "Debt and Liquidity" for details of the February 2021 repricing of the 2018 Term Loan Facility). 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 4.2%, which could be lowered to 3.95% depending on credit ratings. The modification triggered the de-designation and re-designation of the swaps. Because the modified swaps contained an other-than-insignificant financing element at re-designation date, they are considered hybrid instruments composed of a debt host and an embedded derivative. The debt host portion amounted to a liability of \$8.5 million as of June 30, 2021 with \$2.8 million included in "Other accrued liabilities" and \$5.7 million in "Other long-term obligations". The corresponding loss is accounted for in "Accumulated Other Comprehensive income" and is amortized over the remaining life of the swaps. The embedded derivative is treated as a cash-flow hedge.

Within "Accumulated Other Comprehensive Income", the portion of the interest rate swaps qualifying as a cash flow hedge represented a net unrealized pre-tax gain of \$1.9 million and a net unrealized pre-tax loss of \$11.0 million as of June 30, 2021 and December 31, 2020, respectively. The fair value of these contracts was determined using Level 2 inputs.

The fair value of all derivatives is recorded as assets or liabilities on a gross basis in our Condensed Consolidated Balance Sheets. As of June 30, 2021 and December 31, 2020, 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 June 30, 2021				
<i>(Dollars in thousands)</i>				
Derivatives designated as cash flow hedges:				
Commodity derivative contracts	Prepaid and other current assets	\$ 12,791	Other accrued liabilities	\$ —
	Other long-term assets	—	Other long-term obligations	—
Interest rate swap contracts	Prepaid and other current assets	—	Other accrued liabilities	844
	Other long-term assets	2,775	Other long-term obligations	—
Total fair value		\$ 15,566		\$ 844

As of December 31, 2020

Derivatives designated as cash flow hedges:				
Commodity derivative contracts	Prepaid and other current assets	\$ 518	Other accrued liabilities	\$ 888
	Other long-term assets	63	Other long-term obligations	1,898
Interest rate swap contracts	Prepaid and other current assets	—	Other accrued liabilities	4,080
	Other long-term assets	—	Other long-term obligations	6,903
Total fair value		\$ 581		\$ 13,769

	Asset Derivatives		Liability Derivatives	
	Location	Fair Value	Location	Fair Value
As of June 30, 2021				
<i>(Dollars in thousands)</i>				
Derivatives not designated as hedges:				
Foreign currency derivatives	Prepaid and other current assets	\$ 137	Other accrued liabilities	\$ 272
Total fair value		\$ 137		\$ 272

As of December 31, 2020

Derivatives not designated as hedges:				
Foreign currency derivatives	Prepaid and other current assets	\$ 6	Other accrued liabilities	\$ 111
Interest rate swap contracts	Prepaid and other current assets	—	Other accrued liabilities	952
Total fair value		\$ 6		\$ 1,063

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

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 June 30, 2021 and 2020, net realized pre-tax gains of \$2.4 million and net realized pre-tax losses of \$5.7 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 June 30, 2021 and 2020:

		Amount of (Gain)/Loss Recognized	
		For the Three Months Ended June 30,	
		2021	2020
Location of Realized (Gain)/Loss Recognized in the Consolidated Statement of Operations		<i>(Dollars in thousands)</i>	
Derivatives designated as cash flow hedges:			
Commodity derivative contracts	Cost of sales	\$ 4,498	\$ (1,130)
Interest rate swap contracts	Interest expense	289	1,521
Derivatives not designated as hedges:			
Foreign currency derivatives	Cost of sales, Other expense (income)	\$ 264	\$ (217)
Commodity derivative contracts	Cost of sales	(242)	25
		Amount of (Gain)/Loss Recognized	
		For the Six Months Ended June 30,	
		2021	2020
Location of (Gain)/Loss Recognized in the Consolidated Statement of Operations		<i>(Dollars in thousands)</i>	
Derivatives designated as cash flow hedges:			
Commodity contract hedges	Cost of sales	\$ 5,047	\$ (3,939)
Interest rate swap contracts	Interest expense	1,285	1,315
Derivatives not designated as hedges:			
Foreign currency derivatives	Cost of sales, Other expense (income)	\$ 1,893	\$ (716)
Commodity derivative contracts	Cost of sales	(242)	(114)
Interest rate swap contracts	Interest expense	866	—

(10) Accumulated Other Comprehensive Income (Loss)

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

	As of June 30, 2021	As of December 31, 2020
	<i>(Dollars in thousands)</i>	
Foreign currency translation adjustments, net of tax	\$ (7,302)	\$ (2,725)
Commodity and interest rate derivatives, net of tax	6,911	(16,916)
Total accumulated comprehensive (loss)	\$ (391)	\$ (19,641)

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

(11) Earnings per Share

During the six months ended June 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 six months ended June 30, 2021.

The following table shows the information used in the calculation of our basic and diluted earnings per share calculation for the six months ended June 30, 2021 and 2020:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2021	2020	2021	2020
Weighted average common shares outstanding for basic calculation	267,560,712	267,249,580	267,440,501	268,233,233
Add: Effect of stock options, deferred share units and restricted stock units	247,232	10,815	324,877	10,764
Weighted average common shares outstanding for diluted calculation	267,807,944	267,260,395	267,765,378	268,243,997

Basic earnings per common share are calculated by dividing net income (loss) by the weighted average number of common shares outstanding, which includes 122,455 and 116,631 shares of participating securities in the three and six months ended June 30, 2021, respectively, and 65,062 and 59,166 shares of participating securities in the three and six months ended June 30, 2020, respectively. 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 1,358,696 and 1,250,722 equivalent shares in the three and six months ended June 30, 2021, respectively, and 1,734,610 and 1,603,198 in the three and six months ended June 30, 2020, respectively, as these shares are anti-dilutive.

(12) Stock-Based Compensation

Stock-based compensation awards granted by our Board of Directors for the three and six months ended June 30, 2021 and 2020 were as follows:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2021	2020	2021	2020
Award type:				
Stock options	2,000	2,000	479,500	300,000
Deferred share units	13,861	12,091	25,672	24,643
Restricted stock units	1,500	2,602	515,960	311,991

In the three months ended June 30, 2021 and 2020, we recognized \$15.3 million and \$0.7 million, respectively, in stock-based compensation expense. A majority of the expense, \$13.4 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 six months ended June 30, 2021 and 2020, we recognized \$16.0 million and \$1.1 million, respectively, in stock - based compensation expense. A majority of expense, \$14.1 million and \$1.0 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 three and six months ended June 30, 2021, the expense includes \$14.7 million due to the "Change in Control" accelerated vesting provisions of certain of our awards. For the purpose of these grants, a "Change in Control" occurred when Brookfield and any affiliates thereof (collectively, the "Majority Stockholder") ceased to own stock of the Company that constitutes at least thirty percent (30%) or thirty-five percent (35%), as applicable, of the total fair market value or total voting

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

power of the stock of the Company. Out of the \$14.7 million recorded with the Change in Control, \$0.9 million accelerated at the 35% ownership level and the remaining \$13.8 million accelerated at the 30% ownership level.

As of June 30, 2021, unrecognized compensation cost related to non-vested stock options, deferred share units and restricted stock units was \$0.8 million, which will be recognized over the remaining weighted average life of 1.9 years.

Stock option, deferred share unit and restricted stock unit award activity under the Company's Omnibus Equity Incentive Plan for the six months ended June 30, 2021 was as follows:

Stock Options

	Number of Shares	Weighted- Average Exercise Price
Outstanding unvested as of December 31, 2020	906,361	\$ 13.01
Granted	479,500	11.49
Vested	(1,214,192)	11.96
Forfeited	(42,349)	13.36
Outstanding unvested as of June 30, 2021	129,320	\$ 17.17

Deferred Share Unit and Restricted Stock Unit awards

	Number of Shares	Weighted- Average Grant Date Fair Value
Outstanding unvested as of December 31, 2020	524,488	\$ 10.41
Granted	541,632	11.51
Vested	(1,046,631)	10.96
Forfeited	(16,793)	10.78
Outstanding unvested as of June 30, 2021	2,696	\$ 13.96

(13) Subsequent Events

On August 4, 2021, our Board of Directors declared a quarterly dividend of \$0.01 per share to stockholders of record as of the close of business on August 31, 2021, to be paid on September 30, 2021.

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 ("LTAs") 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. The services and solutions we provide will position our customers and us for a better future.

Commercial Update and Outlook

GrafTech reported strong sales volumes of 43 thousand metric tons ("MT") in the second quarter of 2021, consisting of LTA volumes of 27 thousand MT, at an average approximate price of \$9,500 per MT, and non-LTA volumes of 16 thousand MT, at an average approximate price of \$4,100 per MT. Sales volumes increased 16% and 39% compared to the first quarter of 2021 and second quarter of 2020, respectively.

As previously reported, spot prices negotiated during the first quarter of 2021 reached a recent low and have steadily improved since that time. Accordingly, non-LTA prices for our graphite electrodes to be delivered and realized in income in the second half of 2021 are improving. We expect this improvement in non-LTA pricing to continue into 2022. In the third quarter of 2021, we expect realized prices for non-LTA volumes to be up approximately 10%-12% compared to the second quarter.

Production volume of 44 thousand MT in the second quarter of 2021 represented an increase of 22% and 33% compared to the first quarter of 2021 and the second quarter of 2020, respectively.

The estimated shipments of graphite electrodes for the final two years of the initial term under our LTAs and for the years 2023 through 2024 remain unchanged from our prior estimate as follows:

	2021	2022	2023 through 2024
Estimated LTA volume (<i>thousands of metric tons</i>)	98-108	95-105	35-45
Estimated LTA revenue (<i>in millions</i>)	\$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 LTAs

Global steel market capacity utilization rates have continued to improve sequentially:

	Q2 2021	Q1 2021	Q2 2020
Global steel market (ex-China) capacity utilization rates ⁽¹⁾	75%	73%	56%
U.S. steel market capacity utilization rates ⁽²⁾	80%	77%	56%

¹ Source: World Steel Association and Metal Expert

² Source: American Iron and Steel Institute

Capital Structure and Capital Allocation

As of June 30, 2021, GrafTech had cash and cash equivalents of \$114 million and total debt of approximately \$1.2 billion. We continue to make progress in reducing our long-term debt, repaying \$50 million in the second quarter, for a total

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

debt repayment of \$200 million in the first half of 2021. We continue to expect our primary use of cash for the balance of this year to be debt repayment.

Our full year 2021 capital expenditure range expectations are unchanged, between \$55 and \$65 million.

Key metrics used by management to measure performance

In addition to measures of financial performance presented in our Consolidated Financial Statements in accordance with 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, adjusted EBITDA, adjusted net income and adjusted EPS, 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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2021	2020	2021	2020
<i>(in thousands), except per share data</i>				
Net sales	\$ 330,750	\$ 280,718	\$ 635,147	\$ 599,364
Net income	\$ 28,165	\$ 92,776	\$ 126,964	\$ 215,044
Earnings per share ⁽¹⁾	\$ 0.11	\$ 0.35	\$ 0.47	\$ 0.80
EBITDA ⁽²⁾	\$ 68,017	\$ 147,645	\$ 221,742	\$ 332,674
Adjusted net income ⁽²⁾	\$ 114,487	\$ 96,005	\$ 214,367	\$ 212,235
Adjusted earnings per share ⁽¹⁾⁽²⁾	\$ 0.43	\$ 0.36	\$ 0.80	\$ 0.79
Adjusted EBITDA ⁽²⁾	\$ 159,903	\$ 151,125	\$ 314,948	\$ 330,303

⁽¹⁾ Earnings per share represents diluted earnings per share. Adjusted earnings per share represents adjusted diluted earnings per share.

⁽²⁾ Non-GAAP financial measures; see below for information and reconciliations of EBITDA, adjusted EBITDA, adjusted net income, and adjusted EPS to net income, the most directly comparable financial measure calculated and presented in accordance with GAAP.

Key operating metrics

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2021	2020	2021	2020
<i>(in thousands, except utilization)</i>				
Sales volume (MT) ⁽¹⁾	43	31	80	65
Production volume (MT) ⁽²⁾	44	33	80	66
Production capacity excluding St. Marys (MT) ⁽³⁾⁽⁴⁾	51	51	102	102
Capacity utilization excluding St. Marys ⁽³⁾⁽⁵⁾	86 %	65 %	78 %	65 %
Total production capacity (MT) ⁽⁴⁾⁽⁶⁾	58	58	116	116
Total capacity utilization ⁽⁵⁾⁽⁶⁾	76 %	57 %	69 %	57 %

⁽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.

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

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, adjusted EBITDA, adjusted net income, and adjusted EPS 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 adjusted for any pension and other post employment benefit ("OPEB") plan expenses or gains, 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 (as defined below) adjustments, stock-based compensation, non-cash fixed asset write-offs and Change in Control charges that were triggered as a result of the ownership of our largest stockholder falling below 30% of our total outstanding shares. 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;
- adjusted EBITDA does not reflect the Change in Control charges; and
- other companies, including companies in our industry, may calculate EBITDA and adjusted EBITDA differently, which reduces its usefulness as a comparative measure.

We define adjusted net income, a non-GAAP financial measure, as net income or loss and excluding the items used to calculate adjusted EBITDA, less the tax effect of those adjustments. We define adjusted EPS, a non-GAAP financial measure, as adjusted net income divided by the weighted average of diluted common shares outstanding during the period. We believe adjusted net income and adjusted EPS are useful to present to investors because we believe that they assist investors' understanding of the underlying operational profitability of the Company.

In evaluating EBITDA, adjusted EBITDA, adjusted net income, adjusted EPS, you should be aware that in the future, we will incur expenses similar to the adjustments in the reconciliation below, other than change in control charges. Our presentations of EBITDA, adjusted EBITDA, adjusted net income and adjusted EPS 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, adjusted EBITDA, adjusted net income, and adjusted EPS alongside other financial performance measures, including our net income, EPS and other GAAP measures.

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

The following tables reconcile our non-GAAP key financial measures to the most directly comparable GAAP measures:

Reconciliation of Net Income to Adjusted Net Income

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2021	2020	2021	2020
	<i>(in thousands, except per share data)</i>			
Net income	\$ 28,165	\$ 92,776	\$ 126,964	\$ 215,044
Adjustments, pre-tax:				
Pension and OPEB plan expenses ⁽¹⁾	430	541	861	1,083
Initial and follow-on public offering and related expenses ⁽²⁾	241	—	663	4
Non-cash loss (gain) on foreign currency remeasurement ⁽³⁾	2,255	2,222	1,907	(1,239)
Stock-based compensation ⁽⁴⁾	550	717	1,318	1,127
Non-cash fixed asset write-off ⁽⁵⁾	313	—	313	—
Related party Tax Receivable Agreement adjustment ⁽⁶⁾	—	—	47	(3,346)
Change in Control LTIP award ⁽⁷⁾	73,384	—	73,384	—
Change in control stock-based compensation acceleration ⁽⁷⁾	14,713	—	14,713	—
Total non-GAAP adjustments pre-tax	91,886	3,480	93,206	(2,371)
Income tax impact on non-GAAP adjustments	5,564	251	5,803	438
Adjusted net income	\$ 114,487	\$ 96,005	\$ 214,367	\$ 212,235

- (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 write-off of fixed assets.
- (6) Non-cash expense adjustment for future payment to our sole pre-IPO stockholder for tax assets that are expected to be utilized.
- (7) In the second quarter of 2021, we incurred change in control charges as a result of the ownership of our largest stockholder, Brookfield, moving below 30% of our shares outstanding.

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

Reconciliation of EPS to Adjusted EPS

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2021	2020	2021	2020
EPS	\$ 0.11	\$ 0.35	\$ 0.47	\$ 0.80
Adjustments per share:				
Extension and OPEB plan expenses ⁽¹⁾	—	—	—	—
Initial and follow-on public offering and related expenses ⁽²⁾	—	—	—	—
Non-cash gains and losses on foreign currency remeasurement ⁽³⁾	0.01	0.01	0.01	—
Stock-based compensation ⁽⁴⁾	—	—	0.01	—
Non-cash fixed asset write-off ⁽⁵⁾	—	—	—	—
Related party Tax Receivable Agreement adjustment ⁽⁶⁾	—	—	—	(0.01)
Change in control LTIP award ⁽⁷⁾	0.27	—	0.27	—
Change in control stock-based compensation acceleration ⁽⁷⁾	0.06	—	0.06	—
Total non-GAAP adjustments pre-tax per share	0.34	0.01	0.35	(0.01)
Income tax impact on non-GAAP adjustments per share	0.02	—	0.02	—
Adjusted EPS	\$ 0.43	\$ 0.36	\$ 0.80	\$ 0.79

- (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.
- (7) In the second quarter of 2021, we incurred Change in Control charges as a result of the ownership of our largest shareholder, Brookfield, moving below 30% of our total shares outstanding.

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2021	2020	2021	2020
	(in thousands)			
Net income	\$ 28,165	\$ 92,776	\$ 126,964	\$ 215,044
Add:				
Depreciation and amortization	16,292	14,549	32,831	28,833
Interest expense	15,994	20,880	38,161	46,552
Interest income	(199)	(348)	(236)	(1,489)
Income taxes	7,765	19,788	24,022	43,734
EBITDA	68,017	147,645	221,742	332,674
Adjustments:				
Pension and OPEB plan expenses ⁽¹⁾	430	541	861	1,083
Initial and follow-on public offering and related expenses ⁽²⁾	241	—	663	4
Non-cash loss (gain) on foreign currency remeasurement ⁽³⁾	2,255	2,222	1,907	(1,239)
Stock-based compensation ⁽⁴⁾	550	717	1,318	1,127
Non-cash fixed asset write-off ⁽⁵⁾	313	—	313	—
Related party Tax Receivable Agreement adjustment ⁽⁶⁾	—	—	47	(3,346)
Change in Control LTIP award ⁽⁷⁾	73,384	—	73,384	—
Change in control stock-based compensation acceleration ⁽⁷⁾	14,713	—	14,713	—
Adjusted EBITDA	<u>\$ 159,903</u>	<u>\$ 151,125</u>	<u>\$ 314,948</u>	<u>\$ 330,303</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 write-off of fixed assets.
- (6) Non-cash expense adjustment for future payment to our sole pre-IPO stockholder for tax assets that are expected to be utilized.
- (7) In the second quarter of 2021, we incurred change in control charges as a result of the ownership of our largest shareholder, Brookfield, moving below 30% of our shares outstanding.

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 June 30, 2021 Compared to the Three Months Ended June 30, 2020

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 June 30,		Increase/ Decrease	% Change
	2021	2020		
	<i>(Dollars in thousands)</i>			
Net sales	\$ 330,750	\$ 280,718	\$ 50,032	18 %
Cost of sales	201,867	130,600	71,267	55 %
Gross profit	128,883	150,118	(21,235)	(14) %
Research and development	1,018	710	308	43 %
Selling and administrative expenses	75,783	16,001	59,782	374 %
Operating income	52,082	133,407	(81,325)	(61) %
Other expense (income), net	357	311	46	15 %
Interest expense	15,994	20,880	(4,886)	(23) %
Interest income	(199)	(348)	149	(43) %
Income before provision for income taxes	35,930	112,564	(76,634)	(68) %
Provision for income taxes	7,765	19,788	(12,023)	(61) %
Net income	\$ 28,165	\$ 92,776	\$ (64,611)	(70) %

Net sales. Net sales increased from \$280.7 million in the three months ended June 30, 2020 to \$330.8 million in the three months ended June 30, 2021. The second quarter of 2020 was impacted by market conditions, including COVID-19. Stronger demand for our products in the second quarter of 2021 resulted in a 39% increase in sales volume compared to the same period of 2020. Partially offsetting the increased volume was a decrease in non-LTA sales prices, as the sales prices we realized in the second quarter of 2021 were primarily negotiated late in the fourth quarter of 2020 as well as in the first quarter of 2021. The sales price of graphite electrodes have increased since the first quarter of 2021 and we expect this to positively impact our second half 2021 results.

Cost of sales. We experienced an increase in cost of sales from \$130.6 million in the three months ended June 30, 2020 to \$201.9 million in the three months ended June 30, 2021, primarily due to the 39% increase in sales volume of manufactured electrodes. Additionally, cost of sales in the second quarter of 2021 was impacted by a one-time Long-term Incentive Plan ("LTIP") charge of \$30.7 million resulting from a Change in Control after our largest stockholder's ownership of our common stock was reduced below 30% of our outstanding common stock.

Selling and administrative expenses. Selling and administrative expenses increased from \$16.0 million in the three months ended June 30, 2020 to \$75.8 million in the three months ended June 30, 2021 primarily due to the aforementioned Change in Control resulting in \$42.6 million of one-time LTIP expense within selling and administrative expense. Additionally, the Change in Control resulted in \$12.9 million of one-time accelerated stock based compensation expense.

Interest expense. Interest expense decreased from \$20.9 million in the three months ended June 30, 2020 to \$16.0 million in the three months ended June 30, 2021, primarily due to lower interest rates and lower average borrowings. Partially offsetting these decreases was the absence of a \$3.3 million benefit in 2020 resulting from discounts on debt repurchases.

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 June 30,	
	2021	2020
	<i>(Dollars in thousands)</i>	
Tax expense	\$ 7,765	\$ 19,788
Pretax income	35,930	112,564
Effective tax rates	21.6 %	17.6 %

The effective tax rate for the three months ended June 30, 2021 was 21.6%. 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 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"). A portion of the one-time Change in Control charges recorded in the quarter was not deductible and contributed to the increase in the effective rate. We expect the full year effective tax rate to be approximately 16% to 17%.

The effective tax rate for the three months ended June 30, 2020 was 17.6%. 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 \$19.8 million for the three months ended June 30, 2020 to \$7.8 million for the three months ended June 30, 2021. This change is primarily related to a reduction in pretax income, worldwide earnings from various countries taxed at different rates and the U.S. taxation of GILTI.

The Six Months Ended June 30, 2021 Compared to the Six Months Ended June 30, 2020

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 Six Months Ended June 30,		Increase/ Decrease	% Change
	2021	2020		
	<i>(Dollars in thousands)</i>			
Net sales	\$ 635,147	\$ 599,364	\$ 35,783	6 %
Cost of sales	348,263	269,517	78,746	29 %
Gross profit	286,884	329,847	(42,963)	(13)%
Research and development	1,987	1,422	565	40 %
Selling and administrative expenses	95,936	30,933	65,003	210 %
Operating income	188,961	297,492	(108,531)	(36)%
Other (income) expense	3	(3,003)	3,006	(100)%
Related party Tax Receivable Agreement expense (benefit)	47	(3,346)	3,393	N/A
Interest expense	38,161	46,552	(8,391)	(18)%
Interest income	(236)	(1,489)	1,253	(84)%
Income before provision for income taxes	150,986	258,778	(107,792)	(42)%
Provision for income taxes	24,022	43,734	(19,712)	(45)%
Net income from continuing operations	126,964	215,044	(88,080)	(41)%
Net income	\$ 126,964	\$ 215,044	\$ (88,080)	(41)%

Net sales. Net sales increased by \$35.8 million, or 6%, from \$599.4 million in the six months ended June 30, 2020 to \$635.1 million in the six months ended June 30, 2021. Higher net sales reflect a 23% increase in sales volume driven primarily by improved customer demand. The same period of 2020 was impacted by market conditions, including COVID-19. Lower realized prices for the six months ended June 30, 2021 partially offset the increased volume. Spot prices for graphite electrodes

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

declined throughout 2020 and did not begin to increase until the first quarter of 2021. We expect this increase in the price of electrodes to favorably impact our results in the second half of 2021.

Cost of sales. Cost of sales increased by \$78.7 million, or 29%, from \$269.5 million in the six months ended June 30, 2020 to \$348.3 million in the six months ended June 30, 2021. This increase was primarily due to the 23% increase in sales volume of manufactured electrodes. Additionally, cost of sales for the six months ended June 30, 2021 was impacted by a one-time LTIP charge of \$30.7 million resulting from a Change in Control after our largest stockholder's ownership of our common stock was reduced below 30% of our outstanding common stock.

Selling and administrative expenses. Selling and administrative expenses increased from \$30.9 million in the six months ended June 30, 2020 to \$95.9 million in the six months ended June 30, 2021 primarily due to the aforementioned Change in Control resulting in \$42.6 million of one-time LTIP expense. Additionally, the Change in Control resulted in \$12.9 million of one-time accelerated stock based compensation expense.

Other (income) expense. Other income decreased from income of \$3.0 million in the six months ended June 30, 2020 to income of zero in the six months ended June 30, 2021. This change was primarily due to 2020 advantageous non-cash foreign currency impacts on non-operating assets and liabilities in the six months ended June 30, 2020 that did not recur in the same period of 2021.

Related party Tax Receivable Agreement expense (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 market conditions and the COVID-19 pandemic.

Interest expense. Interest expense decreased by \$8.4 million from \$46.6 million in the six months ended June 30, 2020 to \$38.2 million in the same period of 2021, primarily due to lower interest rates and lower average borrowings. Partially offsetting these decreases was \$2.0 million of accelerated amortization of deferred financing fees and original issue discounts in the six months ended June 30, 2021 resulting from prepayments on our term loan and the the absence of a \$3.3 million benefit in 2020 resulting from discounts on debt repurchases.

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

	For the Six Months Ended June 30,	
	2021	2020
	<i>(Dollars in thousands)</i>	
Tax expense	\$ 24,022	\$ 43,734
Pre-tax income	150,986	258,778
Effective tax rates	15.9 %	16.9 %

The effective tax rate for the six months ended June 30, 2021 was 15.9%. This rate differs from the U.S. statutory rate of 21% primarily due to worldwide earnings from various countries taxed at different rates, partially offset by the net combined impact related to the U.S. taxation of GILTI and FTCs.

For the six months ended June 30, 2020, the effective tax rate of 16.9% 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 \$43.7 million for the six months ended June 30, 2020 to \$24.0 million for the six months ended June 30, 2021. This change is primarily related to the reduction in pretax income, worldwide earnings from various countries taxed at different rates and the U.S. taxation of GILTI.

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

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

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 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 \$4.3 million and \$9.0 million for the three and six months ended June 30, 2021, respectively, compared to the same period of 2020. The impact of these changes on our cost of sales was an increase of \$8.1 million and \$11.5 million for the three and six months ended June 30, 2021, respectively, compared to the same period of 2020.

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 June 30, 2021, we had liquidity of \$360.5 million, consisting of \$246.4 million of availability under our 2018 Revolving Credit Facility (subject to continued compliance with the financial covenants and representations) and cash and cash equivalents of \$114.1 million. We had long-term debt of \$1,224.9 million and short-term debt of \$0.1 million as of June 30, 2021. As of December 31, 2020, we had liquidity of \$391.8 million consisting of \$246.4 million available on our 2018 Revolving Credit Facility (subject to continued compliance with the financial covenants and representations) and cash and cash equivalents of \$145.4 million. We had long-term debt of \$1,420.0 million and short-term debt of \$0.1 million as of December 31, 2020.

As of June 30, 2021 and December 31, 2020, \$84.1 million and \$114.6 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 cannot 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 \$2.6 million and \$1.6 million as of June 30, 2021 and December 31, 2020, 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 of 2017.

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 LTAs with our customers.

Debt Structure

We had availability under the 2018 Revolving Credit Facility of \$246.4 million as of June 30, 2021 and December 31, 2020, which consisted of the \$250 million limit reduced by \$3.6 million of outstanding letters of credit.

In February 2018, the Company entered into a credit agreement (the “2018 Credit Agreement”), which provides for (i) a \$2,250 million senior secured term facility (the “2018 Term Loan Facility”) after giving effect to the June 2018 amendment (the “First Amendment”) that increased the aggregate principal amount of the 2018 Term Loan Facility from \$1,500 million to \$2,250 million and (ii) a \$250 million senior secured revolving credit facility (the “2018 Revolving Credit Facility”) and,

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

together with the 2018 Term Loan Facility, the “Senior Secured Credit Facilities”). GrafTech Finance Inc. (“GrafTech Finance”) is the sole borrower under the 2018 Term Loan Facility while GrafTech Finance, GrafTech Switzerland SA (“Swissco”) and GrafTech Luxembourg II S.à.r.l. (“Luxembourg Holdco”) and, together with GrafTech Finance and Swissco, the “Co-Borrowers”) are co-borrowers under the 2018 Revolving Credit Facility. The 2018 Term Loan Facility and the 2018 Revolving Credit Facility mature on February 12, 2025 and February 12, 2023, respectively.

The 2018 Term Loan Facility bears interest, at our option, at a rate equal to either (i) the Adjusted LIBO Rate (as defined in the 2018 Credit Agreement), plus an applicable margin equal to 3.00% per annum following an amendment in February 2021 (the “Second Amendment”) that decreased the Applicable Rate (as defined in the 2018 Credit Agreement) by 0.50% for each pricing level or (ii) the ABR Rate (as defined in the 2018 Credit Agreement), plus an applicable margin equal to 2.00% per annum following the Second Amendment, in each case with one step down of 25 basis points based on achievement of certain public ratings of the 2018 Term Loan Facility. The Second Amendment also decreased the interest rate floor from 1.0% to 0.50% for the 2018 Term Loan Facility.

The 2018 Revolving Credit Facility bears interest, at our 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, we are 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.

The Senior Secured Credit Facilities are guaranteed by each of our domestic subsidiaries, subject to certain customary exceptions, and by GrafTech Luxembourg I S.à.r.l., a Luxembourg société à responsabilité limitée and an indirect wholly owned subsidiary of GrafTech, Luxembourg HoldCo, and Swissco (collectively, the “Guarantors”) with respect to all obligations under the 2018 Credit Agreement of each of our foreign subsidiaries 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”)).

All obligations under the 2018 Credit Agreement are secured, subject to certain exceptions, by: (i) a pledge of all of the equity securities of each domestic Guarantor 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 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 2018 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 Loan Facility amortizes at a rate of \$112.5 million a year 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 Loan Facility (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 Loan Facility 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 Loan Facility as directed by GrafTech Finance. As of June 30, 2021, we have satisfied all amortization requirements through prepayments through the maturity date.

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.

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

2020 Senior Notes

On December 22, 2020, GrafTech Finance issued \$500 million aggregate principal amount of the 2020 Senior Notes at an issue price of 100% of the principal amount thereof in a private offering to qualified institutional buyers in accordance with Rule 144A under the Securities Act and to non-U.S. persons outside the United States under Regulation S under the Securities Act.

The 2020 Senior Notes were issued pursuant to the indenture among GrafTech Finance, as issuer, the Company, as a guarantor, the other subsidiaries of the Company named therein as guarantors and U.S. Bank National Association, as trustee and notes collateral agent.

The 2020 Senior Notes are guaranteed on a senior secured basis by the Company and all of its existing and future direct and indirect U.S. subsidiaries that guarantee, or borrow under, the credit facilities under its 2018 Credit Agreement. The 2020 Senior Notes are secured on a pari passu basis by the collateral securing the term loans under the 2018 Credit Agreement. GrafTech Finance, the Company and the other guarantors granted a security interest in such collateral, consisting of substantially all of their respective assets, as security for the obligations of GrafTech Finance, the Company and the other guarantors under the 2020 Senior Notes and the Indenture pursuant to a collateral agreement, dated as of December 22, 2020 (the "Collateral Agreement"), among GrafTech Finance, the Company, the other subsidiaries of the Company named therein as grantors and U.S. Bank National Association, as collateral agent.

The 2020 Senior Notes bear interest at the rate of 4.625% per annum, which accrues from December 22, 2020 and is payable in arrears on June 15 and December 15 of each year, commencing on June 15, 2021. The 2020 Senior Notes will mature on December 15, 2028, unless earlier redeemed or repurchased, and are subject to the terms and conditions set forth in the Indenture.

GrafTech Finance may redeem some or all of the 2020 Senior Notes at the redemption prices and on the terms specified in the Indenture. If the Company or GrafTech Finance experiences specific kinds of changes in control or the Company or any of its restricted subsidiaries sells certain of its assets, then GrafTech Finance must offer to repurchase the 2020 Senior Notes on the terms set forth in the Indenture.

The Indenture contains certain covenants that, among other things, limit the Company's ability, and the ability of certain of its subsidiaries, to incur or guarantee additional indebtedness or issue preferred stock, pay distributions on, redeem or repurchase capital stock or redeem or repurchase subordinated debt, incur or suffer to exist liens securing indebtedness, make certain investments, engage in certain transactions with affiliates, consummate certain asset sales and effect a consolidation or merger, or sell, transfer, lease or otherwise dispose of all or substantially all assets. The Indenture contains events of default customary for agreements of its type (with customary grace periods, as applicable) and provides that, upon the occurrence of an event of default arising from certain events of bankruptcy or insolvency with respect to the Company or GrafTech Finance, all outstanding 2020 Senior Notes will become due and payable immediately without further action or notice. If any other type of event of default occurs and is continuing, then the trustee or the holders of at least 30% in principal amount of the then outstanding 2020 Senior Notes may declare all of the Senior Notes to be due and payable immediately.

The entirety of the 2020 Senior Notes proceeds was used to pay down a portion of our 2018 Term Loans.

Uses of Liquidity

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 \$41.0 million under this program since inception. There were no shares repurchased under this program during the six months ended June 30, 2021.

We currently pay a quarterly dividend of \$0.01 per share, or \$0.04 on an annualized basis. We review our capital structure with the Board of Directors on an ongoing basis. 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.

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

During 2020, we reduced our long-term debt principal by \$400 million. During the six months ended June 30, 2021, we repaid an additional \$200 million of principal of our 2018 Term Loans. We continue to prioritize balance sheet flexibility and debt repayment. We anticipate using a majority of the cash flow that we generate in 2021 to repay debt, but we will continue to examine opportunities to repurchase our common stock.

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 any potential resurgence of 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.

During the second quarter of 2021, the Company paid out \$61.5 million under its LTIP resulting from a Change in Control provision upon Brookfield's ownership of the Company's common stock falling below 30% of our total outstanding shares, which occurred in the second quarter of 2021. The remaining \$11.9 million related to payroll taxes will be paid out in the third quarter of 2021. For details of the LTIP, see Note 7 "Contingencies" to the Notes to Condensed Consolidated Financial Statements.

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 \$26.1 million in the six months ended June 30, 2021. We are managing inventory levels to match demand.

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 Credit Facility, to the extent available.

Cash Flows

The following table summarizes our cash flow activities:

	For the Six Months Ended June 30,	
	2021	2020
	<i>(in millions)</i>	
Cash flow provided by (used in):		
Operating activities	\$ 208.8	\$ 287.7
Investing activities	\$ (25.8)	\$ (24.3)
Financing activities	\$ (214.6)	\$ (155.7)

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, loan modification charges and unrealized currency transaction gains and losses; and

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

- 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 six months ended June 30, 2021, changes in working capital resulted in a net source of funds of \$50.4 million, which was impacted by:

- net cash inflows in accounts receivable of \$9.3 million from the decrease in accounts receivable due to the timing of sales;
- net cash inflows due to decreased inventory of \$7.8 million resulting from lower costs and quantities on hand;
- net cash outflows from decreased income taxes payable of \$17.8 million resulting from tax payments, partially offset by 2021 income tax accruals;
- net cash inflows from increases in accounts payable and accruals of \$62.7 million, due to increased raw material purchases, increased deferred revenue liabilities related to customer prepayments, and timing of payments of payroll taxes; and

Uses of cash in the six months ended June 30, 2021 included payments under our LTIP of \$61.5 million, payments under our tax receivable agreement, dated April 23, 2018 ("TRA"), cash taxes paid of \$44.6 million, cash paid for interest of \$30.5 million, and contributions to pension and other benefit plans of \$2.3 million.

During the six months ended June 30, 2020, changes in working capital resulted in a net source of funds of \$61.9 million, which was impacted by:

- net cash inflows in accounts receivable of \$58.7 million from the decrease in accounts receivable due to lower sales;
- net cash inflows of \$6.1 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 \$25.1 million resulting from our ability to defer a \$50.0 million 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 \$25.0 million, due to lower purchases of third-party needle coke and timing of payments.

Uses of cash in the six months ended June 30, 2020 included payments under the TRA of \$27.9 million, cash paid for interest of \$46.1 million and taxes paid of \$4.9 million, and contributions to pension and other benefit plans of \$1.8 million.

Investing Activities

Net cash used in investing activities was \$25.8 million during the six months ended June 30, 2021, resulting from capital expenditures.

Net cash used in investing activities was \$24.3 million during the six months ended June 30, 2020, resulting from capital expenditures.

Financing Activities

Net cash outflow from financing activities was \$214.6 million during the six months ended June 30, 2021, which was the result of the repayment of \$200.0 million of principal on our 2018 Term Loan Facility, taxes paid related to stock awards vesting of \$4.1 million, \$2.1 million of interest rate swap settlements, \$1.6 million of debt modification costs from our term loan repricing, \$1.4 million of debt issuance costs from our 2020 Senior Note Issuance and \$5.3 million of total dividends to stockholders.

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

Net cash outflow from financing activities was \$155.7 million during the six months ended June 30, 2020, which was the result of the repayment of \$100.0 million on our 2018 Term Loan Facility, \$25.5 million of total dividends to stockholders and \$30.1 million of stock repurchases.

Related Party Transactions

We have engaged in transactions with affiliates or related parties during 2021 and we expect to continue to do so in the future. These transactions include ongoing obligations under the TRA, 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 4, "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;
- 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. In 2019, we entered into four interest rate swap contracts, and in 2021, we modified three contracts and closed one contract. As of June 30, 2021, we recorded an unrealized pre-tax gain of \$1.9 million and a net unrealized pre-tax loss of \$11.9 million as of December 31, 2020. Additionally, as a result of the February 2021 modification, the modified swaps are considered hybrid instruments composed of a debt host and an embedded derivative. As of June 30, 2021, the debt host portion amounted to a pre-tax loss of \$8.5 million, which is amortized over the remaining life of the swaps.

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.

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

The outstanding foreign currency derivatives represented \$0.1 million pre-tax net loss as of June 30, 2021 and a net pre-tax loss of \$0.1 million as of December 31, 2020.

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 gain of \$12.8 million and a net unrealized loss of \$2.2 million as of June 30, 2021 and December 31, 2020, 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 \$0.1 million, net of the impact of our interest rate swap, for the six months ended June 30, 2021. The same 100 basis point increase would have resulted in an increase of \$12.4 million in the fair value of our interest rate swap portfolio.

As of June 30, 2021, 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 \$6.8 million or a corresponding increase of \$6.8 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 \$3.8 million in the fair value of the commodity hedge portfolio as of June 30, 2021. 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 9 "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 at the reasonable assurance level 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.

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 June 30, 2021. 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 June 30, 2021.

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 June 30, 2021 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, sometimes as claimants and other times as respondents/counterclaimants, 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. In particular, Aperam South America LTDA, Aperam Sourcing S.C.A., ArcelorMittal Sourcing S.C.A., and ArcelorMittal Brasil S.A. (the “Claimants”) initiated a single arbitration proceeding against two of the Company’s subsidiaries in the International Chamber of Commerce in June 2020. In June 2021, the Claimants filed their statement of claim, seeking approximately \$61.0 million in monetary relief and/or reimbursement in respect of several fixed price LTAs that were executed between such subsidiaries and the Claimants in 2017 and 2018. The Claimants argue, among other things, that they should no longer be required to comply with the terms of the LTAs that they signed due to an alleged drop in market prices for graphite electrodes in January 2020. Alternatively, the Claimants argue that they should not be required to comply with the LTAs that they signed due to alleged market circumstances at the time of execution. We believe we have valid defenses to these claims. We intend to vigorously defend them and enforce our rights under the LTAs.

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, on December 16, 2020, the court upheld the decision in favor of GrafTech Brazil. On February 22, 2021, the employees filed a further appeal and, on April 28, 2021, the court rejected the employees' appeal in favor of GrafTech Brazil. The employees filed a further appeal. As of June 30, 2021, 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.

On September 30, 2020, a stockholder of the Company filed a lawsuit in the Delaware Court of Chancery. The stockholder filed an amended complaint on February 5, 2021, in response to the defendants' motion to dismiss. The amended complaint challenges the fairness of the Company’s repurchase of shares of its common stock from Brookfield for \$250 million pursuant to a December 3, 2019 share repurchase agreement and also a related block trade by Brookfield of shares of the Company’s common stock. The stockholder, on behalf of an alleged class of holders of shares of the Company’s 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. On March 22, 2021, the defendants filed a motion to dismiss the amended complaint.

Item 1A. Risk Factors

There have been no material changes to the Risk Factors disclosed in Part I- Item 1A of our Annual Report on Form 10-K filed February 23, 2021. You should not interpret the disclosure of any risk factor to imply that the risk has not already materialized.

PART II. OTHER INFORMATION (CONT'D)
GRAFTECH INTERNATIONAL LTD. AND SUBSIDIARIES

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 second quarter of 2021.

<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>
April 1 through April 30, 2021	—	\$ —	—	\$ 59,030,305
May 1 through May 31, 2021	—	\$ —	—	\$ 59,030,305
June 1 through June 30, 2021	—	\$ —	—	\$ 59,030,305
Total	—		—	\$ 59,030,305

⁽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. The Share Repurchase Program has no expiration date.

PART II. OTHER INFORMATION (CONT'D)
GRAFTECH INTERNATIONAL LTD. AND SUBSIDIARIES

Item 6. Exhibits

<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 June 30, 2021 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, (iii) the Condensed Consolidated Statements of Cash Flows, (iv) the Condensed Consolidated Statements of Stockholders' Equity (Deficit), and (v) Notes to the Condensed Consolidated Financial Statements.
104	Cover Page Interactive Data file (formatted as Inline XBRL and contained in Exhibit 101).

* Filed herewith

** Furnished 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: August 6, 2021

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)
 August 6, 2021

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)
 August 6, 2021

**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 June 30, 2021, 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)
August 6, 2021

By: / Quinn J. Coburn
 Quinn J. Coburn
 Chief Financial Officer, Vice President Finance and Treasurer
 (Principal Financial and Accounting Officer)
 August 6, 2021