

GRAFTECH INTERNATIONAL LTD

Form 10-Q

November 09, 2015

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

for the quarterly period ended September 30, 2015

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)

Suite 300 Park Center I
6100 Oak Tree Boulevard
Independence, OH

44131
(Zip code)

(Address of principal executive offices)

Registrant's telephone number, including area code: (216) 676-2000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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

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

Large Accelerated Filer

Accelerated Filer

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Non-Accelerated Filer

Smaller Reporting Company

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

As of October 15, 2015, 1,000 shares of common stock, par value \$.01 per share, were outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

GRAFTECH INTERNATIONAL LTD. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except per share data)

Unaudited

	Predecessor As of December 31, 2014	Successor As of September 30, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 17,550	\$ 13,461
Accounts and notes receivable, net of allowance for doubtful accounts of \$7,471 as of December 31, 2014 and \$6,422 as of September 30, 2015	162,919	111,024
Inventories	382,903	322,268
Prepaid expenses and other current assets	81,623	66,562
Total current assets	644,995	513,315
Property, plant and equipment	1,500,821	657,247
Less: accumulated depreciation	846,781	6,899
Net property, plant and equipment	654,040	650,348
Deferred income taxes	16,819	13,846
Goodwill	420,129	170,021
Other assets	97,822	162,474
Total assets	\$ 1,833,805	\$ 1,510,004
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 86,409	\$ 61,987
Short-term debt	188,104	9,600
Accrued income and other taxes	24,506	17,750
Rationalizations	9,563	5,263
Other accrued liabilities	43,319	37,072
Total current liabilities	351,901	131,672
Long-term debt	341,615	368,589
Other long-term obligations	107,566	89,643
Deferred income taxes	28,197	79,269
Contingencies – Note 12		
Stockholders' equity:		
Preferred stock, par value \$.01, 10,000,000 shares authorized, none issued	—	—
Common stock, par value \$.01, 225,000,000 shares authorized, 152,821,011 shares issued as of December 31, 2014 and 1,000 shares authorized and 1,000 issued as of September 30, 2015	1,528	—
Additional paid-in capital	1,825,880	854,337
Accumulated other comprehensive loss	(336,524	) (6,203
Accumulated deficit	(245,751	) (7,303
Less: cost of common stock held in treasury, 15,922,729 shares as of December 31, 2014 and 0 shares as of September 30, 2015	(239,811) —
Less: common stock held in employee benefit and compensation trusts, 80,967 shares as of December 31, 2014 and 0 shares as of	(796) —

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September 30, 2015		
Total stockholders' equity	1,004,526	840,831
Total liabilities and stockholders' equity	\$1,833,805	\$1,510,004
See accompanying Notes to Condensed Consolidated Financial Statements		

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GRAFTECH INTERNATIONAL LTD. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
 (Dollars in thousands, except per share amounts)
 (Unaudited)

	Predecessor		Successor	
	For the Three	For the Period July	For the Period	
	Months Ended	1, 2015 Through	August 15, 2015	
	September 30,	August 14, 2015	Through	
	2014		September 30,	
			2015	
CONSOLIDATED STATEMENTS OF OPERATIONS				
Net sales	\$260,458	\$65,598	\$94,591	
Cost of sales	242,814	64,187	85,600	
Gross profit	17,644	1,411	8,991	
Research and development	2,871	1,211	660	
Selling and administrative expenses	26,980	29,604	9,806	
Rationalizations	10,844	244	637	
Operating loss	(23,051	) (29,648	) (2,112)
Other expense (income), net	1,149	243	678	
Interest expense	9,069	9,002	3,701	
Interest income	(144	) (22	) (21)
Loss before provision for income taxes	(33,125	) (38,871	) (6,470)
Provision for income taxes	1,818	3,353	833	
Net loss	\$(34,943	) \$(42,224	) \$(7,303)
Basic loss per common share:				
Net loss per share	\$(0.26	) \$(0.31	) N/A	
Weighted average common shares outstanding	136,375	137,433	N/A	
Diluted loss per common share:				
Net loss per share	\$(0.26	) \$(0.31	) N/A	
Weighted average common shares outstanding	136,375	137,433	N/A	
STATEMENTS OF COMPREHENSIVE LOSS				
Net loss	\$(34,943	) \$(42,224	) \$(7,303)
Other comprehensive loss:				
Foreign currency translation adjustments	(22,579	) (5,840	) (5,966)
Commodities and foreign currency derivatives and other, net of tax of (\$39), \$10, \$13, respectively	(668	) 375	(237)
Other comprehensive loss, net of tax:	(23,247	) (5,465	) (6,203)
Comprehensive loss	\$(58,190	) \$(47,689	) \$(13,506)

See accompanying Notes to Condensed Consolidated Financial Statements

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GRAFTECH INTERNATIONAL LTD. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
 (Dollars in thousands, except per share amounts)
 (Unaudited)

	Predecessor		Successor
	For the Nine Months Ended September 30, 2014	For the Period January 1, 2015 Through August 14, 2015	For the Period August 15, 2015 Through September 30, 2015
CONSOLIDATED STATEMENTS OF OPERATIONS			
Net sales	\$825,433	\$437,931	\$94,591
Cost of sales	764,142	399,817	85,600
Gross profit	61,291	38,114	8,991
Research and development	8,544	5,556	660
Selling and administrative expenses	89,024	81,147	9,806
Rationalizations	11,761	4,507	637
Impairments	121,570	35,381	—
Operating loss	(169,608	) (88,477	) (2,112
Other expense (income), net	1,902	1,335	678
Interest expense	27,223	27,118	3,701
Interest income	(257	) (367	) (21
Loss before provision for income taxes	(198,476	) (116,563	) (6,470
Provision for income taxes	3,417	4,086	833
Net loss	\$(201,893	) \$(120,649	) \$(7,303
Basic loss per common share:			
Net loss per share	\$(1.48	) \$(0.88	) N/A
Weighted average common shares outstanding	136,007	137,152	N/A
Diluted loss per common share:			
Net loss per share	\$(1.48	) \$(0.88	) N/A
Weighted average common shares outstanding	136,007	137,152	N/A
STATEMENTS OF COMPREHENSIVE LOSS			
Net loss	\$(201,893	) \$(120,649	) \$(7,303
Other comprehensive loss:			
Foreign currency translation adjustments	(20,432	) (27,936	) (5,966
Commodities and foreign currency derivatives and other, net of tax of (\$92), (\$68) and \$13 respectively	(504	) 1,262	(237
Other comprehensive loss, net of tax:	(20,936	) (26,674	) (6,203
Comprehensive loss	\$(222,829	) \$(147,323	) \$(13,506

See accompanying Notes to Condensed Consolidated Financial Statements

Table of ContentsGRAFTECH INTERNATIONAL LTD. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

(Unaudited)

	Predecessor		Successor
	For the Nine Months Ended September 30, 2014	For the Period January 1, 2015 Through August 14, 2015	For the Period August 15, 2015 Through September 30, 2015
Cash flow from operating activities:			
Net loss	\$(201,893)	\$(120,649)	\$(7,303)
Adjustments to reconcile net loss to cash provided by operations:			
Depreciation and amortization	93,123	45,461	10,604
Impairments	121,570	35,381	—
Inventory write-downs	18,800	—	
Deferred income tax provision	(4,943)	924	863
Post-retirement and pension plan changes	4,097	2,998	486
Stock-based compensation	4,009	15,357	—
Interest expense	11,105	14,180	786
Other charges, net	4,047	102	(492)
Increase (decrease) in working capital*	48,577	45,594	(47)
Increase in long-term assets and liabilities	(15,603)	(11,025)	(985)
Net cash provided by operating activities	82,889	28,323	3,912
Cash flow from investing activities:			
Capital expenditures	(69,314)	(32,301)	(5,239)
Proceeds from the sale of assets	4,079	646	542
Proceeds from derivative instruments	(573)	(8,263)	84
Insurance recoveries	2,834	—	—
Net cash used in investing activities	(62,974)	(39,918)	(4,613)
Cash flow from financing activities:			
Short-term debt, net	(17)	18,511	(10,180)
Revolving Facility borrowings	229,000	160,000	22,000
Revolving Facility reductions	(240,000)	(99,000)	(21,000)
Repayment of Senior Subordinated Notes	—	(200,000)	—
Issuance of Preferred Shares	—	150,000	—
Principal payments on long-term debt	(158)	(89)	(12)
Supply chain financing	(9,455)	—	—
Proceeds from exercise of stock options	2,813	32	—
Purchase of treasury shares	(620)	(63)	
Revolving Facility refinancing fees	(2,741)	(5,068)	—
Other	1,011	(3,499)	(1,385)
Net cash (used in) provided by financing activities	(20,167)	20,824	(10,577)
Net increase (decrease) in cash and cash equivalents	(252)	9,229	(11,278)
Effect of exchange rate changes on cash and cash equivalents	(758)	(1,746)	(294)
Cash and cash equivalents at beginning of period	11,888	17,550	25,033
Cash and cash equivalents at end of period	\$10,878	\$25,033	\$13,461

* Net change in working capital due to the following components:

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Accounts and notes receivable, net	\$29,693	\$61,008	\$(16,927)
Inventories	46,424	1,164	18,436	
Prepaid expenses and other current assets	(15,560	) 2,551	3,375	
Decrease in accounts payable and accruals	(11,072	) (18,728	) (5,822)
Rationalizations	(5,671	) (2,677	) (1,642)
Increase in interest payable	4,763	2,276	2,533	
Change in working capital	\$48,577	\$45,594	\$(47)

See accompanying Notes to Condensed Consolidated Financial Statements

PART I (CONT'D)

GRAFTECH INTERNATIONAL LTD. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(1) Organization and Summary of Significant Accounting Policies

A. Organization

GrafTech International Ltd. (the "Company") is one of the world's largest manufacturers and providers of high quality synthetic and natural graphite and carbon based products. References herein to "GTI," "we," "our," or "us" refer collectively to GrafTech International Ltd. and its subsidiaries. We have seven major product categories: graphite electrodes, refractory products, needle coke products, advanced electronics technologies, advanced graphite materials, advanced composite materials and advanced materials, which are reported in the following segments:

Industrial Materials includes graphite electrodes, refractory products, and needle coke products, and primarily serves the steel industry.

Engineered Solutions includes advanced electronics technologies, advanced graphite materials, advanced composite materials and advanced materials, and provides primary and specialty products to the advanced electronics, industrial, energy, transportation and defense industries.

B. Basis of Presentation

The interim Consolidated Financial Statements are unaudited; however, in the opinion of management, they have been prepared in accordance with Rule 10-01 of Regulation S-X and in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The December 31, 2014 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, 2014 (the "Annual Report") but does not include all disclosures required by GAAP. These interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements, including the accompanying notes, contained in the Annual Report.

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

C. Predecessor and Successor Reporting

On August 17, 2015, the Company was acquired by affiliates of Brookfield Asset Management Inc. (see Note 2 "Preferred Share Issuance and Merger"). We elected to account for the acquisition under the acquisition method of accounting. Under the acquisition method of accounting, the assets and liabilities of GTI were adjusted to their fair market value as of August 15, 2015, as this was the day that Brookfield effectively took control of the Company. Our consolidated statements of operations subsequent to the Merger will include amortization expense relating to the fair value adjustments and depreciation expense based on the the fair value of the Company's property, plant and equipment that had previously been carried at historical cost less accumulated depreciation. Therefore, the Company's financial information prior to the Merger is not comparable to the financial information subsequent to the Merger. As a result, the financial statements and certain note presentations are separated into two distinct periods, the period before the consummation of the Merger (labeled "Predecessor") and the period after the date of merger (labeled "Successor"), to indicate the application of the different basis of accounting between the periods presented.

D. New Accounting Standards

In May 2014, FASB issued ASU No. 2014-09, Revenue from Contracts with Customers. This ASU supersedes the revenue recognition requirements in Accounting Standards Codification 605—Revenue Recognition and most industry-specific guidance throughout the Codification. This ASU requires that an entity recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This ASU was expected to be effective for fiscal years beginning after December 15, 2016, and for interim periods within those fiscal years. On July 9, 2015, the FASB deferred the effective date to fiscal years beginning after December 15, 2017. We are in the process of assessing the

impact of the adoption of ASU 2014-09 on the Company's financial position, results of operations and cash flows.

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PART I (CONT'D)

GRAFTECH INTERNATIONAL LTD. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

On April 7, 2015, FASB issued ASU 2015-3, Simplifying the Presentation of Debt Issuance Costs, which requires debt issuance costs to be presented in the balance sheet as a direct deduction from the carrying value of the associated debt liability. The standard is effective for financial statements issued for fiscal years beginning after December 15, 2015 with early adoption permitted. The Company had \$9.7 million of capitalized bank fees included within "Other Assets" on our consolidated balance sheets as of December 31, 2014. We had no capitalized bank fees as of September 30, 2015.

(2) Preferred Share Issuance and Merger

Preferred Stock

On August 11, 2015, the Company issued and sold to BCP IV GrafTech Holdings LP, an affiliate of Brookfield Asset Management Inc. ("Brookfield") (i) 136,616 shares of a new Series A Convertible Preferred Stock, par value \$0.01 per share (the "Series A Preferred Stock"), convertible into 19.9% of the shares of common stock of the Company outstanding immediately prior to such issuance and (ii) 13,384 shares of a new Series B Convertible Preferred Stock, par value \$0.01 per share (the "Series B Preferred Stock," and, together with the Series A Preferred Stock, the "Preferred Stock"), for an aggregate purchase price of \$150,000,000 in cash (the "Purchase Price"), under the Investment Agreement dated May 4, 2014 (the "Investment Agreement") between the Company and Brookfield.

The closing of such issuance and sale occurred after the satisfaction of the closing conditions set forth in the Investment Agreement.

Pursuant to the Investment Agreement, the Company reimbursed Brookfield for \$500,000 in out-of-pocket fees and expenses (including fees and expenses of legal counsel) incurred by Brookfield in connection with the transaction. The proceeds from the issuance and sale were used by the Company, along with funds available under the Company's \$40 million delayed draw term loan facility, senior revolving credit facility and cash on hand, to prepay the Company's \$200 million Senior Subordinated Notes due November 30, 2015.

Merger Agreement

On May 18, 2015, the Company entered into an Agreement and Plan of Merger (the "Merger Agreement"), dated May 17, 2015, with BCP IV GrafTech Holdings LP ("Parent") and Athena Acquisition Subsidiary Inc. a wholly owned subsidiary of Parent ("Acquisition Sub"). Pursuant to the Merger Agreement, on May 26, 2015, Parent commenced a cash tender offer to purchase any and all of the outstanding shares of common stock, par value \$0.01 per share (the "Shares"), of the Company, at a purchase price of \$5.05 per Share in cash (the "Offer Price"), on the terms and subject to the conditions set forth in the Offer to Purchase, dated May 26, 2015 (together with any amendments and supplements thereto, the "Offer to Purchase") and in the related Letter of Transmittal (the "Letter of Transmittal" and, together with the Offer to Purchase, the "Offer").

On August 14, 2015, Acquisition Sub accepted for payment all Shares validly tendered in the Offer and not withdrawn prior to the expiration of the offer, and payment of the Offer Price for such Shares was made promptly. On August 17, 2015, Acquisition Sub merged with and into the Company, with the Company surviving as a wholly-owned subsidiary of Parent (the "Merger").

Pursuant to the Merger Agreement, upon consummation of the Merger, each Share that was not tendered and accepted pursuant to the Offer (other than canceled shares, dissenting shares and shares held by the Company's subsidiaries or Parent's subsidiaries (other than Acquisition Sub)) was canceled and converted into cash consideration in an amount equal to the Offer Price.

PART I (CONT'D)

GRAFTECH INTERNATIONAL LTD. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Business Combination

The computation of the fair value of the total consideration at the date of acquisition follows:

Purchase Consideration

(In thousands except share price)

	# Shares	Unit Price	Amount
Convertible Preferred Equity			
Series A and B	150	\$ 1,000.00	\$ 150,000
Common Equity			
Common Shares	139,397	\$ 5.05	\$ 703,955
Net value of options			\$ 382
Total			\$ 854,337

Recording of assets acquired and liabilities assumed: The acquisition was accounted for using the acquisition method of accounting. Under the acquisition method, the identifiable assets acquired and the liabilities assumed are assigned a new basis of accounting reflecting their estimated fair values. The information included herein has been prepared based on the preliminary allocation of purchase price using estimates of the fair values and useful lives of assets acquired and liabilities assumed based on the best available information determined with the assistance of independent valuations, quoted market prices and management estimates.

The following table summarizes the fair values of the identifiable assets acquired and liabilities assumed at the acquisition date:

Net identifiable assets acquired

Cash	\$ 25,032	
Accounts receivable	94,298	
Inventories	346,590	
Property, plant and equipment	652,371	
Intangible assets	158,500	
Deferred tax assets	35,638	
Prepaid and other current assets	49,716	
Other non-current assets	8,428	
Accounts payable	(68,005))
Short-term debt	(18,779))
Other accrued liabilities	(52,421))
Long-term debt	(367,811))
Other long-term liabilities	(93,837))
Deferred tax liabilities	(85,801))
Net identifiable assets acquired	\$ 683,919	
Goodwill	\$ 170,418	
Net assets acquired	\$ 854,337	

Goodwill: Goodwill of approximately \$170.4 million was recognized for the acquisition and is calculated as the excess of the consideration transferred over the net assets acquired and represents the future economic benefits arising from other assets acquired that could not be individually identified and separately recognized.

(3) Rationalizations and Impairments

PART I (CONT'D)

GRAFTECH INTERNATIONAL LTD. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Throughout 2013, 2014 and 2015 the Company undertook rationalization plans in order to streamline our organization and lower our production costs. The total rationalization and related charges incurred are as follows:

All Plans	For the Three Months Ended			Total
	September 30, 2014 (Predecessor)			
	Industrial Materials Segment	Engineered Solutions Segment	Corp, R&D and Other	
	(Dollars in thousands)			
Recorded in Cost of Sales				
Accelerated depreciation	\$838	\$2,807	\$—	\$3,645
Inventory loss	324	2,606	—	2,930
Fixed asset write-offs and other	1,294	180	—	1,474
Recorded in Research and Development				
Accelerated Depreciation	—	—	89	89
Recorded in Selling and General Administrative				
Other	20	—	—	20
Recorded in Rationalizations				
Severance and related costs	4,643	3,102	2,870	10,615
Contract terminations	82	146	—	228
Total	\$7,201	\$8,841	\$2,959	\$19,001
All Plans	For the Period July 1, 2015			Total
	Through August 14, 2015 (Predecessor)			
	Industrial Materials Segment	Engineered Solutions Segment	Corp, R&D and Other	
	(Dollars in thousands)			
Recorded in Cost of Sales				
Accelerated depreciation	\$—	\$—	\$—	\$—
Inventory loss	27	28	—	55
Fixed asset write-offs and other	59	105	—	164
Recorded in Research and Development				
Accelerated Depreciation	—	461	164	625
Recorded in Selling and General Administrative				
Other	—	—	—	—
Recorded in Rationalizations				
Severance and related costs	—	282	(39)	243
Contract terminations	—	—	—	—
Total	\$86	\$876	\$125	\$1,087

PART I (CONT'D)

GRAFTECH INTERNATIONAL LTD. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

All Plans	For the Period August 15, 2015 Through September 30, 2015 (Successor)			
	Industrial Materials Segment	Engineered Solutions Segment	Corp, R&D and Other	Total
	(Dollars in thousands)			
Recorded in Cost of Sales				
Accelerated depreciation	\$—	\$—	\$—	\$—
Inventory loss	15	132	—	147
Fixed asset write-offs and other	15	351	—	366
Recorded in Research and Development				
Accelerated Depreciation	—	—	—	—
Recorded in Selling and General Administrative				
Other	—	201	10	211
Recorded in Rationalizations				
Severance and related costs	156	480	—	636
Contract terminations	—	—	—	—
Total	\$186	\$1,164	\$10	\$1,360

During the second quarter of 2015, in connection with our rationalization initiatives, two sites, located in Salvador, Brazil and Pennsylvania, United States, substantially completed their decommissioning efforts and met the criteria for assets held for sale. Because the carrying value of the sites did not exceed their estimated fair value, no additional impairment was recorded. Our Pennsylvania facility was sold in the third quarter of 2015 for a gain of \$0.3 million. Additionally, during the third quarter of 2015, our facility in Meyerton, South Africa substantially completed their decommissioning efforts and met the criteria for assets held for sale. As of September 30, 2015, the sites held for sale represent \$7.7 million of assets reported under "Property, plant and equipment" and \$1.5 million of liabilities, reported under "Other accrued liabilities".

All Plans	For the Nine Months Ended September 30, 2014 (Predecessor)			
	Industrial Materials Segment	Engineered Solutions Segment	Corp, R&D and Other	Total
	(Dollars in thousands)			
Recorded in Cost of Sales				
Accelerated depreciation	\$21,690	\$3,633	\$—	\$25,323
Inventory loss	991	13,654	—	14,645
Fixed asset write-offs and other	5,203	310	—	5,513
Recorded in Research and Development				
Accelerated Depreciation	—	—	89	89
Recorded in Selling and General Administrative				
Other	98	—	—	98
Recorded in Rationalizations				
Severance and related costs	5,061	3,074	2,870	11,005
Contract terminations	610	146	—	756
Total	\$33,653	\$20,817	\$2,959	\$57,429

PART I (CONT'D)

GRAFTECH INTERNATIONAL LTD. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

All Plans	For the Period January 1 Through August 14, 2015 (Predecessor)			
	Industrial Materials Segment (Dollars in thousands)	Engineered Solutions Segment (Dollars in thousands)	Corp, R&D and Other	Total
Recorded in Cost of Sales				
Accelerated depreciation	\$432	\$—	\$—	\$432
Inventory loss	(33	) 975	—	942
Fixed asset write-offs and other	1,715	1,078	—	2,793
Recorded in Research and Development				
Accelerated Depreciation	—	—	940	940
Recorded in Selling and General Administrative				
Other	400	755	954	2,109
Recorded in Rationalizations				
Severance and related costs	157	4,288	(168	) 4,277
Contract terminations	25	204	—	229
Total	\$2,696	\$7,300	\$1,726	\$11,722
All Plans	For the Period August 15 Through September 30, 2015 (Successor)			
	Industrial Materials Segment (Dollars in thousands)	Engineered Solutions Segment (Dollars in thousands)	Corp, R&D and Other	Total
Recorded in Cost of Sales				
Accelerated depreciation	\$—	\$—	\$—	\$—
Inventory loss	15	132	—	147
Fixed asset write-offs and other	15	351	—	366
Recorded in Research and Development				
Accelerated depreciation	—	—	—	—
Recorded in Selling and General Administrative				
Other	—	201	10	211
Recorded in Rationalizations				
Severance and related costs	156	480	—	636
Contract terminations	—	—	—	—
Total	\$186	\$1,164	\$10	\$1,360

2013 Industrial Materials Rationalization

On October 31, 2013, we announced a global initiative to reduce our Industrial Materials segment's cost base and improve our competitive position. As part of this initiative, we ceased production at our two highest cost graphite electrode plants, located in Brazil and South Africa, as well as a machine shop in Russia. Our graphite electrode capacity was reduced by approximately 60,000 metric tons as a result of these actions. In parallel, we adopted measures for reductions in overhead and related corporate operations. These actions and measures reduced global headcount by approximately 600 people, or approximately 20 percent of our global workforce. These actions were substantially completed during the first half of 2014.

2013 Engineered Solutions Rationalization

In order to optimize our Engineered Solutions platform and improve our cost structure, we also initiated actions to centralize certain operations and reduce overhead in our Engineered Solutions segment. These actions reduced global headcount by approximately 40 people and were substantially completed during 2014.

PART I (CONT'D)

GRAFTECH INTERNATIONAL LTD. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Total 2013 Rationalization Initiatives Impact to Financial Results

Charges incurred related to the 2013 rationalization initiatives are as follows:

2013 Plans	For the Three Months Ended			Total
	September 30, 2014 (Predecessor)			
	Industrial Materials Segment	Engineered Solutions Segment	Corp, R&D and Other	
	(Dollars in thousands)			
Recorded in Cost of Sales				
Accelerated depreciation	\$838	\$—	\$—	\$838
Inventory loss	324	—	—	324
Fixed asset write-offs and other	1,294	6	—	1,300
Recorded in Selling and General Administrative				
Other	20	—	—	20
Recorded in Rationalizations				
Severance and related costs	(52	) —	—	(52
Contract terminations	82	—	—	82
Total	\$2,506	\$6	\$—	\$2,512
2013 Plans	For the Period July 1, 2015			Total
	Through August 14, 2015 (Predecessor)			
	Industrial Materials Segment	Engineered Solutions Segment	Corp, R&D and Other	
	(Dollars in thousands)			
Recorded in Cost of Sales				
Accelerated depreciation	\$—	\$—	\$—	\$—
Inventory loss	27	—	—	27
Fixed asset write-offs and other	59	12	—	71
Recorded in Selling and General Administrative				
Other	—	—	—	—
Recorded in Rationalizations				
Severance and related costs	—	10	—	10
Contract terminations	—	—	—	—
Total	\$86	\$22	\$—	\$108
2013 Plans	For the Period August 15			Total
	Through September 30, 2015 (Successor)			
	Industrial Materials Segment	Engineered Solutions Segment	Corp, R&D and Other	
	(Dollars in thousands)			
Recorded in Cost of Sales				
Accelerated depreciation	\$—	\$—	\$—	\$—
Inventory loss	15	—	—	15
Fixed asset write-offs and other	15	—	—	15
Recorded in Selling and General Administrative				

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Other	—	—	—	—
Recorded in Rationalizations				
Severance and related costs	156	—	—	156
Contract terminations	—	—	—	—
Total	\$186	\$—	\$—	\$186

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GRAFTECH INTERNATIONAL LTD. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

2013 Plans	For the Nine Months Ended			
	September 30, 2014 (Predecessor)			
	Industrial Materials Segment	Engineered Solutions Segment	Corp, R&D and Other	Total
	(Dollars in thousands)			
Recorded in Cost of Sales				
Accelerated depreciation	\$21,690	\$826	\$—	\$22,516
Inventory loss	991	491	—	1,482
Fixed asset write-offs and other	5,203	131	—	5,334
Recorded in Selling and General Administrative				
Other	99	—	—	99
Recorded in Rationalizations				
Severance and related costs	366	(28	) —	338
Contract terminations	609	—	—	609
Total	\$28,958	\$1,420	\$—	\$30,378
2013 Plans	For the Period January 1, 2015			
	Through August 14, 2015 (Predecessor)			
	Industrial Materials Segment	Engineered Solutions Segment	Corp, R&D and Other	Total
	(Dollars in thousands)			
Recorded in Cost of Sales				
Accelerated depreciation	\$432	\$—	\$—	\$432
Inventory loss	(33	) —	—	(33
Fixed asset write-offs and other	1,715	270	—	1,985
Recorded in Selling and General Administrative				
Other	—	—	—	—
Recorded in Rationalizations				
Severance and related costs	97	156	—	253
Contract terminations	25	—	—	25
Total	\$2,236	\$426	\$—	\$2,662
2013 Plans	For the Period August 15, 2015			
	Through September 30, 2015 (Successor)			
	Industrial Materials Segment	Engineered Solutions Segment	Corp, R&D and Other	Total
	(Dollars in thousands)			
Recorded in Cost of Sales				
Accelerated depreciation	\$—	\$—	\$—	\$—
Inventory loss	15	—	—	15
Fixed asset write-offs and other	15	—	—	15
Recorded in Selling and General Administrative				
Other	—	—	—	—

Recorded in Rationalizations				
Severance and related costs	156	—	—	156
Contract terminations	—	—	—	—
Total	\$186	\$—	\$—	\$186

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GRAFTECH INTERNATIONAL LTD. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

The following table represents the roll-forward of the liability incurred for employee termination benefits and contract termination costs incurred in connection with the the rationalization initiatives described above. This liability is included in "Rationalizations" on the Consolidated Balance Sheets.

2013 Plans

	(Dollars in thousands)	
Balance as of December 31, 2013	\$ 18,421	
Charges incurred	613	
Change in estimates	153	
Payments and settlements	(16,494)
Effect of change in currency exchange rates	(1,658)
Balance as of December 31, 2014	1,035	
Charges incurred	193	
Change in estimates	214	
Payments and settlements	(1,057)
Effect of change in currency exchange rates	(212)
Balance as of September 30, 2015	\$ 173	

2014 Engineered Solutions Rationalization

On July 29, 2014, we announced additional rationalization initiatives to increase profitability, reduce cost and improve global competitiveness in our Engineered Solutions segment. During the second quarter of 2014, worldwide pricing of our isomolded graphite products ("isomolded") within our Advanced Graphite Material ("AGM") product group, as well as our expectation of future pricing, significantly eroded, driven by significant over-capacity and recent competitor responses. In addition, solar product demand continued to erode, with polysilicon, silicon and silicon wafer production migrating to China. New competitors servicing this industry commenced production in China at pricing levels making the market now unprofitable. As a result of these conditions, the Company decided to cease isomolded production and pursue alternative supply chain relationships in our isomolded product line.

As a result of the above, we tested our long-lived assets used to produce advanced graphite materials for recovery, based on undiscounted cash flows from the use and eventual disposition of these assets. The carrying value of the assets exceeded these undiscounted cash flow and, accordingly, we estimated the fair-value of these long-lived assets based on a market participant view. This resulted in an impairment charge totaling \$121.6 million during 2014, and included the impairment of certain acquired customer relationship and technology intangible assets.

Charges incurred related to the 2014 Engineered Solutions rationalization initiatives are as follows:

	Predecessor		Successor
	For the Three Months Ended September 30, 2014	For the Period July 1, 2015 Through August 14, 2015	For the Period August 15, 2015 Through September 30, 2015
	Engineered Solutions Segment (Dollars in thousands)		
Recorded in Cost of Sales			
Accelerated depreciation	\$2,802	\$—	\$—
Inventory loss	2,606	28	132
Fixed asset write-offs	174	15	(267
)

and other				
Recorded in Rationalizations			—	
Severance and related costs	2,537	36	—	
Contract terminations	74	—	—	
Total	\$8,193	\$79	\$(135)

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GRAFTECH INTERNATIONAL LTD. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

	Predecessor		Successor
2014	For the Nine	For the Period January	For the Period
Engineered Solutions Rationalization	Months Ended	1, 2015 Through	August 15, 2015
	September 30, 2014	August 14, 2015	Through
	September 30, 2015		
	Engineered Solutions Segment		
	(Dollars in thousands)		
Recorded in Cost of Sales			
Accelerated depreciation	\$2,802	\$—	\$—
Inventory loss	13,168	571	132
Fixed asset write-offs	174	372	(267
and other)
Recorded in Rationalizations			
Severance and related costs	2,537	(713) —
Contract terminations	74	50	—
Total	\$18,755	\$280	\$(135
)

The following table represents the roll-forward of the liability incurred for employee termination benefits and contract termination costs incurred in connection with the 2014 Engineered Solutions rationalization initiatives described above. This liability is included in "Rationalizations" on the Consolidated Balance Sheets.

2014 Engineered Solutions Plan

	(Dollars in thousands)
Balance as of December 31, 2013	\$—
Charges incurred	2,611
Change in estimates	(40
Payments and settlements	) (916
Balance as of December 31, 2014	) 1,655
Charges incurred	50
Change in estimates	(716
Payments and settlements	) (979
Balance as of September 30, 2015	) \$ 10

2014 Corporate and Research & Development Rationalization

During the third quarter of 2014, we announced the conclusion of another phase of our on-going company-wide cost savings assessment. This resulted in changes to the Company's operating and management structure in order to streamline, simplify and decentralize the organization. These actions are designed to reduce costs by a combination of reduced contractor costs, attrition, early retirements and layoffs. Additionally, the Company downsized its corporate functions by approximately 25 percent, relocated to a smaller, more cost effective corporate headquarters and established a new Technology and Innovation Center. The 2014 Corporate and Research and Development rationalization plan will result in approximately \$20 million of charges consisting of severance, accelerated depreciation and other related costs, of which approximately \$14 million have been incurred through September 30, 2015. Approximately \$12 million of these costs will be cash outlays, the majority of which are expected to be disbursed in 2015.

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GRAFTECH INTERNATIONAL LTD. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Charges incurred related to the 2014 Corporate and Research & Development rationalization initiatives are as follows:

2014 Corporate, Research and Development Plan	For the Three Months Ended September 30, 2014 (Predecessor)			
	Industrial Materials Segment (Dollars in thousands)	Engineered Solutions Segment (Dollars in thousands)	Corp, R&D and Other	Total
Recorded in Cost of Sales				
Accelerated depreciation	\$—	\$5	\$—	\$5
Fixed asset write-offs and other	—	—	—	—
Recorded in Research and Development				
Accelerated depreciation	—	—	89	89
Recorded in Selling and General Administrative				
Other	—	—	—	—
Recorded in Rationalizations				
Severance and related costs	4,695	565	2,870	8,130
Contract terminations	—	74	—	74
Total	\$4,695	\$644	\$2,959	\$8,298
	For the Period July 1, 2015 Through August 14, 2015 (Predecessor)			
2014 Corporate, Research and Development Plan	Industrial Materials Segment (Dollars in thousands)	Engineered Solutions Segment (Dollars in thousands)	Corp, R&D and Other	Total
Recorded in Cost of Sales				
Accelerated depreciation	\$—	\$—	\$—	\$—
Fixed asset write-offs and other	—	—	—	—
Recorded in Research and Development				
Accelerated depreciation	—	—	—	—
Recorded in Selling and General Administrative				
Other	—	—	164	164
Recorded in Rationalizations				
Severance and related costs	—	—	(39)	(39)
Contract terminations	—	—	—	—
Total	\$—	\$—	\$125	\$125
	For the Period August 15, 2015 Through September 30, 2015 (Successor)			
2014 Corporate, Research and Development Plan	Industrial Materials Segment (Dollars in thousands)	Engineered Solutions Segment (Dollars in thousands)	Corp, R&D and Other	Total
Recorded in Cost of Sales				
Accelerated depreciation	\$—	\$—	\$—	\$—

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Fixed asset write-offs and other	—	—	—	—
Recorded in Research and Development				
Accelerated depreciation	—	—	—	—
Recorded in Selling and General Administrative				
Other	—	—	10	10
Recorded in Rationalizations				
Severance and related costs	—	—	—	—
Contract terminations	—	—	—	—
Total	\$—	\$—	\$10	\$10

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GRAFTECH INTERNATIONAL LTD. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

2014 Corporate, Research and Development Plan	For the Nine Months Ended September 30, 2014 (Predecessor)			
	Industrial Materials Segment (Dollars in thousands)	Engineered Solutions Segment (Dollars in thousands)	Corp, R&D and Other	Total
Recorded in Cost of Sales				
Accelerated depreciation	\$—	\$5	\$—	\$5
Fixed asset write-offs and other	—	—	—	—
Recorded in Research and Development				
Accelerated depreciation	—	—	89	89
Recorded in Selling and General Administrative				
Other	—	—	—	—
Recorded in Rationalizations				
Severance and related costs	4,695	565	2,870	8,130
Contract terminations	—	74	—	74
Total	\$4,695	\$644	\$2,959	\$8,298
	For the Period January 1 Through August 14, 2015 (Predecessor)			
2014 Corporate, Research and Development Plan	Industrial Materials Segment (Dollars in thousands)	Engineered Solutions Segment (Dollars in thousands)	Corp, R&D and Other	Total
Recorded in Cost of Sales				
Accelerated depreciation	\$—	\$—	\$—	\$—
Fixed asset write-offs and other	—	1	—	1
Recorded in Research and Development				
Accelerated depreciation	—	—	940	940
Recorded in Selling and General Administrative				
Other	400	—	954	1,354
Recorded in Rationalizations				
Severance and related costs	60	8	(168)	(100)
Contract terminations	—	—	—	—
Total	\$460	\$9	\$1,726	\$2,195
	For the Period August 15 Through September 30, 2015 (Successor)			
2014 Corporate, Research and Development Plan	Industrial Materials Segment (Dollars in thousands)	Engineered Solutions Segment (Dollars in thousands)	Corp, R&D and Other	Total
Recorded in Cost of Sales				
Accelerated depreciation	\$—	\$—	\$—	\$—
Fixed asset write-offs and other	—	—	—	—
Recorded in Research and Development				
Accelerated depreciation	—	—	—	—

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Recorded in Selling and General Administrative				
Other	—	—	10	10
Recorded in Rationalizations				
Severance and related costs	—	—	—	—
Contract terminations	—	—	—	—
Total	\$—	\$—	\$10	\$10

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GRAFTECH INTERNATIONAL LTD. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

The following table represents the roll-forward of the liability incurred for employee termination benefits and contract termination costs incurred in connection with the 2014 Corporate and Research & Development rationalization initiatives described above. This liability is included in "Rationalizations" on the Consolidated Balance Sheets.

2014 Corporate and R&D Plan

	(Dollars in thousands)	
Balance as of December 31, 2013	\$ —	
Charges incurred	8,159	
Change in estimates	21	
Payments and settlements	(1,155)	
Effect of change in currency exchange rates	(152)	
Balance as of December 31, 2014	6,873	
Charges incurred	(33)	
Change in estimates	(67)	
Payments and settlements	(5,046)	
Effect of change in currency exchange rates	(121)	
Balance as of September 30, 2015	\$ 1,606	

2015 Advanced Graphite Materials Rationalization

On March 2, 2015, GrafTech announced plans to further optimize the production platform for its advanced graphite materials business. These actions included the closure of our Notre Dame, France facility and further reductions in force in our Columbia, Tennessee facility and other locations totaling approximately 85 people. The 2015 Advanced Graphite Materials rationalization plan will result in approximately \$10 million of charges consisting of severance, inventory losses and other related costs. Approximately \$8 million of these costs will be cash outlays, the majority of which are expected to be disbursed in 2015.

Charges incurred related to the 2015 Advanced Graphite Materials rationalization initiative are as follows:

	Predecessor For the Period July 1 Through August 14, 2015	For the Period January 1 Through August 14, 2015	Successor For the Period August 15 Through September 30, 2015
Engineered Solutions Segment (Dollars in thousands)			
Recorded in Cost of Sales			
Inventory loss	—	404	—
Fixed asset write-offs and other	78	434	618
Recorded in Selling and General Administrative			
Other	461	755	201
Recorded in Rationalizations			
Severance and related costs	236	4,838	480
Contract terminations	—	154	—
Total	\$ 775	\$ 6,585	\$ 1,299

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GRAFTECH INTERNATIONAL LTD. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

The following table represents the roll-forward of the liability incurred for employee termination benefits and contract termination costs incurred in connection with the 2015 Advanced Graphite Materials rationalization initiative described above. This liability is included in "Rationalizations" on the Consolidated Balance Sheets.

2015 Advanced Graphite Materials Rationalization

	(Dollars in thousands)
Balance as of December 31, 2014	\$ —
Charges incurred	5,543
Payments and settlements	(2,032)
Effect of change in currency exchange rates	(38)
Balance as of September 30, 2015	\$ 3,473

(4) Stock-Based Compensation

On August 11, 2015, the Company issued Preferred Stock to an affiliate of Brookfield in excess of 15% of the Company's outstanding shares (see Note 2 "Preferred Share Issuance and Tender Offer"). This ownership exceeded the threshold for the change in control provisions in our Long Term Incentive Compensation ("LTIP") agreements under our 2005 Equity Incentive Plan. As a result, all unvested restricted shares vested upon Preferred Stock issuance. Performance shares also vested at 100% irrespective of the performance targets. Stock options with a strike price below the Offer Price paid out as well with the amount equal to the Offer Price less the exercise price. These vestings resulted in a \$12.7 million accelerated charge in the predecessor period. There are no longer any outstanding awards as of September 30, 2015.

For the three months ended September 30, 2014 and 2015, we recognized stock-based compensation expense of \$1.3 million and \$12.7 million, respectively. Substantially all of the expense, \$1.2 million and \$12.0 million, respectively, was recorded as selling and administrative expenses in the Consolidated Statements of Operations, with the remaining expenses recorded as cost of sales and research and development.

For the nine months ended September 30, 2014 and 2015, we recognized stock-based compensation expense of \$4.0 million and \$15.3 million, respectively. Substantially all of the expense, \$3.3 million and \$14.6 million, respectively, was recorded as selling and administrative expenses in the Consolidated Statements of Operations, with the remaining expenses recorded as cost of sales and research and development.

Restricted Stock and Performance Shares

Restricted stock and performance share awards activity under the plans for the nine months ended September 30, 2015 was:

	Number of Shares	Weighted- Average Grant Date Fair Value
Outstanding unvested as of January 1, 2015	1,814,130	\$6.31
Granted	412,191	9.67
Vested	(2,037,914)	6.98
Forfeited/canceled/expired	(188,407)	6.42
Outstanding unvested as of September 30, 2015	—	—

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GRAFTECH INTERNATIONAL LTD. AND SUBSIDIARIES

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(Unaudited)

Stock Options

Stock option activity under the plans for the nine months ended September 30, 2015 was:

	Number of Shares	Weighted- Average Exercise Price
Outstanding as of January 1, 2015	2,042,074	\$10.93
Forfeited/canceled/expired	(1,562,791)	12.98
Exercised	(479,283)	4.24
Outstanding as of September 30, 2015	—	—

(5) Earnings per Share

The following table shows the information used in the calculation of our share counts for basic and diluted earnings per share:

	For the Three Months Ended September 30, 2014	For the Period July 1, 2015 Through August 14, 2015	For the Period August 15, 2015 Through September 30, 2015
Weighted average common shares outstanding for basic calculation	136,374,914	137,432,994	N/A
Add: Effect of stock options and restricted stock	—	—	N/A
Weighted average common shares outstanding for diluted calculation	136,374,914	137,432,994	N/A
	For the Nine Months Ended September 30, 2014	For the Period January 1, 2015 Through August 14, 2015	For the Period August 15, 2015 Through September 30, 2015
Weighted average common shares outstanding for basic calculation	136,006,573	137,152,430	N/A
Add: Effect of stock options and restricted stock	—	—	N/A
Weighted average common shares outstanding for diluted calculation	136,006,573	137,152,430	N/A

Basic earnings per common share are calculated by dividing net income (loss) by the weighted average number of common shares outstanding. 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.

(6) Segment Reporting

We operate in two reportable segments: Industrial Materials and Engineered Solutions.

Industrial Materials. Our Industrial Materials segment manufactures and delivers high quality graphite electrodes, refractory products and needle coke products. Electrodes are key components of the conductive power systems used to produce steel and other non-ferrous metals. Refractory products are used in blast furnaces and submerged arc furnaces due to their high thermal conductivity and the ease with which they can be machined to large or complex shapes. Needle coke, a crystalline form of carbon derived from decant oil, is the key ingredient in, and is used primarily in, the

production of graphite electrodes.

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GRAFTECH INTERNATIONAL LTD. AND SUBSIDIARIES

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(Unaudited)

Engineered Solutions. The Engineered Solutions segment includes advanced electronics technologies, advanced graphite materials, advanced composite materials and advanced materials. Advanced electronics technologies products consist of electronic thermal management solutions, fuel cell components and sealing materials. Advanced graphite materials are highly engineered synthetic graphite products used in many areas due to their unique properties and the ability to tailor them to specific solutions. These products are used in transportation, alternative energy, metallurgical, chemical, oil and gas exploration and various other industries. Advanced composite materials are highly engineered carbon products that are woven into various shapes primarily to support the aerospace and defense industries.

Advanced materials use carbon and graphite powders as components or additives in a variety of industries, including metallurgical processing, battery and fuel cell components, and polymer additives.

We continue to evaluate the performance of our segments based on segment operating income. Intersegment sales and transfers are not material and the accounting policies of the reportable segments are the same as those for our Consolidated Financial Statements as a whole. Prior to 2014, certain global expenses such as research and development, shared IT and accounting services as well as corporate headquarter's finance, HR, legal and executive management were allocated to the segments mostly based on each segment's contribution to consolidated sales. During 2014, as part of our initiative to decentralize the organization and reduce the costs of the global headquarter functions, the performance measure of our existing segments was changed to reflect our new management and operating structure. We currently exclude such expenses from the segment operating income measure and report them under "Corporate, R&D and Other Expenses" in order to reconcile to the consolidated operating income of the Company.

The following tables summarize financial information concerning our reportable segments and all prior periods have been recast to reflect our new methodology:

	For the Three Months Ended September 30, 2014 (Dollars in thousands)	For the Period July 1, 2015 Through August 14, 2015	For the Period August 15, 2015 Through September 30, 2015
Net sales to external customers:			
Industrial Materials	\$208,573	\$51,925	\$74,080
Engineered Solutions	51,885	13,673	20,511
Total net sales	\$260,458	\$65,598	\$94,591
Operating (loss) income:			
Industrial Materials	\$5,082	\$(2,873)	) \$2,393
Engineered Solutions	(12,445)	) (7,520)	) (550)
Corporate, R&D and Other expenses	(15,688)	) (19,255)	) (3,955)
Total operating loss	\$(23,051)	) \$(29,648)	) \$(2,112)
Reconciliation of segment operating loss to loss before provision for income taxes			
Other expense (income), net	\$1,149	\$243	\$678
Interest expense	9,069	9,002	3,701
Interest income	(144)) (22)) (21)
Loss before provision for income taxes	\$(33,125)) \$(38,871)) \$(6,470)

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GRAFTECH INTERNATIONAL LTD. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

	For the Nine Months Ended September 30, 2014	For the Period January 1, 2015 Through August 14, 2015	For the Period August 15, 2015 Through September 30, 2015
(Dollars in thousands)			
Net sales to external customers:			
Industrial Materials	\$634,004	\$341,974	\$74,080
Engineered Solutions	191,429	95,957	20,511
Total net sales	\$825,433	\$437,931	\$94,591
Operating (loss) income:			
Industrial Materials	\$7,742	\$(25,678)	) \$2,393
Engineered Solutions	(131,704)	) (15,368)	) (550)
Corporate, R&D and Other expenses	(45,646)	) (47,431)	) (3,955)
Total operating loss	\$(169,608)	) \$(88,477)	) \$(2,112)

Reconciliation of segment operating loss to
loss before provision for income taxes

Other expense (income), net	\$1,902	\$1,335	\$678
Interest expense	27,223	27,118	3,701
Interest income	(257)	) (367)	) (21)
Loss before provision for income taxes	\$(198,476)	) \$(116,563)	) \$(6,470)

Assets are managed based on geographic location because certain reportable segments share certain facilities. Assets by reportable segment are estimated based on the value of long-lived assets at each location and the activities performed at the location.

	As of December 31, 2014	As of September 30, 2015
(Dollars in thousands)		
Long-lived assets (a):		
Industrial Materials	\$552,155	\$581,362
Engineered Solutions	101,885	68,986
Total long-lived assets	\$654,040	\$650,348

(a) Long-lived assets represent fixed assets, net of accumulated depreciation.

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GRAFTECH INTERNATIONAL LTD. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(7) Benefit Plans

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

	For the Three Months Ended September 30, 2014	For the Period July 1, 2015 Through August 14, 2015	For the Period August 15, 2015 Through September 30, 2015	For the Nine Months Ended September 30, 2014	For the Period January 1, 2015 Through August 14, 2015	For the Period August 15, 2015 Through September 30, 2015
	(Dollars in thousands)			(Dollars in thousands)		
Service cost	\$473	\$323	\$227	\$1,419	\$1,656	\$227
Interest cost	2,169	762	776	6,507	3,814	776
Expected return on plan assets	(1,938)	(676)	(658)	(5,814)	(3,384)	(658)
Amortization of prior service cost	1	1	—	3	3	—
Net cost	\$705	\$410	\$345	\$2,115	\$2,089	\$345

;

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

	For the Three Months Ended September 30, 2014	For the Period July 1, 2015 Through August 14, 2015	For the Period August 15, 2015 Through September 30, 2015	For the Nine Months Ended September 30, 2014	For the Period January 1, 2015 Through August 14, 2015	For the Period August 15, 2015 Through September 30, 2015
	(Dollars in thousands)			(Dollars in thousands)		
Service cost	\$19	\$3	\$2	\$57	\$11	\$2
Interest cost	352	156	152	1,056	786	152
Curtailment loss	—	—	—	1,048	—	—
Amortization of prior service benefit	(47)	(22)	—	(141)	(108)	—
Net cost	\$324	\$137	\$154	\$2,020	\$689	\$154

On March 27, 2015, we settled \$59.0 million of projected benefit obligations in the United Kingdom through the purchase of a group annuity contract. The purchase was fully funded with pension assets. The obligation associated with this transaction will require no additional cash contributions by the company. The results of this settlement were not material to our operations.

(8) 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 (graphite electrodes, needle coke) 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.

Our annual impairment test of goodwill was performed as of December 31, 2014 for all reporting units. The estimated fair values of our reporting units were based on discounted cash flow ("DCF") models derived from internal earnings forecasts and assumptions. The assumptions and estimates used in these valuations incorporated the then current and expected economic environment. Based on these valuations, the fair value for the needle coke reporting unit was

below the carrying value resulting in a step two analysis and consequently a goodwill impairment charge of \$75.7 million for the year ended December 31, 2014.

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We received notice, in March 2015, that the market prices for needle coke were decreasing by an additional 18%, effective for the second quarter of 2015. This decline further compressed our margins for needle coke products versus our annual plan. We determined that this change, which is driven by over capacity in the market indicated that the needle coke industry is facing a deeper and longer trough than previously expected. As such, we considered the additional price change as a triggering event and tested our needle coke goodwill for impairment as of March 31, 2015.

In the first step of the analysis, we compared the estimated fair value of the reporting unit to its carrying value, including goodwill. The fair value of the reporting unit was determined based on an income approach, using DCF models from a market participant's perspective. The DCF model included seventeen years of forecasted cash flows, plus an estimated terminal value. For the first several years in the models, the cash flows were based upon the current operating and capital plans as prepared by management and approved by executive management, adjusted to reflect the perspective of potential market participants. Beyond the first several years, the DCF model reflects known trends of cycles in the industry and incorporates them in the terminal value. Actual results may differ from those assumed in the Company's forecast. A discount rate of 10.5% was applied to the forecasted cash-flows and is based on a weighted average cost of capital ("WACC"). Company specific beta and mix of debt to equity are inputs into the determination of the discount rate, which is then qualitatively assessed from the standpoint of potential market participants.

As a result of the step one analysis described earlier, the fair value of the needle coke reporting unit was less than its carrying value. Consequently, we performed the second step of the impairment analysis in order to determine the implied fair value of the goodwill associated with the reporting unit. The implied fair value of goodwill represents the excess of the fair value of the reporting unit over the sum of the fair value amounts assigned to all of the assets and liabilities of the reporting unit as if it were to be acquired in a business combination and the current fair value of the reporting unit (as calculated in the first step) was the purchase consideration. The implied fair value of goodwill was then compared to the carrying value of the goodwill to determine the impairment charge. The needle coke goodwill was fully impaired, resulting in a charge of \$35.4 million. The full impairment of the needle coke reporting unit's goodwill was a result of our reassessment of the estimated future cash-flows, triggered by the pricing decline in the needle coke market effective April 1, 2015.

As a result of our acquisition by Brookfield, our goodwill and intangibles were revalued as of August 15, 2015. See Note 2 "Preferred Share Issuance and Merger" for description of the Merger and the results of purchase price accounting. The following tables represents the changes in the carrying value of goodwill and intangibles during the predecessor entity period of January 1, 2015 through August 14, 2015 and the successor entity from August 15, 2015 through September 30, 2015:

Goodwill	
Predecessor	(Dollars in Thousands)
Balance as of December 31, 2013	\$496,810
Impairment	(76,063)
Currency translation effect	(618)
Balance as of December 31, 2014	\$420,129
Impairment	(35,381)
Currency translation effect	(616)
Balance as of August 14, 2015	\$384,132

Successor

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Balance as of August 15, 2015	\$170,418	
Currency translation effect	(397)
Balance as of September 30, 2015	\$170,021	

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Intangible Assets

Predecessor

	As of December 31, 2014			As of August 14, 2015		
	Gross Carrying Amount	Accumulated Amortization & Impairment	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization & Impairment	Net Carrying Amount
	(Dollars in Thousands)					
Trade name	\$7,900	\$(4,817)	) \$3,083	\$7,900	\$(5,236)	) \$2,664
Technological know-how	43,349	(24,940)	) 18,409	43,349	(28,649)	) 14,700
Customer –related intangible	110,798	(57,192)	) 53,606	110,798	(63,866)	) 46,932
Total finite-lived intangible assets	\$162,047	\$(86,949)	) \$75,098	\$162,047	\$(97,751)	) \$64,296

Amortization expense of acquired intangible assets was \$14.3 million in the nine months ended September 30, 2014 and \$10.8 million in the period January 1, 2015 through August 14, 2015.

Successor

	As of September 30, 2015		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
	(Dollars in Thousands)		
Trade name	\$26,800	\$(215)	) \$26,585
Technological know-how	63,400	(568)	) 62,832
Customer –related intangible	68,300	(586)	) 67,714
Total finite-lived intangible assets	\$158,500	\$(1,369)	) \$157,131

(9) Debt and Liquidity

The following table presents our long-term debt:

	As of December 31, 2014 (Dollars in thousands)	As of September 30, 2015
Credit Facility (Revolving Facility and Term Loan Facility)	\$40,000	\$110,300
Senior Subordinated Notes	187,973	—
Senior Notes	300,000	266,273
Other Debt	1,746	1,616
Total Debt	529,719	378,189
Less: Short-term Debt	(188,104)	) (9,600)
Long-term Debt	\$341,615	\$368,589

The fair value of debt, which was determined using Level 2 inputs, was \$473.3 million, versus a book value of \$529.7 million as of December 31, 2014. As a result of our acquisition by Brookfield and the resulting purchase price accounting adjustments (see Note 2 "Preferred Share Issuance and Merger"), our Senior Notes were adjusted to their fair market value as of August 15, 2015. The discount to fair value will be accreted over the remaining term of the Notes.

Credit Facility

On April 23, 2014, the Company and certain of its subsidiaries entered into an Amended and Restated Credit Agreement with a borrowing capacity of \$400 million and a maturity date of April 2019 (the "Revolving Facility").

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February 27, 2015, GrafTech and certain of its subsidiaries entered into an Amended and Restated Credit Agreement that provides for, among other things, greater financial flexibility and a new \$40 million senior secured delayed draw term loan facility (the "Term Loan Facility").

On July 28, 2015, GrafTech and certain of its subsidiaries entered into an amendment to the Amended and Restated Credit Agreement to change the terms regarding the occurrence of a default upon a change in control (which is defined thereunder to include the acquisition by any person of more than 25 percent of GrafTech's outstanding shares) to exclude the acquisition of shares by Brookfield (see Note 2 to the Financial Statements). In addition, effective upon such acquisition, the financial covenants were eased, resulting in increased availability under the Revolving Facility. The size of the Revolving Facility was also reduced from \$400 million to \$375 million. The size of the Term Loan Facility remained at \$40 million.

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

As of September 30, 2015, we had \$297 million of unused borrowing capacity under the Revolving Credit Facility (after considering financial covenants restrictions and the outstanding letters of credit of approximately \$7.4 million). The interest rate applicable to the Revolving Facility and Term Loan Facility is LIBOR plus a margin ranging from 2.25% to 4.75% (depending on our total senior secured leverage ratio). The borrowers pay a per annum fee ranging from 0.35% to 0.70% (depending on our senior secured leverage ratio) on the undrawn portion of the commitments under the Revolving Facility. The new financial covenants require us to maintain a minimum cash interest coverage ratio ranging from 1.50 to 2.50 and a maximum senior secured leverage ratio ranging from 5.75 to 3.00, subject to adjustment over time.

Senior Notes

On November 20, 2012, the Company issued \$300 million principal amount of 6.375% Senior Notes due 2020 (the "Senior Notes"). The Senior Notes are the Company's senior unsecured obligations and rank pari passu with all of the Company's existing and future senior unsecured indebtedness. The Senior Notes are guaranteed on a senior unsecured basis by each of the Company's existing and future subsidiaries that guarantee certain other indebtedness of the Company or another guarantor.

The Senior Notes bear interest at a rate of 6.375% per year, payable semi-annually in arrears on May 15 and November 15 of each year. The Senior Notes mature on November 15, 2020.

The Company is entitled to redeem some or all of the Senior Notes at any time on or after November 15, 2016, at the redemption prices set forth in the indenture. In addition, prior to November 15, 2016, the Company may redeem some or all of the Senior Notes at a price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, plus a "make whole" premium determined as set forth in the indenture. The Company is also entitled to redeem up to 35% of the aggregate principal amount of the Senior Notes before November 15, 2015 with the net proceeds from certain equity offerings at a redemption price of 106.375% of the principal amount plus accrued and unpaid interest, if any.

If, prior to maturity, a change in control (as defined in the indenture) of the Company occurs and thereafter certain downgrades of the ratings of the Senior Notes as specified in the indenture occur, the Company will be required to offer to repurchase any or all of the Senior Notes at a repurchase price equal to 101% of the aggregate principal amount of the Senior Notes, plus any accrued and unpaid interest. On August 17, 2015 a change in control occurred due the acquisition of shares by Brookfield (see Note 2 to the Financial Statements). However, the downgrade of the ratings of the Senior Notes, as specified in the indenture, did not occur. Therefore, the company was not and will not be required to offer to repurchase the Senior Notes as a result of the change in control.

The indenture for the Senior Notes also contains covenants that, among other things, limit the ability of the Company and certain of its subsidiaries to: (i) create liens or use assets as security in other transactions; (ii) engage in certain sale/leaseback transactions; and (iii) merge, consolidate or sell, transfer, lease or dispose of substantially all of their assets.

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

Senior Subordinated Notes

On November 30, 2010, in connection with the acquisitions of Seadrift Coke LP and C/G Electrodes, LLC, we issued Senior Subordinated Notes for an aggregate total face amount of \$200 million. These Senior Subordinated Notes are non-interest bearing and mature in 2015. Because the promissory notes are non-interest bearing, we were required to record them at their present value (determined using an interest rate of 7%). The difference between the face amount of the promissory notes and their present value is recorded as debt discount. The debt discount was amortized to income using the interest method, over the life of the promissory notes.

On July 9, 2015, the Company provided notice to all holders of the Senior Subordinated Notes due November 30, 2015 of the Company, that, as permitted under the Notes, the Company intended to prepay in full the entire \$200 million aggregate principal amount of the Notes after the Company's receipt of the proceeds of the issuance of Preferred Stock to Brookfield's affiliate. See Note 2 to the financial statements for further discussion of the Preferred Stock Issuance. This prepayment was consummated on August 11, 2015.

(10) Inventories

Inventories are comprised of the following:

	As of December 31, 2014	As of September 30, 2015
	(Dollars in thousands)	
Inventories:		
Raw materials and supplies	\$122,218	\$91,480
Work in process	176,141	142,215
Finished goods	84,544	88,573
Total	\$382,903	\$322,268

As part of purchase price allocation accounting (see Note 2 "Preferred Share Issuance and Merger") our inventory was written down to fair value as of August 15, 2015 resulting in a reduction in the inventory value of \$30.9 million. This reduction was primarily the result of the value of needle coke inventory which is a raw material for our graphite electrodes.

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(11) Interest Expense

The following tables present the components of interest expense:

	For the Three Months Ended September 30, 2014	For the Period July 1, 2015 Through August 14, 2015	For the Period August 15, 2015 Through September 30, 2015
	(Dollars in thousands)		
Interest incurred on debt	\$5,448	\$2,520	\$2,928
Amortization of discount on Senior Subordinated Notes	3,100	5,560	—
Accretion on Senior Notes	—	—	773
Amortization of debt issuance costs	521	922	—
Total interest expense	\$9,069	\$9,002	\$3,701

	For the Nine Months Ended September 30, 2014	For the Period January 1, 2015 Through August 14, 2015	For the Period August 15, 2015 Through September 30, 2015
	(Dollars in thousands)		
Interest incurred on debt	\$16,162	\$12,973	\$2,928
Amortization of discount on Senior Subordinated Notes	9,145	12,027	—
Accretion on Senior Notes	—	—	773
Amortization of debt issuance costs	1,916	2,118	—
Total interest expense	\$27,223	\$27,118	\$3,701

Interest Rates

The Revolving Facility had an effective interest rate of 2.17% and 2.45% as of December 31, 2014 and September 30, 2015, respectively. The Senior Subordinated Notes have an implied interest rate of 7.00%. The Senior Notes have a fixed interest rate of 6.375%.

On August 11, 2015, we prepaid our Senior Subordinated Notes (see Note 9 "Debt and Liquidity"). This prepayment resulted in accelerated amortization of \$4.5 million as the Notes were prepaid at the face value. The accelerated expense was recorded in the predecessor period.

(12) 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.

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Pending Litigation Against GrafTech and Brookfield

A number of putative class action complaints have been filed relating to the Merger. The lawsuits, which contain substantially similar allegations, include allegations that the transactions do not appropriately value the Company, were the result of an inadequate process, include preclusive deal protection devices, involved conflicts of interests and further allege that the public disclosures made by the Company in connection with such transactions were materially misleading. GrafTech, Brookfield and Brookfield's affiliates are alleged to have aided and abetted the alleged fiduciary breaches. The lawsuits seek a variety of equitable relief, including rescission of the Merger, in addition to damages arising from the defendants' alleged breaches and attorneys' fees and costs. The defendants believe that the allegations are without merit and intend to vigorously defend the lawsuits.

The lawsuits include:

a lawsuit captioned David Widlewski v. Randy Carson, Thomas A. Danjczek, Karen Finerman, Joel L. Hawthorne, David R. Jardini, Nathan Milikowsky, M. Catherine Morris, BCP IV GrafTech Holdings LP, and Athena Acquisition Subsidiary Inc. (Civil Action No. 11086-VCL) filed on June 2, 2015, in the Court of Chancery of the State of Delaware;

a lawsuit captioned Walter Watson. v. GrafTech International Ltd., Randy Carson, Thomas A. Danjczek, Karen Finerman, Joel L. Hawthorne, David R. Jardini, Nathan Milikowsky, M. Catherine Morris, Brookfield Asset Management, Inc., Brookfield Capital Partners Ltd., Brookfield Capital Partners IV L.P., BCP IV GrafTech Holdings LP, and Athena Acquisition Subsidiary Inc. (Civil Action No. 11096-VCL) filed on June 4, 2015, in the Court of Chancery of the State of Delaware;

a lawsuit captioned CyHyoung Park v. GrafTech International Ltd., Randy Carson, Thomas A. Danjczek, Karen Finerman, Joel L. Hawthorne, David R. Jardini, Nathan Milikowsky, M. Catherine Morris, BCP IV GrafTech Holdings LP, and Athena Acquisition Subsidiary Inc. (Civil Action No. 11125-VCL) filed on June 9, 2015, in the Court of Chancery of the State of Delaware;

a lawsuit captioned Charles Daeda v. GrafTech International Ltd., Randy Carson, Thomas A. Danjczek, Karen Finerman, Joel L. Hawthorne, David R. Jardini, Nathan Milikowsky, M. Catherine Morris, Brookfield Asset Management Inc., BCP IV GrafTech Holdings LP, and Athena Acquisition Subsidiary Inc. (Civil Action No. 11145-VCL) filed on June 15, 2015, in the Court of Chancery of the State of Delaware;

a lawsuit captioned Abraham Grinberger, v. GrafTech International Ltd., Randy Carson, Thomas A. Danjczek, Karen L. Finerman, Joel L. Hawthorne, David R. Jardini, Nathan Milikowsky, M. Catherine Morris, Brookfield Asset Management Inc., Brookfield Capital Partners Ltd., BCP IV GrafTech Holdings LP, Athena Acquisition Subsidiary Inc. (Civil Action No. 11148-VCL) filed on June 15, 2015, in the Court of Chancery of the State of Delaware;

and a lawsuit captioned Bruce Wells v. GrafTech International Ltd., Randy Carson, Thomas A. Danjczek, Karen Finerman, Joel L. Hawthorne, David R. Jardini, Nathan Milikowsky, M. Catherine Morris, BCP IV GrafTech Holdings LP, Athena Acquisition Subsidiary Inc., and Brookfield Capital Partners Ltd. (Civil Action No. 11166-VCL) filed on June 17, 2015, in the Court of Chancery of the State of Delaware.

Two lawsuits filed in Ohio, a lawsuit captioned Travis J. Kelleher, etc. v. GrafTech International Ltd., et. al. (Case No. CV-15-846032) filed on May 22, 2015, in the Court of Common Pleas in the State of Ohio and a lawsuit captioned Mark O'Neill and Adoracion Guerrero, et. al. v. Joel L. Hawthorne, et. al. (Case No. CV-15-847670) filed on June 29, 2015, in the Court of Common Pleas in the State of Ohio, were dismissed without prejudice by the Court of Common Pleas on September 24, 2015.

On October 8, 2014, the General Superintendent of the Administrative Council of Economic Defense ("CADE") in Brazil announced that the agency would be continuing an investigation of anticompetitive activity allegedly affecting the Brazilian market from 1992 to 1998. The investigation was originally commenced in 2002 and was essentially

dormant for many years. There were no penalties assessed or asserted against GrafTech. The investigation purportedly related to violations of antitrust laws that were previously investigated in 1997 - 2002 by the U.S. Department of Justice, the European Commission, and other countries in connection with the sale of graphite electrodes. Those antitrust investigations and related lawsuits and claims have long been resolved. Several of the investigations and related

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lawsuits and claims resulted in fines and settlements, all of which were timely paid many years ago. GrafTech has cooperated in all of these legacy investigations, including having timely responded to requests for information from the Brazilian agency several years ago. On October 14, 2015, CADE's Commissioners unanimously decided to terminate the investigation.

Product Warranties

We generally sell products with a limited warranty. We accrue for known warranty claims if a loss is probable and can be reasonably estimated. We also accrue for estimated warranty claims incurred based on a historical claims charge analysis. Claims accrued but not yet paid and the related activity within the accrual for the nine months ended September 30, 2015, are presented below:

	(Dollars in thousands)
Balance as of December 31, 2014	\$923
Product warranty adjustments	892
Payments and settlements	(483)
Balance as of September 30, 2015	\$1,332

(13) Income Taxes

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

The following tables summarize the provision for income taxes for the three and nine months ended September 30, 2014 and September 30, 2015:

	For the Three Months Ended September 30, 2014	For the Period July 1, 2015 Through August 14, 2015	For the Period August 15, 2015 Through September 30, 2015
	(Dollars in thousands)		
Tax (benefit) expense	\$1,818	\$3,353	\$833
Pretax loss	\$(33,125)	\$(38,871)	\$(6,470)
Effective tax rates	(5.5)%	(8.6)%	(12.9)%

	For the Nine Months Ended September 30, 2014	For the Period January 1, 2015 Through August 14, 2015	For the Period August 15, 2015 Through September 30, 2015
	(Dollars in thousands)		
Tax (benefit) expense	\$3,417	\$4,086	\$833
Pretax loss	\$(198,476)	\$(116,563)	\$(6,470)
Effective tax rates	(1.7)%	(3.5)%	(12.9)%

For the period July 1, 2015 through August 14 and the period August 15, 2015 through September 30, 2015 as well as the period January 1, 2015 through August 14, 2015 the effective tax rate differs from the U.S. statutory rate of 35% primarily due to recent losses in the U.S. and Switzerland where we receive no tax benefit due to a full valuation

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allowance and worldwide earnings from various countries. The recognition of the valuation allowance does not result in or limit the Company's ability to utilize these tax assets in the future. For the nine months ended September 30, 2014 the effect tax rate differs from the U.S. statutory rate of 35% primarily due to a valuation allowance setup against U.S. foreign tax credit deferred tax attributes, various state net operating loss deferred tax attributes, and the establishment of a valuation allowance against our net US deferred asset position.

As of September 30, 2015, we had unrecognized tax benefits of \$3.6 million, \$3.4 million of which, if recognized, would have a favorable impact on our effective tax rate.

We file income tax returns in the U.S. federal jurisdiction, and various state and foreign jurisdictions. All U.S. federal tax years prior to 2012 are generally closed by statute or have been audited and settled with the applicable domestic tax authorities. All other jurisdictions are still open to examination beginning after 2008.

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

(14) Derivative Instruments

We use derivative instruments as part of our overall foreign currency and commodity risk management strategies to manage the risk of exchange rate movements that would reduce the value of our foreign cash flows and to minimize

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commodity price volatility. Foreign currency exchange rate movements create a degree of risk by affecting the value of sales made and costs incurred in currencies other than the U.S. dollar.

Certain of our derivative contracts contain provisions that require us to provide collateral. Since the counterparties to these financial instruments are large commercial banks and similar financial institutions, we do not believe that we are exposed to material counterparty credit risk. We do not anticipate nonperformance by any of the counter-parties to our instruments. Our derivative risk management strategy has not resulted in a material impact to our financial results in 2015. Our derivative assets and liabilities are included within "Prepaid expenses and other current assets" and "Other current liabilities" on the Condensed Consolidated Balance Sheets and effects of these derivatives are recorded in revenue, cost of goods sold and other expense (income) on the Condensed Consolidated Statements of Operations.

Foreign currency derivatives

We enter into foreign currency derivatives from time to time to attempt to manage exposure to changes in currency exchange rates. These foreign currency instruments, which include, but are not limited to, forward exchange contracts and purchased currency options, attempt to hedge global currency exposures such as foreign currency denominated debt, sales, receivables, payables, and purchases. Forward exchange contracts are agreements to exchange different currencies at a specified future date and at a specified rate. There was no ineffectiveness on these contracts designated as hedging instruments during the nine months ended September 30, 2014 and 2015, respectively.

In 2014 and 2015, we entered into foreign currency derivatives denominated in the Mexican peso, South African rand, Brazilian real, euro and Japanese yen. These derivatives were entered into to protect the risk that the eventual cash flows resulting from commercial and business transactions may be adversely affected by changes in exchange rates between the U.S. dollar and the Mexican peso, euro and Japanese yen. As of September 30, 2015, we had outstanding Mexican peso, euro, and Japanese yen currency contracts with an aggregate notional amount of \$20.0 million.

The foreign currency derivatives outstanding as of September 30, 2015 have several maturity dates ranging from November 2015 to December 2015.

Commodity derivative contracts

We periodically enter into derivative contracts for certain refined oil products and natural gas. These contracts are entered into to protect against the risk that eventual cash flows related to these products may be adversely affected by future changes in prices. There was no ineffectiveness on these contracts during the nine months ended September 30, 2015. As of September 30, 2015, we had no outstanding derivative swap contracts for refined oil products.

Net Investment Hedges

We use certain intercompany debt to hedge a portion of our net investment in our foreign operations against currency exposure (net investment hedge). Intercompany debt denominated in foreign currency and designated as a non-derivative net investment hedging instrument was \$15.8 million and \$13.2 million as of December 31, 2014 and September 30, 2015, respectively. Within the currency translation adjustment portion of other comprehensive income, we recorded gains of \$0.7 million and \$1.8 million in three months ended September 30, 2014 and September 30, 2015, respectively, resulting from these net investment hedges.

(15) Guarantor Information

On November 20, 2012, GrafTech International Ltd. (the "Parent") issued \$300 million aggregate principal amount of Senior Notes. The Senior Notes mature on November 15, 2020 and bear interest at a rate of 6.375% per year, payable semi-annually in arrears on May 15 and November 15 of each year. The Senior Notes have been guaranteed on a senior basis by the following wholly-owned direct and indirect subsidiaries of the Parent: GrafTech Finance Inc., GrafTech Holdings Inc., GrafTech USA LLC, Seadrift Coke LLP, Fiber Materials, Inc., InterMat, GrafTech Global Enterprises Inc., GrafTech International Holdings Inc., GrafTech DE LLC, GrafTech Seadrift Holding Corp,

GrafTech International Trading Inc., GrafTech Technology LLC, GrafTech NY Inc., and Graphite Electrode Network LLC.

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(Unaudited)

The guarantors of the Senior Notes, solely in their respective capacities as such, are collectively called the “Guarantors.” Our other subsidiaries, which are not guarantors of the Senior Notes, are called the “Non-Guarantors.”

All of the guarantees are unsecured. All of the guarantees are full, unconditional (subject to limited exceptions described below) and joint and several. Each of the Guarantors are 100% owned, directly or indirectly, by the Parent. All of the guarantees of the Senior Notes continue until the Senior Notes have been paid in full, and payment under such guarantees could be required immediately upon the occurrence of an event of default under the Senior Notes. If a Guarantor makes a payment under its guarantee of the Senior Notes, it would have the right under certain circumstances to seek contribution from the other Guarantors.

The Guarantors will be released from the guarantees upon the occurrence of certain events, including the following: the unconditional release or discharge of any guarantee or indebtedness that resulted in the creation of the guarantee of the Senior Notes by such Guarantor; the sale or other disposition, including by way of merger or consolidation or the sale of its capital stock, following which such Guarantor is no longer a subsidiary of the Parent; or the Parent's exercise of its legal defeasance option or its covenant defeasance option as described in the indenture applicable to the Senior Notes. If any Guarantor is released, no holder of the Senior Notes will have a claim as a creditor against such Guarantor. The indebtedness and other liabilities, including trade payables and preferred stock, if any, of each Guarantor are effectively senior to the claim of any holders of the Senior Notes.

Investments in subsidiaries are recorded on the equity basis.

The following tables set forth condensed consolidating balance sheets as of December 31, 2014 and September 30, 2015 and condensed consolidating statements of operations and comprehensive income for the three and nine months ended September 30, 2014 and the periods July 1 and January 1 through August 14, 2015 (Predecessor) and the period August 15 through September 30, 2015 (Successor) and condensed consolidating statements of cash flows for the nine months ended September 30, 2014 and and the period January 1 through August 14, 2015 (Predecessor) and the period August 15 through September 30, 2015 (Successor) of the Parent Guarantors and the Non-Guarantors.

PART I (CONT'D)

GRAFTECH INTERNATIONAL LTD. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

CONDENSED CONSOLIDATING BALANCE SHEETS

As of December 31, 2014

(in thousands)

	Parent	Guarantors	Non-Guarantors	Consolidating Entries and Eliminations	Consolidated
ASSETS					
Current Assets:					
Cash and cash equivalents	\$—	\$5,503	\$12,047	\$—	\$17,550
Accounts receivable - affiliates	40,474	35,618	40,185	(116,277)	—
Accounts receivable - trade	—	45,861	117,058	—	162,919
Inventories	—	148,080	234,823	—	382,903
Prepaid and other current assets	—	17,336	64,287	—	81,623
Total current assets	40,474	252,398	468,400	(116,277)	644,995
Investment in affiliates	1,414,278	762,251	—	(2,176,529)	—
Property, plant and equipment	—	431,602	222,438	—	654,040
Deferred income taxes	—	—	16,819	—	16,819
Goodwill	—	217,099	203,030	—	420,129
Notes receivable - affiliate	35,722	7,413	—	(43,135)	—
Other assets	4,110	45,617	48,095	—	97,822
Total Assets	\$1,494,584	\$1,716,380	\$958,782	\$(2,335,941)	\$1,833,805
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current Liabilities:					
Accounts payable - affiliate	\$—	\$80,659	\$35,618	\$(116,277)	\$—
Accounts payable - trade	47	35,435	50,927	—	86,409
Short-term debt	187,973	131	—	—	188,104
Accrued income and other taxes	344	3,380	20,782	—	24,506
Rationalizations	—	7,538	2,025	—	9,563
Other accrued liabilities	2,444	15,252	25,623	—	43,319
Total current liabilities	190,808	142,395	134,975	(116,277)	351,901
Long-term debt - affiliate	—	35,722	7,413	(43,135)	—
Long-term debt - third party	300,000	40,393	1,222	—	341,615
Other long-term obligations	—	77,724	29,842	—	107,566
Deferred income taxes	—	5,118	23,079	—	28,197
Stockholders' equity	1,003,776	1,415,028	762,251	(2,176,529)	1,004,526
Total Liabilities and Stockholders' Equity	\$1,494,584	\$1,716,380	\$958,782	\$(2,335,941)	\$1,833,805

PART I (CONT'D)

GRAFTECH INTERNATIONAL LTD. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

CONDENSED CONSOLIDATING BALANCE SHEETS

As of September 30, 2015

(in thousands)

	Parent	Guarantors	Non-Guarantors	Consolidating Entries and Eliminations	Consolidated
ASSETS					
Current Assets:					
Cash and cash equivalents	\$—	\$155	\$13,306	\$—	\$13,461
Accounts receivable - affiliates	51,659	25,121	17,270	(94,050)	—
Accounts receivable - trade	—	24,336	86,688	—	111,024
Inventories	—	126,971	195,297	—	322,268
Prepaid and other current assets	—	18,701	47,861	—	66,562
Total current assets	51,659	195,284	360,422	(94,050)	513,315
Investment in affiliates	1,091,835	678,931	—	(1,770,766)	—
Property, plant and equipment	—	293,879	356,469	—	650,348
Deferred income taxes	—	172	13,674	—	13,846
Goodwill	—	72,458	97,563	—	170,021
Notes receivable - affiliate	—	36,508	—	(36,508)	—
Other assets	—	97,374	65,100	—	162,474
Total Assets	\$1,143,494	\$1,374,606	\$893,228	\$(1,901,324)	\$1,510,004
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current Liabilities:					
Accounts payable - affiliate	\$70	\$68,946	\$25,034	\$(94,050)	\$—
Accounts payable - trade	—	24,070	37,917	—	61,987
Short-term debt	—	9,434	166	—	9,600
Accrued income and other taxes	—	5,222	12,528	—	17,750
Rationalizations	—	1,687	3,576	—	5,263
Other accrued liabilities	7,225	7,740	22,107	—	37,072
Total current liabilities	7,295	117,099	101,328	(94,050)	131,672
Long-term debt - affiliate	29,095	—	7,413	(36,508)	—
Long-term debt - third party	266,273	91,293	11,023	—	368,589
Other long-term obligations	—	61,523	28,120	—	89,643
Deferred income taxes	—	12,856	66,413	—	79,269
Stockholders' equity	840,831	1,091,835	678,931	(1,770,766)	840,831
Total Liabilities and Stockholders' Equity	\$1,143,494	\$1,374,606	\$893,228	\$(1,901,324)	\$1,510,004

PART I (CONT'D)

GRAFTECH INTERNATIONAL LTD. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

CONDENSED CONSOLIDATING STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

For the three months ended September 30, 2014 (Predecessor)

(in thousands)

	Parent	Guarantors	Non-Guarantors	Consolidating Entries and Eliminations	Consolidated
Sales - affiliates	\$—	\$ 68,424	\$ 38,171	\$(106,595)	\$—
Sales - third party	—	93,457	167,001	—	260,458
Net sales	—	161,881	205,172	(106,595)	260,458
Cost of sales	—	157,726	191,683	(106,595)	242,814
Gross profit	—	4,155	13,489	—	17,644
Research and development	—	2,871	—	—	2,871
Selling and administrative expenses	—	11,347	15,633	—	26,980
Impairments	—	—	—	—	—
Rationalizations	—	(1,592)	12,436	—	10,844
Operating income (loss)	—	(8,471)	(14,580)	—	(23,051)
Other expense (income), net	—	461	688	—	1,149
Interest expense - affiliate	—	193	—	(193)	—
Interest expense - third party	8,055	883	131	—	9,069
Interest income - affiliate	(193)	—	—	193	—
Interest income - third party	—	—	(144)	—	(144)
Loss before income taxes	(7,862)	(10,008)	(15,255)	—	(33,125)
Provision for income taxes	(2,830)	3,313	1,335	—	1,818
Equity in earnings of subsidiary	(29,911)	(16,590)	—	46,501	—
Net (loss) income	\$(34,943)	\$(29,911)	\$(16,590)	\$46,501	\$(34,943)
Statements of Comprehensive Income					
Net (loss) income	\$(34,943)	\$(29,911)	\$(16,590)	\$46,501	\$(34,943)
Other comprehensive (loss) income	(23,247)	(23,247)	(21,996)	45,243	(23,247)
Comprehensive (loss) income	\$(58,190)	\$(53,158)	\$(38,586)	\$91,744	\$(58,190)

PART I (CONT'D)

GRAFTECH INTERNATIONAL LTD. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

CONDENSED CONSOLIDATING STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

For the Period July 1 through August 14, 2015 (Predecessor)

(in thousands)

	Parent	Guarantors	Non-Guarantors	Consolidating Entries and Eliminations	Consolidated
Sales - affiliates	\$—	\$21,198	\$10,448	\$(31,646)	\$—
Sales - third party	—	26,343	39,255	—	65,598
Net sales	—	47,541	49,703	(31,646)	65,598
Cost of sales	—	47,332	48,501	(31,646)	64,187
Gross profit	—	209	1,202	—	1,411
Research and development	—	1,211	—	—	1,211
Selling and administrative expenses	6,750	17,671	5,183	—	29,604
Rationalizations	—	(74)	318	—	244
Operating loss	(6,750)	(18,599)	(4,299)	—	(29,648)
Other expense (income), net	—	72	171	—	243
Interest expense - affiliate	3	67	—	(70)	—
Interest expense - third party	7,984	958	60	—	9,002
Interest income - affiliate	(67)	(3)	—	70	—
Interest income - third party	—	—	(22)	—	(22)
Loss before income taxes	(14,670)	(19,693)	(4,508)	—	(38,871)
Provision for income taxes	—	4,076	(723)	—	3,353
Equity in earnings of subsidiary	(27,554)	(3,785)	—	31,339	—
Net (loss) income	\$(42,224)	\$(27,554)	\$(3,785)	\$31,339	\$(42,224)
Statements of Comprehensive Income					
Net (loss) income	\$(42,224)	\$(27,554)	\$(3,785)	\$31,339	\$(42,224)
Other comprehensive (loss) income	(5,465)	(5,465)	(5,834)	11,299	(5,465)
Comprehensive (loss) income	\$(47,689)	\$(33,019)	\$(9,619)	\$42,638	\$(47,689)

PART I (CONT'D)

GRAFTECH INTERNATIONAL LTD. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

CONDENSED CONSOLIDATING STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

For the Period August 15 through September 30, 2015 (Successor)

(in thousands)

	Parent	Guarantors	Non-Guarantors	Consolidating Entries and Eliminations	Consolidated
Sales - affiliates	\$—	\$20,719	\$13,698	\$(34,417)	\$—
Sales - third party	—	33,621	60,970	—	94,591
Net sales	—	54,340	74,668	(34,417)	94,591
Cost of sales	—	49,595	70,422	(34,417)	85,600
Gross profit	—	4,745	4,246	—	8,991
Research and development	—	660	—	—	660
Selling and administrative expenses	—	3,605	6,201	—	9,806
Rationalizations	—	—	637	—	637
Operating income (loss)	—	480	(2,592)	—	(2,112)
Other expense (income), net	—	481	197	—	678
Interest expense - affiliate	67	—	—	(67)	—
Interest expense - third party	3,227	383	91	—	3,701
Interest income - affiliate	—	(67)	—	67	—
Interest income - third party	—	—	(21)	—	(21)
Loss before income taxes	(3,294)	(317)	(2,859)	—	(6,470)
Provision for income taxes	—	746	87	—	833
Equity in earnings of subsidiary	(4,008)	(2,946)	—	6,954	—
Net (loss) income	\$(7,302)	\$(4,009)	\$(2,946)	\$6,954	\$(7,303)
Statements of Comprehensive Income					
Net (loss) income	\$(7,302)	\$(4,009)	\$(2,946)	\$6,954	\$(7,303)
Other comprehensive (loss) income	(6,203)	(6,203)	(6,203)	12,406	(6,203)
Comprehensive (loss) income	\$(13,505)	\$(10,212)	\$(9,149)	\$19,360	\$(13,506)

PART I (CONT'D)

GRAFTECH INTERNATIONAL LTD. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

CONDENSED CONSOLIDATING STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

For the nine months ended September 30, 2014 (Predecessor)

(in thousands)

	Parent	Guarantors	Non-Guarantors	Consolidating Entries and Eliminations	Consolidated
Sales - affiliates	\$—	\$ 192,740	\$ 106,742	\$(299,482)	\$—
Sales - third party	—	315,387	510,046	—	825,433
Net sales	—	508,127	616,788	(299,482)	825,433
Cost of sales	—	472,202	591,422	(299,482)	764,142
Gross profit	—	35,925	25,366	—	61,291
Research and development	—	8,544	—	—	8,544
Selling and administrative expenses	—	35,479	53,545	—	89,024
Impairments	—	121,570	—	—	121,570
Rationalizations	—	(1,540)	13,301	—	11,761
Operating loss	—	(128,128)	(41,480)	—	(169,608)
Other expense (income), net	—	1,281	621	—	1,902
Interest expense - affiliate	—	629	—	(629)	—
Interest expense - third party	24,010	2,529	684	—	27,223
Interest income - affiliate	(629)	—	—	629	—
Interest income - third party	—	—	(257)	—	(257)
Loss before income taxes	(23,381)	(132,567)	(42,528)	—	(198,476)
Provision for income taxes	(8,417)	17,712	(5,878)	—	3,417
Equity in earnings of subsidiary	(186,929)	(36,650)	—	223,579	—
Net (loss) income	\$(201,893)	\$(186,929)	\$(36,650)	\$223,579	\$(201,893)
Statements of Comprehensive Income					
Net (loss) income	\$(201,893)	\$(186,929)	\$(36,650)	\$223,579	\$(201,893)
Other comprehensive (loss) income	(20,936)	(20,936)	(19,474)	40,410	(20,936)
Comprehensive (loss) income	\$(222,829)	\$(207,865)	\$(56,124)	\$263,989	\$(222,829)

PART I (CONT'D)

GRAFTECH INTERNATIONAL LTD. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

For the Period January 1 through August 14, 2015 (Predecessor)

(in thousands)

	Parent	Guarantors	Non-Guarantors	Consolidating Entries and Eliminations	Consolidated
Sales - affiliates	\$—	\$ 124,489	\$ 52,794	\$(177,283)	\$—
Sales - third party	—	160,761	277,170	—	437,931
Net sales	—	285,250	329,964	(177,283)	437,931
Cost of sales	—	266,369	310,731	(177,283)	399,817
Gross profit	—	18,881	19,233	—	38,114
Research and development	—	5,556	—	—	5,556
Selling and administrative expenses	6,750	44,507	29,890	—	81,147
Impairments	—	35,381	—	—	35,381
Rationalizations	—	(374)	4,881	—	4,507
Operating loss	(6,750)	(66,189)	(15,538)	—	(88,477)
Other expense (income), net	—	804	531	—	1,335
Interest expense - affiliate	3	372	—	(375)	—
Interest expense - third party	24,366	2,481	271	—	27,118
Interest income - affiliate	(372)	(3)	—	375	—
Interest income - third party	—	(5)	(362)	—	(367)
Loss before income taxes	(30,747)	(69,838)	(15,978)	—	(116,563)
(Benefit from) provision for income taxes	—	385	3,701	—	4,086
Equity in losses of subsidiary	(89,902)	(19,679)	—	109,581	—
Net (loss) income	\$(120,649)	\$(89,902)	\$(19,679)	\$ 109,581	\$(120,649)
Statements of Comprehensive Income					
Net (loss) income	\$(120,649)	\$(89,902)	\$(19,679)	\$ 109,581	\$(120,649)
Other comprehensive income (loss)	(26,674)	(26,674)	(28,041)	54,715	(26,674)
Comprehensive (loss) income	\$(147,323)	\$(116,576)	\$(47,720)	\$ 164,296	\$(147,323)

PART I (CONT'D)

GRAFTECH INTERNATIONAL LTD. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

For the Period August 15 through September 30, 2015 (Successor)

(in thousands)

	Parent	Guarantors	Non-Guarantors	Consolidating Entries and Eliminations	Consolidated
Sales - affiliates	\$—	\$20,719	\$13,698	\$(34,417)	\$—
Sales - third party	—	33,621	60,970	—	94,591
Net sales	—	54,340	74,668	(34,417)	94,591
Cost of sales	—	49,595	70,422	(34,417)	85,600
Gross profit	—	4,745	4,246	—	8,991
Research and development	—	660	—	—	660
Selling and administrative expenses	—	3,605	6,201	—	9,806
Rationalizations	—	—	637	—	637
Operating income (loss)	—	480	(2,592)	—	(2,112)
Other expense (income), net	—	481	197	—	678
Interest expense - affiliate	67	—	—	(67)	—
Interest expense - third party	3,227	383	91	—	3,701
Interest income - affiliate	—	(67)	—	67	—
Interest income - third party	—	—	(21)	—	(21)
Loss before income taxes	(3,294)	(317)	(2,859)	—	(6,470)
Provision for income taxes	—	746	87	—	833
Equity in earnings of subsidiary	(4,008)	(2,946)	—	6,954	—
Net (loss) income	\$(7,302)	\$(4,009)	\$(2,946)	\$6,954	\$(7,303)
Statements of Comprehensive Income					
Net (loss) income	\$(7,302)	\$(4,009)	\$(2,946)	\$6,954	\$(7,303)
Other comprehensive (loss) income	(6,203)	(6,203)	(6,203)	12,406	(6,203)
Comprehensive (loss) income	\$(13,505)	\$(10,212)	\$(9,149)	\$19,360	\$(13,506)

PART I (CONT'D)

GRAFTECH INTERNATIONAL LTD. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS

For the nine months ended September 30, 2014 (Predecessor)

(in thousands)

	Parent	Guarantors	Non-Guarantors	Consolidating Entries and Eliminations	Consolidated
Net cash provided by (used in) operating activities:	\$(10,274)	\$50,298	\$42,865	\$—	\$82,889
Cash flow from investing activities:					
Repayments from (loans to) affiliates	7,070	—	—	(7,070)	—
Capital expenditures	—	(49,756)	(19,558)	—	(69,314)
Payments for derivative instruments	—	(51)	(522)	—	(573)
Proceeds from sale of fixed assets	—	1,706	2,373	—	4,079
Insurance recoveries	—	—	2,834	—	2,834
Net cash provided by (used in) investing activities	7,070	(48,101)	(14,873)	(7,070)	(62,974)
Cash flow from financing activities:					
(Repayments to) loans from affiliates	—	(7,070)	—	7,070	—
Short-term debt borrowings	—	965	(982)	—	(17)
Revolving Facility borrowings	—	151,000	78,000	—	229,000
Revolving Facility reductions	—	(148,000)	(92,000)	—	(240,000)
Principal payments on long term debt	—	(98)	(60)	—	(158)
Supply chain financing	—	—	(9,455)	—	(9,455)
Proceeds from exercise of stock options	2,813	—	—	—	2,813
Purchase of treasury shares	(620)	—	—	—	(620)
Revolver facility refinancing	—	(2,384)	(357)	—	(2,741)
Other	1,011	—	—	—	1,011
Net cash provided by (used in) financing activities	3,204	(5,587)	(24,854)	7,070	(20,167)
Net (decrease) increase in cash and cash equivalents	—	(3,390)	3,138	—	(252)
Effect of exchange rate changes on cash and cash equivalents	—	—	(758)	—	(758)
Cash and cash equivalents at beginning of period	—	4,752	7,136	—	11,888
Cash and cash equivalents at end of period	\$—	\$1,362	\$9,516	\$—	\$10,878

PART I (CONT'D)

GRAFTECH INTERNATIONAL LTD. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS

For the Period January 1 through August 14, 2015 (Predecessor)

(in thousands)

	Parent	Guarantors	Non-Guarantors	Consolidating Entries and Eliminations	Consolidated
Net cash (used in) provided by operating activities:	\$(4,017)	) \$34,418	\$25,632	\$(27,710)	) \$28,323
Cash flow from investing activities:					
Loans from (repayments to) affiliates	36,204	(21,343)	) —	(14,861)) —
Capital expenditures	—	(20,572)	) (11,729)	) —	(32,301)
Payments for derivative instruments	—	(7,595)	) (668)	) —	(8,263)
Proceeds from sale of assets	—	397	249	—	646
Insurance recoveries	—	—	—	—	—
Net cash provided by (used in) investing activities	36,204	(49,113)	) (12,148)	) (14,861)	) (39,918)
Cash flow from financing activities:					
Loans from (repayments to) affiliates	21,343	(36,204)	) —	14,861	—
Dividends to affiliates	—	—	(27,710)	) 27,710	—
Short-term debt, net	—	14,002	4,509	—	18,511
Revolving Facility borrowings	—	126,000	34,000	—	160,000
Revolving Facility reductions	—	(87,000)	) (12,000)	) —	(99,000)
Repayment of Senior Subordinated Notes (200,000)	) —	—	—	—	(200,000)
Issuance of Preferred Shares	150,000	—	—	—	150,000
Principal payments on long term debt	—	(89)	) —	—	(89)
Supply chain financing	—	—	—	—	—
Proceeds from exercise of stock options	32	—	—	—	32
Purchase of treasury shares	(63)	) —	—	—	(63)
Revolver facility refinancing	—	(5,037)	) (31)	) —	(5,068)
Other	(3,499)	) —	—	—	(3,499)
Net cash (used in) provided by financing activities	(32,187)	) 11,672	(1,232)	) 42,571	20,824
Net (decrease) increase in cash and cash equivalents	—	(3,023)	) 12,252	—	9,229
Effect of exchange rate changes on cash and cash equivalents	—	—	(1,746)	) —	(1,746)
Cash and cash equivalents at beginning of period	—	5,503	12,047	—	17,550
Cash and cash equivalents at end of period	\$—	\$2,480	\$22,553	\$—	\$25,033

PART I (CONT'D)

GRAFTECH INTERNATIONAL LTD. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS

For the Period August 15 through September 30, 2015 (Successor)

(in thousands)

	Parent	Guarantors	Non-Guarantors	Consolidating Entries and Eliminations	Consolidated
Net cash (used in) provided by operating activities:	\$(6,367	) \$(212	) \$10,491	\$—	\$3,912
Cash flow from investing activities:					
Repayments from affiliates	—	(7,752	) —	7,752	—
Capital expenditures	—	(2,136	) (3,103	) —	(5,239
Payments for derivative instruments	—	—	84	—	84
Proceeds from sale of assets	—	486	56	—	542
Insurance recoveries	—	—	—	—	—
Net cash provided by (used in) investing activities	—	(9,402	) (2,963	) 7,752	(4,613
Cash flow from financing activities:					
Repayments to affiliates	7,752	—	—	(7,752) —
Dividends to affiliates	—	—	—	—	—
Short-term debt, net	—	(5,699	) (4,481	) —	(10,180
Revolving Facility borrowings	—	22,000	—	—	22,000
Revolving Facility reductions	—	(9,000	) (12,000	) —	(21,000
Repayment of Senior Subordinated Notes	—	—	—	—	—
Issuance of Preferred Shares	—	—	—	—	—
Principal payments on long term debt	—	(12	) —	—	(12
Supply chain financing	—	—	—	—	—
Proceeds from exercise of stock options	—	—	—	—	—
Purchase of treasury shares	—	—	—	—	—
Revolver facility refinancing	—	—	—	—	—
Other	(1,385	) —	—	—	(1,385
Net cash (used in) provided by financing activities	6,367	7,289	(16,481	) (7,752	) (10,577
Net (decrease) in cash and cash equivalents	—	(2,325	) (8,953	) —	(11,278
Effect of exchange rate changes on cash and cash equivalents	—	—	(294	) —	(294
Cash and cash equivalents at beginning of period	—	2,480	22,553	—	25,033
Cash and cash equivalents at end of period	\$—	\$155	\$13,306	\$—	\$13,461

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GRAFTECH INTERNATIONAL LTD. AND SUBSIDIARIES

(Unaudited)

Introduction to Part I, Item 2, and Part II, Item 1 and Item 1A

Important Terms. We define various terms to simplify the presentation of information in this Report. These terms, which definitions are incorporated herein by reference, are defined in “Part I – Preliminary Notes – Important Terms” of the Annual Report.

Presentation of Financial, Market and Legal Data. We present our financial information on a consolidated basis.

Unless otherwise noted, when we refer to dollars, we mean U.S. dollars.

Unless otherwise specifically noted, market and market share data in this Report are our own estimates or derived from sources described in “Part I – Preliminary Notes – Presentation of Financial, Market and Legal Data” in the Annual Report, which description is incorporated herein by reference. Our estimates involve risks and uncertainties and are subject to change based on various s, including those discussed under “Forward Looking Statements and Risks” in this Report and “Forward Looking Statements” and “Risk Factors” in the Annual Report. We cannot guarantee the accuracy or completeness of this market and market share data and have not independently verified it. None of the sources has consented to the disclosure or use of data in this Report.

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

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

Forward Looking Statements

Forward Looking Statements and Risks. This Report contains forward looking statements. In addition, we or our representatives have made or may make forward looking statements on telephone or conference calls, by webcasts or emails, in person, in presentations or written materials, or otherwise. These include statements about such matters as: our future, targeted or expected (or the impact of current, future, expected or targeted): operational and financial performance; changes in production capacity in our operations and our competitors' or customers' operations and the utilization rates of that capacity; growth rates for, prices and sales of, and demand for, our products and our customers' products; costs of materials and production, including increases or decreases therein, our ability to pass on any such increases in our product prices or impose surcharges thereon, or customer or market demand to reduce our product prices due to such decreases; changes in customer order patterns due to changes in economic conditions; productivity, business process and operational initiatives; our position in markets we serve; debt or equity financing and refinancing activities; divestitures, asset sales, investments and acquisitions and the performance of the businesses underlying such divestitures, acquisitions and investments; employment and contributions of key personnel; employee relations and collective bargaining agreements covering many of our operations; tax rates; capital expenditures and changes therein; nature and timing of restructuring and rationalization charges and payments; supply chain management; customer and supplier contractual provisions and related opportunities and issues; competitive activities; strategic plans, initiatives and business projects; regional and global economic and industry market conditions and, the timing and magnitude of changes in such conditions; interest rate management activities; currency rate management activities; deleveraging activities; rationalization, restructuring, realignment, strategic alliance, raw material and supply chain, technology development and collaboration, investment, acquisition, divestitures, asset sales, venture, operational, tax, financial and capital projects; legal proceedings, investigations, contingencies, and environmental compliance including any regulatory initiatives with respect to greenhouse gas emissions; consulting projects; and costs, working capital, revenues, business opportunities, debt levels, cash flows, cost savings and reductions, margins, earnings and growth. The words “will,” “may,” “plan,” “estimate,” “project,” “believe,” “anticipate,” “expect,” “intend,” “show,” “could,” “target,” “goal,” “continue to,” “positioned to” and similar expressions, or the negatives thereof, identify some of these statements.

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

factors. These factors include:

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GRAFTECH INTERNATIONAL LTD. AND SUBSIDIARIES

(Unaudited)

the possibility that additions to capacity for producing EAF steel, increases in overall EAF steel production capacity, and increases or other changes in steel production may not occur or may not occur at the rates that we anticipate or may not be as geographically dispersed as we anticipate;

the possibility that increases or decreases in graphite electrode manufacturing capacity (including growth by producers in developing countries), competitive pressures (including changes in, and the mix, distribution, and pricing of, competitive products), reduction in specific consumption rates, increases or decreases in customer inventory levels, or other changes in the graphite electrode markets may occur, which may impact demand for, prices or unit and dollar volume sales of graphite electrodes and growth or profitability of our graphite electrodes business;

the possible failure of changes in EAF steel production or graphite electrode production to result in stable or increased, or offset decreases in, graphite electrode demand, prices, or sales volume;

the possibility that a determination that we have failed to comply with one or more export controls or trade sanctions to which we are subject with respect to products or technology exported from the United States or other jurisdictions could result in civil or criminal penalties, denial of export privileges and loss of revenues from certain customers;

the possibility that, for all of our product lines, capital improvement and expansion in our customers' operations or increases in demand for their products may not occur or may not occur at the rates that we anticipate or the demand for their products may decline, which may affect their demand for the products we sell to them, which could affect our profitability and cash flows as well as the recoverability of our assets;

the possibility that assumptions related to future expectations of financial performance materially change and impact our goodwill and long-lived asset carrying values;

the possibility that our financial assumptions and expectations materially change as a result of government or state-owned government subsidies, incentives and trade barriers;

the possibility that current economic disruptions or other conditions may result in idling or permanent closing of blast furnace capacity or delay of blast furnace capacity additions or replacements which may affect demand and prices for our refractory products;

the possibility that continued global consolidation of the world's largest steel producers could impact our business or industry;

the possibility that average graphite electrode revenue per metric ton in the future may be different than current spot or market prices due to changes in product mix, changes in currency exchange rates, changes in competitive market conditions or other factors;

the possibility that price increases, adjustments or surcharges may not be realized or that price decreases may occur;

the possibility that current challenging economic conditions and economic demand reduction may continue to impact our revenues and costs;

the possibility that U.S., European, Chinese, or other governmental monetary or fiscal policy may adversely affect global economic activity and demand for our products;

the possibility that potential future cuts in defense spending by the United States government as a part of efforts to reduce federal budget deficits could reduce demand for certain of our products and associated revenue;

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(Unaudited)

the possibility that decreases in prices for energy and raw materials may lead to downward pressure on prices for our products and delays in customer orders for our products as customers anticipate possible future lower prices;

the possibility that customers may delay or cancel orders;

the possibility that we may not be able to reduce production costs or delay or cancel raw material purchase commitments;

the possibility that economic, political and other risks associated with operating globally, including national and international conflicts, terrorist acts, political and economic instability, civil unrest, community activism and natural or nuclear calamities might interfere with our supply chains, customers or activities in a particular location;

the possibility that reductions in customers' production, increases in competitors' capacity, competitive pressures, or other changes in other markets we serve may occur, which may impact demand for, prices of or unit and dollar volume sales of, our other products, the growth or profitability of our other product lines, or our position in such markets;

the possibility that we will not be able to hire and retain key personnel, maintain appropriate relations with unions, associations and employees or to renew or extend our collective bargaining or similar agreements on reasonable terms as they expire or do so without a work stoppage or strike;

the possibility that an adverse determination in litigation pending in Brazil involving disputes related to the proper interpretation of certain collectively bargained wage increase provisions applicable to both us and other employers in the Bahia region might result in the filing of claims against our Brazilian subsidiary;

the possibility of delays in or failure to achieve successful development and commercialization of new or improved Engineered Solutions products or that such products or solutions could be subsequently displaced by other products or technologies;

the possibility that we will fail to develop new customers or applications for our Engineered Solutions products or such new product applications will not be adopted by the market place;

the possibility that our manufacturing capabilities may not be sufficient or that we may experience delays in expanding or fail to expand our manufacturing capacity to meet demand for existing, new or improved products;

the possibility that we may propose acquisitions or divestitures in the future, that we may not complete the acquisitions or divestitures, and that investments and acquisitions that we may make in the future may not be successfully integrated into our business or provide the performance or returns expected or that divestitures may not generate the proceeds anticipated;

the possibility that challenging conditions or changes in the capital markets will limit our ability to undertake refinancing activities or obtain financing for growth and other initiatives, on acceptable terms or at all;

the possibility that conditions or changes in the global equity markets may have a material impact on our future pension funding obligations and liabilities on our balance sheet;

the possibility that the amount or timing of our anticipated capital expenditures may be limited by our financial resources or financing arrangements or that our ability to complete capital projects may not occur timely enough to adapt to changes in market conditions or changes in regulatory requirements;

the possibility that the actual outcome of uncertainties associated with assumptions and estimates using judgment when applying critical accounting policies and preparing financial statements;

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(Unaudited)

the possibility that we may be unable to protect our intellectual property or may infringe the intellectual property rights of others, resulting in damages, limitations on our ability to produce or sell products or limitations on our ability to prevent others from using that intellectual property to produce or sell products;

the occurrence of unanticipated events or circumstances or changing interpretations and enforcement agendas relating to health, safety or environmental compliance or remediation obligations or other compliance programs, labor relations, liabilities to third parties or legal proceedings;

the possibility that new or expanded regulatory initiatives with respect to greenhouse gas emissions could increase the capital intensive nature of our business and add to our costs of production;

the possibility that our provision for income taxes and effective income tax rate or cash tax rate may fluctuate significantly due to (i) changes in applicable tax rates or laws, (ii) changes in the sources of our income, (iii) changes in tax planning, (iv) new or changing interpretations of applicable regulations, (v) changes in profitability, (vi) changes in our estimate of our future ability to use foreign tax credits or other tax attributes, and (vii) other factors;

the possibility of changes in interest or currency exchange rates or in inflation or deflation;

the possibility that our outlook could be significantly impacted by, among other things, developments in North Africa, the Middle East, North Korea, and other areas of concern, the occurrence of further terrorist acts and developments resulting from the war on terrorism;

the possibility that interruption in our major raw material, energy or utility supplies due to, among other things, natural or nuclear disasters, process interruptions, actions by producers and capacity limitations, may adversely affect our ability to manufacture and supply our products or result in higher costs;

the possibility that the magnitude of changes in the cost of major raw materials, energy or utility suppliers by reason of shortages, changes in market pricing, pricing terms in applicable supply contracts, or other events may adversely affect our ability to manufacture and supply our products or result in higher costs;

the possibility of interruptions in production at our facilities due to, among other things, critical equipment failure, which may adversely affect our ability to manufacture and supply our products or result in higher costs;

the possibility that the anticipated benefits from rationalizations and other cost savings initiatives may be delayed or may not occur, may vary in cost or may result in unanticipated disruptions;

the possibility of security breaches affecting our information technology systems;

the possibility that our disclosure or internal controls may become inadequate because of changes in conditions or personnel or that those controls may not operate effectively and may not prevent or detect misstatements or errors;

the possibility that severe economic conditions may adversely affect our business, liquidity or capital resources;

the possibility that delays may occur in the financial statement closing process;

the possibility of changes in performance that may affect financial covenant compliance or funds available for borrowing; and

other risks and uncertainties, including those described elsewhere in this Report or our other SEC filings, as well as future decisions by us.

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(Unaudited)

Occurrence of any of the events or circumstance described above could also have a material adverse effect on our business, financial condition, results of operations or cash flows.

No assurance can be given that any future transaction about which forward looking statements may be made will be completed or as to the timing or terms of any such transaction.

All subsequent written and oral forward looking statements by or attributable to us or persons acting on our behalf are expressly qualified in their entirety by these factors. Except as otherwise required to be disclosed in periodic reports required to be filed by public companies with the SEC pursuant to the SEC's rules, we have no duty to update these statements.

For a more complete discussion of these and other factors, see "Risk Factors," in Part I, Item 1A of our 2014 Annual Report on Form 10-K.

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PART I (CONT'D)

GRAFTECH INTERNATIONAL LTD. AND SUBSIDIARIES

(Unaudited)

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

Global Economic Conditions and Outlook

Outlook. We are impacted in varying degrees, both positively and negatively, as global, regional or country conditions fluctuate.

Global growth for 2015 is projected at 3.1 percent by the International Monetary Fund (IMF) in its September 28, 2015 report, 0.3 percentage point lower than in 2014, and 0.2 percentage point below the forecasts in the July 2015 World Economic Outlook (WEO) Update. The report stated that prospects across the main countries and regions remain uneven. The recovery in advanced economies is expected to pick up slightly, while activity in emerging market and developing economies is projected to slow for the fifth year in a row. In an environment of declining commodity prices, reduced capital flows to emerging markets and pressure on their currencies, and increasing financial market volatility, downside risks to the outlook have risen, particularly for emerging market and developing economies.

In its October 21, 2015 report, the World Steel Association (WSA) reported that global steel production declined approximately 2.4 percent in the first nine months of 2015, as compared to the same period in the prior year. WSA reported that the industry's capacity-utilization rate recovered from August's low of 68% to 69.3%, its highest since June but still 3.8 percentage points lower than September 2014.

In its Short Range Outlook released on October 12, 2015, the WSA forecasts that global steel demand will decrease by 1.7 percent to 1,513 million tons in 2015 following growth of 0.7 percent in 2014. In 2016, it is forecast that world steel demand will show growth of 0.7 percent and will reach 1,523 million tons.

Based on these conditions, the Company does not expect a significant improvement in results for the remainder of 2015.

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GRAFTECH INTERNATIONAL LTD. AND SUBSIDIARIES

(Unaudited)

Results of Operations and Segment Review

Three Months Ended September 30, 2014 as Compared to the Periods July 1 Through August 15, 2015 (Predecessor) and August 15 Through September 30, 2015 (Successor).

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

Business Combination Accounting

As a result of business combination accounting resulting from our acquisition by Brookfield (see Note 2 "Preferred Share Issuance and Merger"), the Company's financial statements are separated into two distinct periods, the period before the consummation of the Brookfield transaction (labeled predecessor) and the period after that date (labeled successor), to indicate the the application of different basis of accounting between the periods presented. There were no operational activities that changed as a result of the acquisition of the predecessor. Additionally, the impacts of the change in basis were not material for the period August 15 through September 30, 2015.

(in thousands, except per share data and % change)	Predecessor		Successor	
	For the Three Months Ended September 30, 2014	For the Period July 1, 2015 Through August 14, 2015	For the Period August 15, 2015 Through September 30, 2015	
Net sales	\$260,458	\$65,598	\$94,591	
Cost of sales	242,814	64,187	85,600	
Gross profit	17,644	1,411	8,991	
Research and development	2,871	1,211	660	
Selling and administrative expenses	26,980	29,604	9,806	
Rationalizations	10,844	244	637	
Operating loss	(23,051	)—(29,648	) (2,112)
Other (income) expense, net	1,149	243	678	
Interest expense	9,069	9,002	3,701	
Interest income	(144	) (22	) (21)
Loss before provision for income taxes	(33,125	) (38,871	) (6,470)
(Benefit from) Provision for income taxes	1,818	3,353	833	
Net loss	\$(34,943	) \$(42,224	) \$(7,303)
Basic loss per common share:	\$(0.26	) \$(0.31	) N/A	
Diluted loss per common share:	\$(0.26	) \$(0.31	) N/A	

Net sales, by operating segment for the three months ended were as follows:

(in thousands, except % change)	Predecessor		Successor	
	For the Three Months Ended September 30, 2014	For the Period July 1, 2015 Through August 14, 2015	For the Period August 15, 2015 Through September 30, 2015	
Industrial Materials	\$208,573	\$51,925	\$74,080	
Engineered Solutions	51,885	13,673	20,511	
Total net sales	\$260,458	\$65,598	\$94,591	

Net sales. Net sales for our Industrial Materials segment decreased from \$208.6 million in the three months ended September 30, 2014 to \$51.9 million in the period July 1, 2015 through August 14, 2015 and \$74.1 million in the period August 15 through September 30, 2015. This decrease was driven primarily by a 27% decrease in volumes of our graphite

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(Unaudited)

electrode business caused by softening demand in the steel markets, particularly in Electric Arc Furnace ("EAF") environments. Our graphite electrode product line was also negatively impacted by a 8% decline in the weighted average selling prices compared to the same period of the prior year.

Net sales for our Engineered Solutions segment decreased from \$51.9 million in the three months ended September 30, 2014 to \$13.7 million in the period July 1, 2015 through August 14, 2015 and \$20.5 million in the period August 15, 2015 to September 30, 2015. The decrease in revenue was primarily driven by a 36% decrease in volumes for our thermal solutions serving the advanced consumer electronics markets as end-product demand has weakened. We also experienced a 22% decrease in volumes for our advanced graphite materials due, in part, to a customer that we served during the three months ended September 30, 2014 that filed for bankruptcy in the fourth quarter of 2014. Additionally, our advanced graphite materials volumes were negatively impacted by a decrease in demand from the oil and gas industries that we serve.

Cost of sales. We experienced decreases in cost of sales from \$242.8 million in the three months ended September 30, 2014 compared to \$65.6 million in the period July 1 through August 14, 2015 and \$85.6 million in the period August 15 through September 30, 2015. Lower volumes across both Industrial Materials and Engineered Solutions segments resulted in a reduction of \$47.3 million of cost. Rationalization related expenses within cost of sales have decreased by \$11.5 million as most of the larger initiatives are substantially complete. Decreases in the value of currencies in relationship to the US Dollar, primarily in the Euro region, benefited cost of sales by \$10.5 million in the 2015 periods as compared to the same period of 2014. The remaining reduction in cost was driven by our improved cost structure resulting from our rationalization initiatives.

Selling and administrative expenses. During the third quarter of 2015 we incurred an \$11.7 million charge to selling and general administrative expenses related to accelerated vesting of stock awards. See Note 4 "Stock Based Compensation". Additionally, we incurred \$8.4 million of total fees related to our proxy contest and acquisition by Brookfield. In the three months ended September 30, 2014, we incurred \$2.4 million proxy related fees.

Research and development expenses. Research and development expenses decreased from \$2.9 million in the three months ended September 30, 2014 to \$1.2 million in the period July 1, 2015 through August 14, 2015 and \$0.7 million in the period August 15 to September 30, 2015 due primarily to head count reductions that were implemented beginning in the fourth quarter of 2014 as well as overall cost control measures.

Rationalizations. Rationalization expense has decreased throughout 2015 as our significant rationalization plans announced during 2013 and 2014 have wound down. See Note 3 to the financial statements for further discussion of rationalization activities.

Interest Expense. Interest expense increased from \$9.1 million in the three months ended September 30, 2014 to \$9.0 million in the period July 1, 2015 through August 14, 2015 and \$3.7 million in the period August 15 to September 30, 2015 primarily due to the acceleration of interest expense related to the prepayment of our Senior Subordinated Notes totaling \$4.5 million that occurred in the predecessor period.

Segment operating income (loss). The following table represents our operating income (loss) by segment:

	Predecessor		Successor	
	For the Three Months Ended September 30, 2014	For the Period July 1, 2015 Through August 14, 2015	For the Period August 15, 2015 Through September 30, 2015	
	(Dollars in thousands)			
Industrial Materials	\$5,082	\$ (2,873)	) \$2,393	
Engineered Solutions	(12,445)	) (7,520)	) (550))
Total segment operating loss	\$ (7,363)	) \$ (10,393)	) \$1,843	
Corporate, R&D and Other Expenses	(15,688)) (19,255)) (3,955))
Total operating loss	\$ (23,051)) \$ (29,648)) \$ (2,112))

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(Unaudited)

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

	Predecessor		Successor	
	For the Three Months Ended September 30, 2014	For the Period July 1, 2015 Through August 14, 2015	For the Period August 15, 2015 Through September 30, 2015	
	(Dollars in thousands)			
Tax expense	\$1,818	\$3,353	\$833	
Pretax loss	(33,125)	) (38,871	) (6,470)
Effective tax rates	(5.5	)% (8.6	)% (12.9)%

For the period July 1, 2015 through August 14, 2015 and the period August 15, 2015 through September 30, 2015, the effective tax rate differs from the U.S. statutory rate of 35% primarily due to recent losses in the U.S. and Switzerland where we receive no tax benefit due to a full valuation allowance and worldwide earnings from various countries.

For the three months ended September 30, 2014, the effective tax rate differs from the U.S. statutory rate of 35% primarily due to the recording of a valuation allowance against U.S. net deferred tax assets. During the second quarter of 2014, GrafTech impaired certain long-lived assets and announced the exit of certain product lines within our AGM product group. See Note 2 to the financial statements. The impairment charges and other impairment related charges were incurred primarily in the U.S. As a result it is no longer sufficiently assured that it is more likely than not that we will generate sufficient future U.S. taxable income to realize our U.S. net deferred tax assets. As a result of recent losses, we recognized a \$57.0 million non-cash charge in the second quarter of 2014 to increase the valuation allowance against these deferred income tax assets. During the third quarter of 2014, we again incurred a loss in the U.S. As a result, a valuation allowance against the related deferred tax asset has been reflected in the quarterly effective tax rate. The recognition of the valuation allowance does not result in or limit our ability to utilize these tax assets in the future.

Nine Months Ended September 30, 2014 as Compared to the Periods January 1 Through August 15, 2015 (Predecessor) and August 15 Through September 30, 2015 (Successor)

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

Business Combination Accounting

As a result of business combination accounting resulting from our acquisition by Brookfield (see Note 2 "Preferred Share Issuance and Merger"), the Company's financial statements are separated into two distinct periods, the period before the consummation of the Brookfield transaction (labeled predecessor) and the period after that date (labeled successor), to indicate the application of different basis of accounting between the periods presented. There were no operational activities that changed as a result of the acquisition of the predecessor. Additionally, the impacts of the change in basis were not material for the period August 15 through September 30, 2015.

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(Unaudited)

(in thousands, except per share data and % change)	Predecessor	For the Period	Successor
	For the Nine Months Ended September 30, 2014	For the Period January 1, 2015 Through August 14, 2015	For the Period August 15, 2015 Through September 30, 2015
Net sales	\$825,433	\$437,931	\$94,591
Cost of sales	764,142	399,817	85,600
Gross profit	61,291	38,114	8,991
Research and development	8,544	5,556	660
Selling and administrative expenses	89,024	81,147	9,806
Rationalizations	11,761	4,507	637
Impairments	121,570	35,381	—
Operating income (loss)	(169,608)	) (88,477	) (2,112
Other expense, net	1,902	1,335	678
Interest expense	27,223	27,118	3,701
Interest income	(257)	) (367	) (21
Loss before provision for income taxes	(198,476)	) (116,563	) (6,470
Provision for income taxes	3,417	4,086	833
Net income (loss)	\$(201,893)	) \$(120,649	) \$(7,303
Basic income (loss) per common share:	\$(1.48)	) \$(0.88	) N/A
Diluted income (loss) per common share:	\$(1.48)	) \$(0.88	) N/A

Net sales, by reportable segment for the were as follows:

(in thousands, except % change)	Predecessor	For the Period	Successor
	For the Nine Months Ended September 30, 2014	For the Period January 1, 2015 Through August 14, 2015	For the Period August 15, 2015 Through September 30, 2015
Industrial Materials	\$634,004	\$341,974	\$74,080
Engineered Solutions	191,429	95,957	20,511
Total net sales	\$825,433	\$437,931	\$94,591

Net sales. Net sales for our Industrial Materials segment decreased from \$634.0 million in the nine months ended September 30, 2014 compared to \$342.0 million in the period January 1, 2015 through August 14, 2015 and \$74.1 million in the period August 15, 2015 through September 30, 2015. This decrease was driven by a 22% decrease in volumes in our graphite electrode business caused by softening demand in the steel markets, particularly in EAF environments. Our graphite electrode product line was also negatively impacted by \$30.1 million due to foreign currency rate declines primarily in the Euro region. Additionally, sales decreased due to a decrease in the weighted average sales prices of 6 percent during 2015.

Net sales for our Engineered Solutions segment decreased from \$191.4 million in the nine months ended September 30, 2014, compared to \$96.0 million in the period January 1, 2015 through August 14, 2015 and \$20.5 million in the period August 15, 2015 through September 30, 2015. The decrease in revenue was primarily driven by both decreased pricing and volumes for our thermal solutions serving the advanced consumer electronics markets. Sales of our AGM products decreased \$16.9 million driven by the non-recurrence of 2014 sales of high temperature furnace systems servicing a single customer that filed for bankruptcy in October 2014. We also experienced lower demand in our products serving the oil and gas drilling markets.

Cost of sales. Cost of sales decreased from \$764.1 million for the nine months ended September 30, 2014 compared to \$399.8 million in the period January 1, 2015 through August 14, 2015 and \$85.6 million in the period August 15,

2015 through September 30, 2015. Lower volumes across both Industrial Materials and Engineered Solutions segments resulted in a reduction of \$132.9 million of cost in 2015 as compared to the same period of 2014.
Rationalization related expenses

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GRAFTECH INTERNATIONAL LTD. AND SUBSIDIARIES

(Unaudited)

within cost of sales decreased by \$44.3 million in the nine months ended September 30, 2015 as compared to the same period of 2014 as most of the larger initiatives are substantially complete. Decreases in the value of currencies in relation to the US Dollar, primarily in the euro region, benefited cost of sales by \$33.4 million in the nine months ended September 30, 2015 as compared to the same period of 2014. The remaining reduction in cost was driven by our improved cost structure resulting from our rationalization initiatives.

Selling and general administrative. Selling and general administrative expenses increased from \$89.0 million in the nine months ended September 30, 2014 compared to \$81.1 million in the period January 1, 2015 through August 14, 2015 and \$9.8 million in the period August 15, 2015 through September 30, 2015. During 2015 we have incurred an \$11.7 million charge to selling and general administrative expenses related to accelerated vesting of stock awards. See Note 4 "Stock Based Compensation". Additionally, we have incurred \$13.4 million of total fees related to our proxy contest and acquisition by Brookfield. In the nine months ended September 30, 2014, we incurred \$3.0 million proxy related fees

Rationalizations. During the nine months ended September 30, 2015, we recorded a \$5.5 million charge for rationalizations, primarily related to severance and contract termination costs related to the closure of our Notre Dame, France facility. See Note 3 to the financial statements for further discussion of rationalization activities.

Impairments. During the second quarter of 2014 we recorded a \$121.6 million long-lived asset impairment charge related to rationalization initiatives in our Engineered Solutions segment resulting from deteriorated pricing and competitor responses for certain products. During the first quarter of 2015, we recorded a \$35.4 million goodwill impairment charge in our needle coke reporting unit resulting from price declines that were to take effect in the second quarter of 2015 as a result of over capacity in the industry.

Interest Expense. Interest expense increased from \$27.2 million in the nine months ended September 30, 2014 to \$27.1 million in the period January 1, 2015 through August 14, 2015 and \$3.7 million in the period August 15 to September 30, 2015 primarily due to the acceleration of interest expense related to the prepayment of our Senior Subordinated Notes totaling \$4.5 million that occurred in the predecessor period.

Segment operating income (loss). The results discussed above are reflected in our operating income (loss) by segment as follows:

	Predecessor		Successor
	For the Nine Months Ended September 30, 2014	For the Period January 1, 2015 Through August 14, 2015	For the Period August 15, 2015 Through September 30, 2015
	(Dollars in thousands)		
Industrial Materials	\$7,742	\$ (25,678	) \$2,393
Engineered Solutions	(131,704	) (15,368	) (550
Total segment operating loss	(123,962	) (41,046	) 1,843
Corporate, R&D and Other Expenses	(45,646	) (47,431	) (3,955
Total operating loss	\$(169,608	) \$(88,477	) \$(2,112

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

	Predecessor		Successor
	For the Three Months Ended September 30, 2015	For the Period January 1, 2015 Through August 14, 2015	For the Period August 15, 2015 Through September 30, 2015
	(Dollars in thousands)		
Tax expense	\$3,417	\$4,086	\$833
Pretax loss	\$(198,476) \$(116,563) \$(6,470

Effective tax rates	(1.7)%	(3.5)%	(12.9)%
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GRAFTECH INTERNATIONAL LTD. AND SUBSIDIARIES

(Unaudited)

For the period January 1, 2015 through August 14, 2015 and the period August 15, 2015 through September 30, 2015, the effective tax rate differs from the U.S. statutory rate of 35% primarily due to recent losses in the U.S. and Switzerland where we receive no tax benefit due to a full valuation allowance and worldwide earnings from various countries. The recognition of the valuation allowance does not result in or limit the Company's ability to utilize these tax assets in the future.

For the nine months ended September 30, 2014, the effective tax rate differs from the U.S. statutory rate of 35% primarily due to the recording of a valuation allowance against our U.S. deferred tax assets. During the second quarter of 2014, GrafTech impaired certain long-lived assets and announced the exit of certain product lines within our AGM product group. See Note 2 to the financial statements. The impairment charges and other impairment related charges were incurred primarily in the U.S. As a result it is no longer sufficiently assured that it is more likely than not that we will generate sufficient future U.S. taxable income to realize our U.S. net deferred tax assets. As a result of recent losses, we recognized a \$57.0 million non-cash charge in the second quarter of 2014 to increase the valuation allowance against these deferred income tax assets. During the third quarter of 2014, we again incurred a loss in the U.S. As a result, a valuation allowance against the related deferred tax asset has been reflected in the nine month effective tax rate. The recognition of the valuation allowance does not result in or limit our ability to utilize these tax assets in the future.

Effects of Changes in Currency Exchange Rates

When the currencies of non-U.S. countries in which we have a manufacturing facility decline (or increase) in value relative to the U.S. dollar, this has the effect of reducing (or increasing) the U.S. dollar equivalent cost of sales and other expenses with respect to those facilities. In certain countries where we have manufacturing facilities, and in certain instances where we price our products for sale in export markets, we sell in currencies other than the dollar. Accordingly, when these currencies increase (or decline) in value relative to the dollar, this has the effect of increasing (or reducing) net sales. The result of these effects is to increase (or decrease) operating profit and net income. Many of the non-U.S. countries in which we have a manufacturing facility have been subject to significant economic and political changes, which have significantly impacted currency exchange rates. We cannot predict changes in currency exchange rates in the future or whether those changes will have net positive or negative impacts on our net sales, cost of sales or net income. The fourth quarter decline of the Euro began to negatively affect our sales in 2014 and into 2015. We expect this trend to continue as long as the Euro is near or below current rates. These declines in price will be mostly offset by decreased costs incurred in the Euro region, however the cost decreases will not be realized as timely as the sales decreases. These currency fluctuations also impact the results of our Other Comprehensive Income.

For net sales of Industrial Materials, the impact of changes in the average exchange rates of other currencies against the U.S. dollar for the nine months ended September 30, 2015 was an decrease of \$30.1 million compared to the same period of 2014. The impact of the exchange rate changes on cost of sales of Industrial Materials for the nine months ended September 30, 2015 was a decrease of \$30.5 million compared to the same period of 2014. Changes in currency exchange rates decreased net sales of our Engineered Solutions segment by \$4.1 million and decreased cost of sales by \$3.0 million in the nine months ended September 30, 2015 as compared to the same period for 2014.

As part of our cash management, we also have intercompany loans between our subsidiaries. These loans are deemed to be temporary and, as a result, remeasurement gains and losses on these loans are recorded as currency gains / losses in other income (expense), net, on the Consolidated Statements of Operations.

The remeasurement of intercompany loans and the effect of transaction gains and losses on intercompany activities resulted in a loss of \$1.5 million in the nine months ended September 30, 2014 compared to a gain of \$0.9 million in the nine months ended September 30, 2015.

We have in the past and may in the future use various financial instruments to manage certain exposures to specific financial market risks caused by currency exchange rate changes, as described under "Part I, Item 3—Quantitative and

Qualitative Disclosures about Market Risk”.

Liquidity and Capital Resources

We believe that we have adequate liquidity to meet our needs. As of September 30, 2015, we had cash and cash equivalents of \$13.5 million, long-term debt of \$368.6 million, short-term debt of \$9.6 million and stockholder’s

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(Unaudited)

equity of \$841 million. We also have unused borrowing capacity under the Revolving Facility of \$297 million (after considering financial covenant restrictions and outstanding letters of credit of approximately \$7.4 million).

We use cash flow from operations and funds available under the Revolving Facility (subject to continued compliance with the financial covenants and representations under the Revolving Facility) as well as cash on hand as our primary sources of liquidity. The Revolving Facility is secured, and provides for maximum borrowings of up to \$375 million including a letter of credit sub-facility of up to \$50 million and is subject to certain conditions (including a maximum senior secured leverage ratio test). The Revolving Facility matures in April 2019. As of September 30, 2015, we had outstanding borrowings drawn from the Revolving Facility of \$110.3 million and outstanding letters of credit of \$7.4 million.

Under the Revolving Facility we have additional flexibility for investments, capital expenditures, acquisitions and restricted payments and we can issue letters of credit under the Revolving Credit Facility in an amount not to exceed \$50 million. We are permitted to pay dividends and repurchase our common stock in an aggregate amount (cumulative from April 23, 2014) up to \$75 million (or \$500 million, if certain leverage ratio requirements are satisfied), plus, each year, an aggregate amount equal to 50% of the consolidated net income in the prior year.

On February 27, 2015, GrafTech and certain of its subsidiaries entered into an Amended and Restated Credit Agreement that provides for, among other things, greater financial flexibility and a new \$40 million senior secured delayed draw term loan facility (the "Term Loan Facility"), which was fully drawn in August 2015.

On July 28, 2015, GrafTech and certain of its subsidiaries entered into an amendment to the Amended and Restated Credit Agreement to change the terms regarding the occurrence of a default upon a change in control (which is defined thereunder to include the acquisition by any person of more than 25 percent of GrafTech's outstanding shares) to exclude the acquisition of shares by Brookfield (see Note 2 to the Financial Statements). In addition, effective upon such acquisition, the financial covenants were eased, resulting in increased availability under the Revolving Facility. The size of the Revolving Facility was reduced from \$400 million to \$375 million.

The interest rate applicable to the Revolving Facility and the Term Loan Facility is LIBOR plus a margin ranging from 2.25% to 4.75% (depending on our total senior secured leverage ratio). The borrowers pay a per annum fee ranging from 0.35% to 0.70% (depending on our senior secured leverage ratio) on the undrawn portion of the commitments under the Revolving Facility. The new financial covenants require us to maintain a minimum cash interest coverage ratio ranging from 1.50 to 2.50 and a maximum senior secured leverage ratio ranging from 5.75 to 3.00, subject to adjustment over time.

Senior Notes

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

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

Senior Subordinated Notes

On November 30, 2010, in connection with the acquisition of Seadrift Coke LP and C/G Electrodes LLC, we issued Senior Subordinated Notes for an aggregate total face amount of \$200 million. These Senior Subordinated Notes were non-interest bearing and scheduled to mature in 2015. Because the Notes were non-interest bearing, we were required to record them at their present value (determined using an interest rate of 7%). The difference between the face amount of the Notes and their present value was recorded as debt discount. The debt discount was amortized using the imputed interest method, over the life of the Notes.

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(Unaudited)

On July 9, 2015, the Company provided notice to all holders of the Senior Subordinated Notes due November 30, 2015 of the Company, that, as permitted under the Notes, the Company intended to prepay in full the entire \$200,000,000 aggregate principal amount of the Notes after the Company's receipt of the proceeds of the issuance of Preferred Stock to Brookfield's affiliate. See Note 2 to the financial statements for further discussion of the Preferred Stock Issuance. This prepayment was consummated on August 11, 2015.

As of September 30, 2015, approximately 73% of our debt consisted of fixed rate or zero interest rate obligations compared to 92% as of December 31, 2014.

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

Certain of our obligations could have a material impact on our liquidity. Cash flow from operations and from financing activities services payment of our obligations, thereby reducing funds available to us for other purposes. As of September 30, 2015, we had \$297 million of unused borrowing capacity under the Revolving Facility (after considering financial covenant restrictions and outstanding letters of credit of approximately \$7.4 million). Potential uses of this capacity include capital expenditures, acquisitions, debt repayments, stock repurchases and other general purposes, including cash outflows related to rationalization activities. Continued volatility in the global economy may require additional borrowings under the Revolving Facility. An improving economy, while resulting in improved results of operations, could increase our cash requirements to purchase inventories, make capital expenditures and fund payables and other obligations until increased accounts receivable are converted into cash. A downturn could significantly and negatively impact our results of operations and cash flows, which, coupled with increased borrowings, could negatively impact our credit ratings, our ability to comply with debt covenants, our ability to secure additional financing and the cost of such financing, if available.

Based on expected operating results and expected cash flows, we expect to be in compliance with our existing financial covenants through December 31, 2015. The non-cash portion of rationalization charges do not affect the Company's liquidity or compliance with debt covenants.

In order to seek to minimize our credit risks, we reduce our sales of, or refuse to sell (except for cash on delivery or under letters of credit) our products to some customers and potential customers. In the current economic environment, our customers may experience liquidity shortages or difficulties in obtaining credit, including letters of credit. Our unrecovered trade receivables worldwide have not been material during the last 3 years individually or in the aggregate. We cannot assure you that we will not be materially adversely affected by accounts receivable losses in the future.

We manage our capital expenditures taking into account quality, plant reliability, safety, environmental and regulatory requirements, prudent or essential maintenance requirements, global economic conditions, available capital resources, liquidity, long-term business strategy and return on invested capital for the relevant expenditures, cost of capital and return on invested capital of the relevant segment and GrafTech as a whole, and other factors. We focus on growth capital expenditures which exceed our weighted average cost of capital. We prioritize projects with superior returns, which are often associated with high growth markets.

We had positive cash flow from operating activities during 2011, 2012, 2013, 2014 and through September 30, 2015. Although the global economic environment experienced significant swings in these periods, our working capital management and cost-control initiatives allowed us to remain operating cash flow positive in both times of declining and improving operating results. Additionally, we continually look at means to enhance our liquidity and believe that many options are available to us to enhance both our near and long term liquidity. We plan to further reduce our inventory levels which will provide additional cash flow and we may enter into accounts receivable factoring arrangements (\$50 million of which are permitted under the Revolving Facility).

Related Party Transactions. Mr. Nathan Milikowsky, a former director of GrafTech, and certain members of his immediate family and certain entities in which he and members of his immediate family have interests, were substantial equity owners of Seadrift and C/G prior to the acquisitions of those entities by the Company. In connection with those acquisitions, Mr. Milikowsky, his immediate family members and those entities received a portion of the aggregate consideration paid to the equity holders of Seadrift and C/G pursuant to the Seadrift Merger Agreement and the C/G Merger Agreement, which was comprised of shares of the Company's common stock, cash and Senior Subordinated Notes.

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(Unaudited)

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

Cash Flows.

The following table summarizes our cash flow activities:

	For the Nine Months Ended September 30, 2014	For the Period January 1, 2015 Through August 14, 2015	For the Period August 15, 2015 Through September 30, 2015
	(Dollars in millions)		
Cash flow provided by (used in):			
Operating activities	\$82.9	\$28.3	\$3.9
Investing activities	\$(63.0)	) \$(39.9	) \$(4.6
Financing activities	\$(20.2)	) \$20.8	\$ (10.6

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; post retirement obligations, severance and pension plan changes; and stock-based compensation charges;

- Gains and losses attributed to investing and financing activities such as gains and losses on the sale of assets and unrealized currency transaction gains and losses;

- Changes in operating assets and liabilities which reflect timing differences between the receipt and payment of cash associated with transactions and when they are recognized in results of operations.

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

During the nine months ended September 30, 2014, changes in working capital resulted in a net source of funds of \$48.6 million which was impacted by:

- net cash inflows in accounts receivable of \$29.7 million from the decrease in accounts receivable due to the timing and collection of customer sales and collections;

- the change in inventories of \$46.4 million due primarily to reduced volumes on hand;

- net cash outflows from decreases in accounts payable and accruals of \$11.1 million, due primarily to changes in tax accruals and payables; and

- a decrease in rationalization accruals of \$5.7 million, due primarily to severance payments.

Other uses of cash in the nine months ended September 30, 2014 included contributions to pension and other benefit plans of \$11.1 million.

During the period January 1 through August 14, 2015, changes in working capital resulted in a net source of funds of \$45.6 million which was impacted by:

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GRAFTECH INTERNATIONAL LTD. AND SUBSIDIARIES

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• net cash inflows in accounts receivable of \$61.0 million from the decrease in accounts receivable due to the timing and collection of customer sales and collections;

• net cash outflows from decreases in accounts payable and accruals of \$18.7 million, due primarily to changes in tax accruals and payables; and

• a decrease in interest expense of \$2.3 million.

During the period August 15 through September 30, 2015, there was no significant change to net working capital.

Investing Activities

Net cash used in investing activities was \$63.0 million during the nine months ended September 30, 2014 and included capital expenditures of \$69.3 million and proceeds from the sales of assets of \$4.1 million (including rationalization related scrap proceeds of \$1.0 million). During the nine months ended September 30, 2014, we received \$2.8 million of recoveries related to an insurance claim made for casualty losses related to productive equipment damaged in a fire.

Net cash used in investing activities was \$39.9 million during the period January 1 through August 14, 2015 and included capital expenditures of \$32.3 million and \$8.3 million related to cash settlements of derivative instruments. During the period August 15 through September 30, 2015 net cash used in investing activities was \$4.6 million resulting primarily from \$5.2 million of capital expenditures.

Financing Activities

Net cash flow used in financing activities was \$20.2 million during the nine months ended September 30, 2014, including \$9.5 million to reduce the outstanding balance under our supply chain financing agreement to zero. Net borrowings under our Revolving Facility and short term debt agreements resulted in a use of cash of \$11.0 million. Net cash inflow from financing activities was \$20.8 million during the period January 1 through August 14, 2015. We received \$150 million of cash as proceeds from our issuance of preferred shares and had net borrowings under our Revolving Facility and short term debt agreements resulted in a source of cash of \$79.5 million. These were offset by the \$200 million repayment of our Senior Subordinated Notes, \$5.1 million of credit facility refinancing fees and \$3.4 of preferred share issuance costs.

Restrictions on Dividends and Stock Repurchases

It has generally been the policy of our Board of Directors to retain earnings to finance strategic and other plans and programs, conduct business operations, fund acquisitions, meet obligations and repay debt. We did not pay any cash dividends in 2013, 2014 or 2015. We periodically review our dividend policy.

Under the Revolving Facility, in general, GrafTech is permitted to pay dividends and repurchase common stock in an aggregate amount (cumulative from April 23, 2014) up to \$75 million (or \$500 million, if certain leverage ratio requirements are satisfied) plus, each year, an aggregate amount equal to 50% of the consolidated net income in the prior year.

Recent Accounting Pronouncements

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

Description of Our Financing Structure

We discuss our financing structure in more detail in Note 9, "Debt and Liquidity" of the Notes to Consolidated Financial Statements.

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PART I (CONT'D)

GRAFTECH INTERNATIONAL LTD. AND SUBSIDIARIES

(Unaudited)

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to market risks primarily from changes in interest rates, currency exchange rates, energy commodity prices and commercial energy rates. We, from time to time, routinely enter into various transactions that have been authorized according to documented policies and procedures to manage these well-defined risks. These transactions relate primarily to financial instruments described below. Since the counterparties to these financial instruments are large commercial banks and similar financial institutions, we do not believe that we are exposed to material counterparty credit risk. We do not use financial instruments for trading purposes.

Our exposure to changes in interest rates results primarily from floating rate long-term debt tied to LIBOR or Euro LIBOR. Our exposure to changes in currency exchange rates results primarily from:

- sales made by our subsidiaries in currencies other than local currencies;
- raw material purchases made by our foreign subsidiaries in currencies other than local currencies;
- and

investments in and intercompany loans to our foreign subsidiaries and our share of the earnings of those subsidiaries, to the extent denominated in currencies other than the dollar.

Our exposure to changes in energy commodity prices and commercial energy rates results primarily from the purchase or sale of refined oil products and the purchase of natural gas and electricity for use in our manufacturing operations.

Currency Rate Management. We enter into foreign currency derivatives from time to time to attempt to manage exposure to changes in currency exchange rates. These foreign currency derivatives, which include, but are not limited to, forward exchange contracts and purchased currency options, attempt to hedge global currency exposures. Forward exchange contracts are agreements to exchange different currencies at a specified future date and at a specified rate. Purchased foreign currency options are instruments which give the holder the right, but not the obligation, to exchange different currencies at a specified rate at a specified date or over a range of specified dates. Forward exchange contracts and purchased currency options are carried at market value.

The outstanding foreign currency derivatives as of December 31, 2014 represented a net unrealized gain of \$0.9 million and a net unrealized loss of \$0.1 million as of September 30, 2015.

Energy Commodity Management. We periodically enter into commodity derivative contracts and short duration fixed rate purchase contracts to effectively fix some or all of our natural gas and refined oil product exposure. The outstanding contracts as of December 31, 2014 represented net unrealized loss of \$7.1 million and no net unrealized gains or losses as of September 30, 2015.

Interest Rate Risk Management. We periodically implement interest rate management initiatives to seek to minimize our interest expense and the risk in our portfolio of fixed and variable interest rate obligations.

We periodically enter into agreements with financial institutions that are intended to limit, or cap, our exposure to incurrence of additional interest expense due to increases in variable interest rates. These instruments effectively cap our interest rate exposure. We currently do not have any such instruments outstanding.

Sensitivity Analysis. We use sensitivity analysis to quantify potential impacts that market rate changes may have on the fair values of our foreign currency derivatives and our commodity derivatives. The sensitivity analysis represents the hypothetical changes in value of the hedge position and does not reflect the related gain or loss on the forecasted underlying transaction. As of September 30, 2015, a 10% appreciation or depreciation in the value of the U.S. dollar against foreign currencies from the prevailing market rates would result in a corresponding decrease of \$1.9 million or a corresponding increase of \$1.8 million, respectively, in the fair value of the foreign currency hedge portfolio.

Because of the high correlation between the hedging instrument and the underlying exposure, fluctuations in the value of the instruments are generally offset by reciprocal changes in the value of the underlying exposure.

We had no interest rate derivative instruments outstanding as of September 30, 2015. A hypothetical increase in interest rates of 100 basis points (1%) would have increased our interest expense by \$1.0 million for the nine months ended September 30, 2015.

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(Unaudited)

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures. Management is responsible for establishing and maintaining adequate disclosure controls and procedures at the reasonable assurance level. Disclosure controls and procedures are designed to ensure that information required to be disclosed by a reporting company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by it in the reports that it files under the Exchange Act is accumulated and communicated to management, including the chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of September 30, 2015. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that these controls and procedures are effective at the reasonable assurance level as of September 30, 2015.

Changes in Internal Controls over Financial Reporting. There have been no changes in our internal controls over financial reporting that occurred during the three months ended September 30, 2015 that materially affected or are reasonably likely to materially affect our internal controls over financial reporting.

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PART II. OTHER INFORMATION

GRAFTECH INTERNATIONAL LTD. AND SUBSIDIARIES

Item 1. Legal Proceedings

Additional information required by this Item is set forth in Note 12, “Contingencies” of the Notes to Consolidated Financial Statements and is incorporated herein by reference.

Item 1A. Risk Factors

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

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

On August 11, 2015, the Company issued 150,000 convertible preferred shares in a private placement transaction. No underwriter was involved. See Note 2.

Item 3. Defaults Upon Senior Securities

Not Applicable.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information.

None

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PART II. OTHER INFORMATION

GRAFTECH INTERNATIONAL LTD. AND SUBSIDIARIES

Item 6. Exhibits

The exhibits listed in the following table have been filed as part of this Report.

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

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: November 9, 2015

GRAFTECH INTERNATIONAL LTD.
By: /s/ Quinn J Coburn
Quinn J Coburn
Vice President and Chief Financial
Officer (Principal Financial Officer)