

GRAFTECH INTERNATIONAL LTD

Form 10-K/A

April 30, 2015

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K/A

(AMENDMENT NO. 1)

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
for the fiscal year ended December 31, 2014

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

27-2496053

(State or other jurisdiction of  
incorporation or organization)

(I.R.S. Employer

Identification Number)

Suite 300 Park Center Drive I

44131

6100 Oak Tree Boulevard

(Zip Code)

Independence, Ohio

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

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

Title of each class

Name of each exchange on which registered

Common stock, par value \$.01 per share

New York Stock Exchange

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

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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 definitions of "large accelerated filer," "accelerated filer," "non-accelerated filer" and

“smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer  Accelerated Filer  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

The aggregate market value of our outstanding common stock held by non-affiliates, computed by reference to the closing price of our common stock on June 30, 2014, was approximately \$1,328 million. On January 31, 2015, 136,817,315 shares of our common stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE - NONE

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#### EXPLANATORY NOTE

GrafTech International Ltd. (the "Company", "our", "we", or "us") filed its Form 10-K for the year ended December 31, 2014 (the "2014 Form 10-K") with the Securities and Exchange Commission (the "SEC") on March 2, 2015. Pursuant to General Instruction G(3) to Form 10-K, the Company incorporated by reference the information required by Part III of Form 10-K from our definitive proxy statement for the 2015 Annual Meeting of Shareholders (the "2015 Proxy Statement") that the Company expected to file with the SEC not later than 120 days after the end of the fiscal year covered by the 2014 Form 10-K. Because the definitive 2015 Proxy Statement will not be filed with the SEC before such date, the Company is filing this Amendment No. 1 to the 2014 Form 10-K (the "Form 10-K/A") to provide the additional information required by Part III of Form 10-K. This Form 10-K/A amends and restates in its entirety Items 10, 11, 12, 13, and 14 of Part III. In addition, in accordance with Rule 12b-15 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), Item 15 of Part IV of the 2014 Form 10-K has been amended and restated solely to include as exhibits new certifications by our principal executive officer and principal financial officer.

Except as expressly set forth herein, this Form 10-K/A does not reflect events occurring after the date of the 2014 Form 10-K filing or modify or update any of the other disclosures contained therein in any way other than as required to reflect the amendments discussed above. Accordingly, this Form 10-K/A should be read in conjunction with the 2014 Form 10-K and the Company's other filings with the SEC.

Table of Contents

PART III

|   |           |
|---|-----------|
| <u>Item 10 Directors, Executive Officers and Corporate Governance</u>   | <u>4</u>  |
| <u>Item 11 Executive Compensation</u>   | <u>11</u> |
| <u>Item 12 Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u> | <u>43</u> |
| <u>Item 13 Certain Relationships and Related Transactions, and Director Independence</u>                      | <u>44</u> |
| <u>Item 14 Principal Accounting Fees and Services</u>   | <u>46</u> |

PART IV

|  |           |
|--|-----------|
| <u>Item 15. Exhibits and Financial Statement Schedules</u> | <u>46</u> |
|--|-----------|

|                   |           |
|-------------------|-----------|
| <u>Signatures</u> | <u>48</u> |
|-------------------|-----------|

|                      |           |
|----------------------|-----------|
| <u>EXHIBIT INDEX</u> | <u>49</u> |
|----------------------|-----------|

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The following table sets forth information with respect to our current directors and director nominees, including their ages, as of April 20, 2015.

RANDY W. CARSON

Age: 64

Director Since: May 2009

Independent

Board Committees:  
Compensation Committee  
Nominating Committee

Current Public Company Directorships:  
Fairchild Semiconductor International, Inc.  
Nordson Corporation  
GrafTech International Ltd.

Prior Public Company Directorships:  
None

From 2000 to February 2009, Mr. Carson served as Chief Executive Officer-Electrical Group of Eaton Corporation, a diversified power management company with 2008 sales of \$15.4 billion. Eaton's Electrical Group is a global technology leader in electrical components and systems for power quality, distribution and control with 2008 revenues of approximately \$6.9 billion. Mr. Carson retired from Eaton in May 2009 following 10 years with the company. Prior to Eaton Corporation, Mr. Carson held several executive positions with Rockwell International. He was also Chairman of the National Electrical Manufacturers Association. Mr. Carson currently serves as a Director of Fairchild Semiconductor International, Inc. and Nordson Corporation, and serves on the audit committee of its Board of Directors. Our Board believes that Mr. Carson's deep operational experience in global industrial businesses enables him to provide unique common sense insight to the Board with respect to meeting marketplace challenges, implementing LEAN and other internal initiatives, integrating business units and anticipating and planning for commercial risks and uncertainties. Mr. Carson holds a Bachelor of Science degree in Electrical Engineering from Valparaiso University.

ROBERT J. CONRAD

Age: 55

Independent

Board Committees:  
None\*

Current Public Company Directorships:  
None

Prior Public Company Directorships:  
Mindspeed Technologies, Inc.

Mr. Conrad has served as Senior Vice President and General Manager, Automotive Microcontrollers at Freescale Semiconductor, Ltd., since October 2012. Mr. Conrad joined Freescale from Fairchild Semiconductor, where he ran the analog and low-voltage discrete business, along with technology development and strategy, serving as Senior Vice President of Strategy from September 2011 to October 2012, Executive Vice President of Mobile, Computing, Consumer and Communications from December 2007 to September 2011, Executive Vice President of Analog from May 2006 to December 2007, and Senior Vice President of Analog and Integrated Circuits from September 2003 to May 2006. Prior to that, Mr. Conrad served as Chief Executive Officer, President and Board member of Trebia Networks from April 2001 to March 2003, Vice President and Product Line Director of the DSP business at Analog Devices Inc. from April 1995 to March 2001, and in various engineering and business management positions at Texas Instruments Inc. from September 1979 to March 1995. Mr. Conrad holds a Bachelor of Science degree in Electrical and Computer Engineering from the University of Cincinnati.

Mr. Conrad was a director of Mindspeed Technologies, Inc. from August 2010 until the sale of the company in December 2013.

\*New Director Nominee



THOMAS A. DANJCZEK

Age: 67

Director Since: May 2014

Independent

Board Committees:

Audit Committee

Compensation Committee

Current Public Company Directorships:

GrafTech International Ltd.

Prior Public Company Directorships:

Globe Specialty Metals, Inc.

Mr. Danjczek served as Senior Advisor for the Steel Manufacturers Association (SMA) from November 2013 to December 2014. From February 1998 to November 2013, Mr. Danjczek served as President of the SMA and functioned as its Chief Executive, Operating, and Administrative Officer and a member of the Board and Executive Committee. Prior to joining SMA, Mr. Danjczek held various leadership positions at a number of public companies, including Wheeling-Pittsburgh Steel Corporation, Bethlehem Steel Corporation and Kaiser Steel Corporation. Mr. Danjczek served as Vice Chairman of the U.S. Industry Trade Advisory Committee (ITAC 12) and since 1999 has been an Advisor to the U.S. Trade Representative and Department of Commerce.

Mr. Danjczek serves on the Board of Walker Magnetics, a privately held controls manufacturer that services the scrap and steel industries, on the Board of Mineral Services Inc., a privately held raw materials supplier to the steel industry, and on the advisory board of Byer Steel Group, a privately held steel service center. Mr. Danjczek previously served as a Director of Globe Specialty Metals, Inc., from 2010 to May 2014, during which he was a member of its Audit Committee and Compensation Committee. Globe Specialty Metals is one of the world's largest producers of silicon metal and silicon-based specialty alloys serving major silicon chemical, aluminum and steel manufacturers. Mr. Danjczek holds a Bachelor of Science degree from Villanova University, a M.S. in Industrial Management from Purdue University and completed the University of Michigan's Manufacturing Executive Program.

JAMES O. EGAN

Age: 66

Independent

Board Committees:

None\*

Current Public Company Directorships:

PHH Corporation

New York & Company, Inc.

Prior Public Company Directorships:

Victor Technologies Group, Inc.

Mr. Egan has served as Non-Executive Chairman of the Board of Directors of PHH Corporation since 2009 and currently serves as a member of its Audit, Human Capital and Compensation, and Corporate Governance Committees. PHH is a leading non-bank mortgage originator and servicer of U.S. residential mortgage loans. Mr. Egan served as a Managing Director of Investcorp International, Inc., an alternative asset management firm specializing in private equity, hedge fund offerings and real estate and technology investments, from 1998 through 2008. Mr. Egan was the partner-in-charge, M&A Practice, U.S. Northeast Region for KPMG LLP from 1997 to 1998 and served as the Senior Vice President and Chief Financial Officer of Riverwood International, Inc. from 1996 to 1997. Mr. Egan began his career with PricewaterhouseCoopers (formerly Coopers & Lybrand) in 1971 and served as partner from 1982 to 1996 and a member of the Board of Partners from 1995 to 1996. Mr. Egan possesses over forty years of business experience involving companies of varying sizes from start-ups to Fortune 500 public companies operating across numerous industries, including global industrial manufacturing businesses. He has 25 years of public

\*New Director Nominee

accounting experience having served as lead audit partner involved in the audits of annual financial statements of numerous public companies. He also has ten years of private equity experience working with portfolio companies in the US and Europe to create shareholder value. Mr. Egan has served on numerous boards and related committees of both public and private companies. He currently serves as a Director of New York & Company, Inc., and as Chair of its Audit Committee. Mr. Egan holds a Bachelor of Science degree in Accounting from St. John's University.



KAREN FINERMAN

Age: 50

Director Since: May 2014

Independent

Board Committees:  
Nominating and Governance

Current Public Company Directorships:  
None

Prior Public Company Directorships:  
None

Ms. Finerman has served as a director of GrafTech since May 2014. Ms. Finerman is the CEO of Metropolitan Capital Advisors, a New York-based investment management firm that she co-founded in 1992. She was previously the Lead Research Analyst for the Risk Arbitrage department at DLJ Securities Corp. Ms. Finerman is a permanent panelist on CNBC's Fast Money. Ms. Finerman received her B.S. in Economics from the Wharton School of the University of Pennsylvania.

JOEL L. HAWTHORNE

Age: 50

Director Since: January 2014

Chief Executive Officer

Board Committees:  
None

Current Public Company Directorships:  
GrafTech International Ltd.

Prior Public Company Directorships:  
None

Mr. Hawthorne was elected to the Board and became Chief Executive Officer and President in January 2014. Previously, he was Vice President and President, Engineered Solutions since March 2011 and over the last three years led the segment to more than 20% annual sales growth rates through many successful new product introductions. Mr. Hawthorne joined GrafTech as a Director of Investor Relations in August 1999. During his time in Investor Relations, he was an integral part of the management team that turned the Company around. In January 2001, he was appointed Director of Electrode Sales & Marketing, United States and Canada and was promoted to Director of Electrode Marketing and Sales for the Americas in 2003. In October 2005, he was appointed Director Worldwide Marketing and Americas Sales. During this period, Mr. Hawthorne was instrumental in the development and execution of global sales and marketing strategies for the graphite electrodes business and a driving force in more than doubling sales to over \$1 billion. In January 2009, he was appointed Vice President, Global Marketing & Sales for Industrial Materials with responsibility for worldwide sales, strategy and tactical planning. Prior to joining GrafTech, Mr. Hawthorne spent over ten years in the steel industry with extensive financial and strategic planning experience including as Director of Strategic Planning for a major steel company. Mr. Hawthorne currently serves on the Board of Directors of CE National, Inc., a non-profit organization. Mr. Hawthorne holds a Bachelor of Science degree in Accounting and a Master of Science in Business Education from the University of Akron.

DAVID JARDINI

Age: 51

Director Since: May 2014

Independent

Mr. Jardini has served as a director of GrafTech since May 2014. Mr. Jardini co-founded C/G Electrodes with Nathan Milikowsky in 2003 and served as its President until it was sold to GrafTech in November 2010. He is currently Chairman of Black Diamond Investments, a diversified investment partnership focused on manufacturing and real

|                                       |  |
|---------------------------------------|--|
| Board Committees:                     |  |
| Audit Committee                       |  |
| Nominating and Governance Committee   |  |
| Current Public Company Directorships: | estate development, President of American Gas Lamp Works LLC, and Chairman of West Salisbury Foundry and Machine Company. Mr. Jardini has over 15 years of experience in the steel and graphite electrode businesses. Mr. Jardini holds a B.A. in Economics from Swarthmore College and a Masters and Ph.D in History from Carnegie Mellon University. |
| GrafTech International Ltd.           |  |
| Prior Public Company Directorships:   |  |
| None                                  |  |

NATHAN MILIKOWSKY

Age: 73

Director Since: May 2014

Independent

Board Committees: Audit Committee  
Compensation Committee

Current Public Company Directorships:  
GrafTech International Ltd.

Prior Public Company Directorships:  
GrafTech International Ltd.

Mr. Milikowsky has served as a director of GrafTech since May 2014 and previously from late 2010 until March 2013. He previously served as President of Seadrift Coke and Chairman and CEO of C/G Electrodes, which he formed in 2003, before selling these companies to GrafTech. In 2003, he led a group that purchased the closed St. Mary's, PA plant of the bankrupt predecessor and restarted the production of UHP graphite electrodes. Mr. Milikowsky has been involved in manufacturing and steel trading since 1969. Additionally, Mr. Milikowsky serves as Chairman of Premia Spine Ltd. Mr. Milikowsky is a graduate of Yale University.

M. CATHERINE MORRIS

Age: 57

Director Since: May 2014

Independent

Board Committees:  
Audit Committee

Current Public Company Directorships:  
GrafTech International Ltd.

Prior Public Company Directorships:  
None

Ms. Morris is the Senior Vice President and Chief Strategy Officer for Arrow Electronics, Inc., a leading global distributor of electronic components and computer products with more than \$22.8 billion in revenues. Ms. Morris has served in this position since 2008 and leads strategic initiatives for Arrow, including global merger and acquisition activity. Prior to her current position, Ms. Morris was President of Arrow's Enterprise Computing Solutions (ECS) business segment, with responsibility for managing Arrow's computer products business in North America and Europe, and which doubled in size to over \$5 billion in annual revenues under her leadership. Ms. Morris has over 25 years of experience in computer products and electronic components distribution and has held a number of senior leadership roles at Arrow, including Vice President of Support Services in North America, Vice President of Finance and Support Services for Arrow ECS, and Vice President of Corporate Development. Ms. Morris joined Arrow in 1994 through its acquisition of Anthem Electronics, where she served as Vice President of Finance and Corporate Controller. Prior to joining Anthem, Ms. Morris held various financial leadership roles in the banking and manufacturing industries.

JAMES A. SPENCER

Age: 61

Independent

Board Committees:  
None\*

Current Public Company Directorships:  
None

Prior Public Company Directorships:  
None

\*New Director Nominee

Mr. Spencer has served as Executive Vice President of Operations for Delphi Automotive PLC since 2013. Delphi is a leading global vehicle components manufacturer and provider of electrical and electronic, powertrain, active safety and thermal technology solutions to the global automotive and commercial vehicle markets. Mr. Spencer was previously Senior Vice President of Delphi and Sector President of Electrical and Electronics since February 2012. Prior to that, he was Vice President of Delphi and President of Delphi Electrical/Electronic Architecture since October 2009. Mr. Spencer was Vice President and President of Delphi Electrical/Electronic Architecture, formerly Packard Electric Systems, since 1999 and previously was President of Delphi Asia Pacific from 1999 to 2000. He also has served as President of Delphi Latin America since July 2006. As part of his operations responsibilities, Mr. Spencer oversees the global enterprise operating function. In that role, he is responsible for fully integrating the Delphi Operating System across the entire organization. In addition, as president of Delphi Latin America, Mr. Spencer is responsible for operations in Mexico, Argentina, Honduras and Brazil. Mr. Spencer began his automotive career in 1976 as a college-graduate-in-training with a General Motors (GM) division in Anderson, Indiana. He held numerous engineering and operations assignments at various GM facilities before being named executive vice president of the General Motors Korean joint venture, Daewoo-HMS Industries in 1989, based in Taegu, Korea. He returned to the United States in 1991 and held a number of positions that included customer director at the Chevrolet-Pontiac-GM of Canada Group and plant manager in Athens, Alabama. Mr. Spencer is a member of the Motor & Equipment Manufacturers Association (MEMA) board of directors. Mr. Spencer holds a Bachelor's degree in Business Administration from Hanover College and a Master's degree in Business Administration from Ball State University.

ROBERT F. WEBER, JR.

Age: 60

Independent

Board Committees:  
None\*

Current Public Company Directorships:  
None

Prior Public Company Directorships:  
None

\*New Director Nominee

Mr. Weber has served as Vice Chairman, Chief Financial Officer and Treasurer of Woodward, Inc., since September 2011, and Chief Financial Officer and Treasurer since August 2005. Woodward is an independent designer, manufacturer, and service provider of energy control and optimization solutions. Prior to August 2005, Mr. Weber was employed at Motorola, Inc. for 17 years, where he held various positions, including Corporate Vice President and General Manager-EMEA Auto. Prior to this role, Mr. Weber served in a variety of financial positions at both a corporate and operating unit level with Motorola. Before joining Motorola, Mr. Weber served as Senior Manager at KPMG (Peat Marwick) in Chicago. Mr. Weber holds a Bachelor of Science degree in Accounting from Bowling Green State University and an MBA from the University of Chicago.

#### Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires GrafTech's directors and officers and beneficial owners of more than 10% of the outstanding shares of our common stock to file with the SEC initial reports of ownership, and reports of changes in ownership, of our common stock and other equity securities. We believe that, during 2014, all of our directors and officers and beneficial owners of more than 10% of the outstanding shares complied with all reporting requirements under Section 16(a).

#### Structure of the Board

Under our by-laws, the Board fixes the size of the Board, so long as the number of directors is not less than three or more than fifteen. The Board currently consists of seven members, each of whom the Board has determined to be an independent director (within the meaning of the listing standards of the NYSE), except for Mr. Hawthorne, who is a GrafTech employee. Effective upon due election and qualification of directors at the 2015 annual meeting of stockholders (the "2015 Annual Meeting"), the number of directors constituting our Board shall be nine.

The Board has determined that, to be considered independent, an outside director may not have a material relationship with the Company (directly or as a partner, stockholder or officer of an organization that has a relationship with the Company). In determining whether a material relationship exists, the Board considers, among other things, whether a director or a member of his or her immediate family received in any 12-month period during the past three years more than \$120,000 in direct compensation from the Company (other than director fees and pension or other deferred compensation for prior service), whether the director has in the last three years been a Company employee (or whether a member of the director's immediate family has in the last three years been a GrafTech executive officer), whether the director or a member of the director's immediate family is or has been affiliated with a current or former auditor of GrafTech, and whether the director is or has been part of an interlocking directorate. The Board consults with GrafTech's counsel to ensure that the Board's determinations are consistent with all relevant securities and other laws and regulations regarding the definition of "independent director," including those set forth in the listing standards of the NYSE.

The Board selects the Chairperson of the Board following each annual meeting of stockholders. Subject to election as such by the Board following the 2015 Annual Meeting, Mr. Carson, who is an independent director and who has been our Chairman since 2014, is expected to become our Chairperson following the 2015 Annual Meeting.

Our Board has established three standing committees, the Audit and Finance Committee, or the Audit Committee, the Nominating and Governance Committee, or the Nominating Committee, and the Organization, Compensation and Pension Committee, or the Compensation Committee, and periodically establishes other committees, in each case so that certain important matters can be addressed in greater depth than may be possible in a meeting of the entire Board. Under our Governance Guidelines and the committee charters described below, members of the three standing committees must be independent directors within the meaning of the listing standards of the NYSE. Further, members of the Audit Committee must be independent directors within the meaning of the Sarbanes-Oxley Act of 2002, must satisfy the expertise requirements of the listing standards of the NYSE, as required by the committee's charter, and must include an audit committee financial expert within the meaning of the SEC rules. Our Board has determined that the three standing committees currently consist of members who satisfy such requirements. The members of the Audit Committee are Messrs. Danjczek and Jardini and Ms. Morris, each of whom have been designated by our Board as an "audit committee financial expert" within the meaning of the SEC rules under the Sarbanes-Oxley Act of 2002.

#### Board Leadership Structure and Separation of Chair and CEO Roles

Our Board believes it is in the best interests of the Company and its stockholders that the Board make its own determinations, based on all of the then current facts and circumstances, regarding whether to separate the roles of Chairperson and Chief Executive Officer and whether our Chairperson, if not the Chief Executive Officer, should be an independent director. While separation of those roles relates to corporate governance, it also relates to succession planning and our Board believes it is in the best interests of GrafTech and our stockholders for the Board to make a determination with respect to this matter on a case-by-case basis as part of succession planning.

Subsequent to the 2014 annual meeting of stockholders, the role of Chairperson of the Board and Chief Executive Officer were separated and Mr. Carson became our Chairman. The Board believes the current leadership structure is appropriate given the Company's and the Board's current needs.

#### The Board's Role in Risk Oversight

The Board and its committees are actively involved in overseeing the assessment and management of risk for the Company. The Board receives reports from each committee chair regarding the committee's considerations and actions. The risk oversight process includes receiving regular reports from members of senior management on areas of material risk, including operational, financial, legal and regulatory, and strategic and reputational risks, and on the Company's processes regarding enterprise risk management. Our Governance Guidelines and Nominating Committee Charter provide, among other things, that the Board as a whole should possess as one of its competencies the ability to assess business risk.

Under principles articulated by the NYSE, it is the job of the Chief Executive Officer and senior management to assess and manage our Company's exposure to risk, and our Audit Committee must discuss guidelines and policies to govern the process by which this is handled. The duties of our Audit Committee include, with respect to financial affairs, the identification, assessment and management of financial risks and uncertainties, such as:

Reviewing with management and the independent registered public accounting firm our financial reporting risk assessment and management policies and practices, including related corporate approval requirements and internal auditing systems, and initiatives to minimize related risks;

Discussing guidelines and policies to govern the process by which risk assessment and management is undertaken;

Reviewing with management our compliance with covenants under debt securities and credit facilities;

Reviewing contingencies that could reasonably be expected to have significant impact on financial performance or condition; and

Reviewing with the General Counsel all legal matters that could reasonably be expected to have a significant impact on financial condition or performance.

We maintain an internal audit function, which reports directly to the Audit Committee, to provide management and the Audit Committee with ongoing assessments of our risk management processes and system of internal control.

The Audit Committee Charter provides that the duty and responsibility of the Audit Committee and each of its members is one of oversight and neither the Audit Committee nor any of its members has any duty or responsibility to, among other things, guarantee or provide other assurances that there are no financial risks or uncertainties or that such risks or uncertainties have been reduced or eliminated.

#### Meetings of the Board

Each director is expected to attend Board meetings and the meetings of those committees of the Board of which he or she is a member, and to spend the time necessary to properly discharge his or her respective duties and responsibilities. During 2014, the Board met 22 times and each director who was then serving attended at least 75% of the total number of meetings of the Board and the committees of which he or she was a member. Directors are encouraged, but not required, to attend our annual meetings of stockholders.

|  | Number of Members | Independence | Number of Meetings During Fiscal Year 2014 |
|--|-------------------|--------------|--|
| Full Board of Directors                          | 7                 | 85%*         | 22   |
| Audit and Finance Committee                      | 3                 | 100%         | 7  |
| Organization, Compensation and Pension Committee | 3                 | 100%         | 9  |
| Nominating and Governance Committee              | 3                 | 100%         | 7  |

\*All of the members of our board are independent, other than our Chief Executive Officer.

#### Committees of the Board

A description of the functions of each standing committee is set forth below. A list of the members of each standing committee at March 1, 2015 is also set forth below. All committees have the authority to retain and pay advisors and conduct investigations without further approval of the Board or management. All such advisors shall report and be responsible directly to the committee which retains them, including the independent registered public accounting firm, which is required to be retained by and be responsible directly to the Audit Committee.

#### Board and Committee Charters

The Board adopted our Governance Guidelines and a written charter for each committee that, at a minimum, are intended to satisfy the listing standards of the NYSE and that are reviewed by the Board annually. Our Governance Guidelines and charters cover such matters as purpose and powers, composition, meetings, procedures, required responsibilities and discretionary activities which the Board or the appropriate committee should periodically consider undertaking. Each committee is authorized to exercise all power of the Board with respect to matters within the scope of its charter.

Our Governance Guidelines and each of the standing committee charters are available on our website at <http://www.graftech.com/CORPORATE-INFO/Corporate-Governance.aspx>. The information contained on our website is not part of this annual report.

Our Governance Guidelines and the committee charters are not intended to, and do not, expand or increase the duties, liabilities or responsibilities of any director under any circumstance beyond those that a director would otherwise have under applicable laws, rules and regulations.

#### Corporate Governance

Our Governance Guidelines provide, among other things, that:

a majority of the directors shall be independent within the meaning of the listing standards of the NYSE;





if a member of the Audit Committee simultaneously serves on an audit committee of more than three public companies, our Board must determine that such simultaneous service would not impair the ability of such member to effectively serve on the Audit Committee;

no director will be nominated for election or re-election if he or she would be age 74 or older at the time of election;

the Board shall meet in regular sessions at least six times annually (including telephonic meetings and the annual retreat described below);

the Board shall have an annual extended retreat with executive officers at which there will be a full review of financial statements and financial disclosures, long-term strategies, plans and risks, and current developments in corporate governance; and

non-management directors will meet in executive session at least once annually.

Mr. Hawthorne is the only member of management who serves as a GrafTech director. All of our non-management directors are independent under NYSE listing standards. Our independent directors meet in executive session in connection with our regular Board meetings.

#### Communications with Non-Management Directors

Our Governance Guidelines require the Board, in consultation with the General Counsel, to establish a means for stockholders and employees to communicate with non-management directors and to disclose the name of director who presides at meetings of non-management directors and who will ultimately receive such communication, and the means for such communication in the annual proxy statement. A majority of the non-management directors choose the Chairman of the Board as director who presides at the meetings of non-management directors. Randy W. Carson is currently serving as Chairman of the Board.

Stockholders, employees and other interested parties (including those who are not stockholders or employees) may make any such communications to the Chairman of the Board and should direct them to M. Ridgway Barker, Withers Bergman LLP, 157 Church Street, New Haven, Connecticut 06502, (203) 789-1320 (phone), (203) 785-8127 (fax), and [mr.barker@withersworldwide.com](mailto:mr.barker@withersworldwide.com). Mr. Barker will forward all such communications to the Chairman of the Board if they relate to substantive matters and include suggestions or comments that he considers important for the Chairman of the Board to know. Generally, communications relating to corporate governance and long-term corporate strategy are more likely to be forwarded than communications relating to ordinary business affairs or personal grievances or communications which are repetitive or duplicative.

#### Code of Conduct and Ethics

We have had for many years a Code of Conduct and Ethics. Our Code of Conduct and Ethics applies to all employees, including senior executives and financial officers, as well as to all directors. It is intended, at a minimum, to comply with the listing standards of the NYSE, as well as the Sarbanes-Oxley Act of 2002 and the SEC rules adopted thereunder. A copy of our Code of Conduct and Ethics is available on our website at <http://www.graftech.com/CORPORATE-INFO/Corporate-Governance.aspx>. The information contained on our website is not part of this annual report. Only the Board or the Audit Committee may waive the provisions of our Code of Conduct and Ethics with respect to executive officers and directors. Any such waivers will be posted on our website.

#### Item 11. EXECUTIVE COMPENSATION

##### Compensation Discussion and Analysis

We have designed a compensation program for our named executive officers that is driven by our strategic goals with the primary emphasis on paying for performance. This section of this annual report describes the executive compensation program and explains the compensation policies and decisions of the Compensation Committee with respect to our named executive officers. The compensation program for these employees primarily consists of a base salary, cash incentive awards and equity awards.

During 2014, our named executive officers were:

Joel L. Hawthorne, President and Chief Executive Officer, beginning January 17, 2014 (previously President, Engineered Solutions)

Craig S. Shular, Chairman, President and Chief Executive Officer, until January 17, 2014, and Executive Chairman, until May 21, 2014

Erick R. Asmussen, Vice President and Chief Financial Officer

Darrell A. Blair, President, Industrial Materials, beginning November 1, 2014

Petrus J. Barnard, Vice President and President, Industrial Materials, until November 1, 2014

Lionel D. Batty, President, Engineered Solutions, beginning January 17, 2014

John D. Moran, Vice President, General Counsel and Secretary

Executive Summary

Leadership Changes

In January 2014, Mr. Hawthorne was promoted from President, Engineered Solutions to Chief Executive Officer when Mr. Shular retired from that position. Mr. Hawthorne joined our financial team as Director of Investor Relations in 1999. During his time in Investor Relations, he was an integral part of the management team that turned around the Company. As part of this team, he played a key role in various equity, bond and bank debt offerings. In 2001, he moved into operations as Director of Electrode Sales & Marketing, United States and Canada. In 2003, he was promoted to Director of Electrode Marketing and Sales for the Americas and, in 2005, he was appointed Director of Worldwide Marketing and Americas Sales. During this period, he was instrumental in the development of global sales and marketing strategies and execution for the graphite electrodes business and a driving force in more than doubling sales to over \$1 billion. In 2009, Mr. Hawthorne was appointed as Vice President, Global Marketing & Sales, Industrial Materials, with responsibility for worldwide sales, strategy and tactical planning. In 2011, Mr. Hawthorne was promoted to President, Engineered Solutions and for three years he led the segment to more than 20% annual sales growth rates through many successful new product introductions.

In January 2014, Mr. Shular retired as Chief Executive Officer and President and became the Company's executive Chairman, a position that he held until May 21, 2014.

In January 2014, Lionel Batty was promoted to President, Engineered Solutions after over 30 years with the Company, including service as President of the graphite electrode business for the prior two years.

In November 2014, Darrell Blair was promoted from Vice President-Global Sales, for the graphite electrode business, to President, Industrial Materials. Mr. Blair joined the Company in 1980 at its facility in Columbia, Tennessee. His extensive commercial, operations, and customer technical service experience includes international assignments in Puerto Rico, Mexico, Singapore, Hong Kong, and, for the past eleven years, Switzerland. Mr. Blair's appointment followed the retirement of Dr. Pieter Barnard, the segment's former President, effective November 1, 2014, after a 42-year career spanning three continents and a multitude of roles.

Compensation Framework

We provide an executive compensation program that is focused on promoting performance and long-term stockholder value. The design and operation of the program reflect the following objectives:

Driving long-term financial and operational performance that will deliver value to our stockholders, including through incentives that drive return based performance, propel growth, and increase stockholder value.

Attracting and retaining talented executive leadership.

Providing competitive pay opportunities relative to equivalent positions with other global companies of comparable size and complexity as well as within the Company.

Motivating executives to achieve or exceed Company and individual performance goals that are difficult to achieve.

Aligning the interests of our executives with those of our stockholders by encouraging equity ownership.

Our executive compensation program emphasizes pay for performance through annual cash incentive and long-term incentive programs, which collectively are the majority of our named executive officers' targeted annual compensation. The annual cash incentive (bonus) plan and a substantial portion of the long-term incentive (equity incentive) plan only provide value if specific pre-established financial and performance goals are achieved. Achievement of such goals requires diligent management focus and significant effort. In addition, our executives receive base salaries based on competitive market data, individual performance and other factors, as well as retirement and other customary welfare benefits.



## Performance Summary

For the past 18 months, we have been driving change throughout the organization to build sustainable operating leverage and dramatically improve results in the face of a difficult and demanding environment in our Industrial Materials segment and market headwinds in our Engineered Solutions segment. Specifically, we took the following actions:

Launched and successfully completed an ongoing Company-wide cost savings program, aimed at achieving total annual cost savings of more than \$120 million (approximately \$100 million of which are cash savings -approximately 10 percent of annual sales) and directly improving EBITDA.

Optimized the graphite electrode manufacturing platform by rationalizing the two highest cost manufacturing sites through, among other things, total company headcount reductions of approximately 20 percent, which will reduce annual capital expenditures by approximately \$10 million.

Simplified the operating and management structure to decentralize the organization, accelerate decision-making, and improve responsiveness to changes in customer demand.

- Redesigned the Company's research and development function to accelerate innovation for new product development and commercial introduction and to maximize the efficiency of development costs.
  - Downsized the Company's corporate functions, including headcount and other SG&A reductions, by approximately 20 percent.
  - Rationalized and streamlined under-performing product lines.
  - Increased borrowing capacity by over \$125 million in the past nine months.
  - Reduced inventory significantly, generating approximately \$80 million of cash in 2014.
- Continued development of new products, which contributed approximately 30 percent of the revenue in the Engineered Solutions segment in 2014, and will provide long-term value creation for the Company and its stockholders.

## Summary Analysis of Competitive Levels of Pay, Dilution, and Stock Ownership Guidelines

In its 2014 review of the compensation levels of our named executive officers and use of equity awards as incentives, the Compensation Committee's independent compensation consultant (Mercer) concluded that:

In the aggregate, our base salary levels (without regard to temporary salary reductions) and target total cash compensation are competitive to market median levels compared to our Compensation Peer Group, although some variability exists from position to position.

Total direct compensation opportunities for the named executive officers are competitive, with levels at 93% of the market median. We generally consider compensation to be competitive if it falls within a range of 90% to 110% of the market median for base salary and total target cash compensation and 85% to 115% for total direct compensation.

Overall, both actual total cash and actual total direct compensation for our named executive officers were significantly below market levels due to no bonus payout for 2013 performance.

Our dilution and run rate levels are at or below the 25th percentile of the Compensation Peer Group (described below under "Peer Groups-Compensation Peer Group").

Our named executive officers are in compliance with our stock ownership guidelines, which are generally aligned with Compensation Peer Group levels.

## 2014/2015 Compensation Decisions

The following summary highlights the Compensation Committee's key compensation decisions effective for 2014:

To address the difficult global economic conditions we faced in 2014, management once again recommended, and the Board and the Compensation Committee determined to make, no upward adjustments to our named executive officers' salaries in 2014 other than in connection with promotions to positions of greater responsibility. This is the third consecutive year that no such upward adjustments were made (other than due to promotions).

In October 2014, we suspended the non-qualified matching allocations and non-qualified retirement contributions for our named executive officers and certain other corporate officers.

We established stretch goals for our 2014 annual cash incentive (bonus) program:

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At management's recommendation, the Compensation Committee approved an annual bonus program for 2014 under which target performance would result in payouts at 25% of an individual's targeted bonus (instead of 100%) and threshold performance would result in no payout.

This recommendation was based on the challenging economic environment the Company was facing and in recognition that the annual business plan targets were lower than actual 2013 results.

Our 2014 performance resulted in no payouts for our named executive officers.

The following summary highlights the Compensation Committee's key compensation decisions effective for 2015:

Upon management's recommendation, the base salaries of our named executive officers were temporarily reduced by 10% for the CEO and 5% for the other named executives and certain other corporate officers effective in 2015.

For our 2015 annual bonus program, we adopted performance measures based 50% on business unit Operating Income and 50% based on Company-as-a whole Operating Income. In our 2013 and 2014 annual bonus programs, performance measures were based on EBIT/Operating Income (50%) and Free Cash Flow (50%). The change is intended to support our drive to simplify our operating and management structure, decentralize the organization, accelerate decision-making, and improve responsiveness to changes in customer demand.

In selecting the performance measures for performance share units awarded in 2014 under our long-term incentive plan for the performance period 2015-2017:

The Compensation Committee decided that Total Shareholder Return (TSR) and Free Cash Flow were effective measures to align incentives with Company performance and stockholder value.

The Compensation Committee also believed that those performance measures reflect the full impact of acquisitions and capital allocation decisions.

#### 2014 Stockholder Vote on Executive Compensation

At the 2014 annual meeting of stockholders, in connection with a non-binding advisory vote by stockholders, our executive compensation was approved by approximately 93% of the votes cast.

#### Reaction to Shareholder Say on Pay Vote

In connection with reviewing our executive compensation programs for 2015, the Compensation Committee considered the favorable results of the advisory votes from prior annual meetings of stockholders, as well as feedback from institutional investors. Taking those considerations into account, the Compensation Committee took the actions described above to further reinforce the objectives of our performance based compensation

We are committed to pay for performance. With respect to our named executive officers, this is demonstrated, with limited exceptions (1) by three consecutive years of base salary freezes, (2) no annual bonus payments, (3) no long-term incentive payouts, (4) temporary salary reductions, and (5) reductions in benefits.

The Compensation Committee will continue to focus on responsible executive compensation practices that attract, motivate and retain high performance executives, that reward those executives for the achievement of short-term and long-term performance, that support our other executive compensation objectives (including long-term career development and retention goals), that drive return based performance and propel growth and increases in stockholder value, and that take into consideration feedback from our stockholders.



### Executive Compensation Philosophy and Approach

Our philosophy is to provide market competitive pay for achieving targeted results. We target named executive officer total direct compensation packages that are competitive against the median compensation for equivalent positions with other global corporations of comparable size and complexity that comprise our Compensation Peer Group described below under “Peer Groups-Compensation Peer Group.” We believe that a median target provides a sufficiently competitive compensation opportunity to attract, retain and motivate our executives in a manner that enhances stockholder value. We also emphasize a pay-for-performance approach and structure our compensation program so that a significant proportion of total compensation is variable in the form of annual and long-term performance-based incentive compensation. The majority of the annual total direct compensation opportunity of our named executive officers presently employed is “at risk” as illustrated (based on 015 base salaries, not taking into account temporary salary reductions, and incentive targets) by the following table:

#### Total Targeted Direct Compensation

|                   | Salary | ICP | EIP | Total |
|-------------------|--------|-----|-----|-------|
| Joel L. Hawthorne | 19%    | 19% | 62% | 100%  |
| Erick R. Asmussen | 32%    | 21% | 47% | 100%  |
| Lionel D. Batty   | 32%    | 21% | 47% | 100%  |
| Darrell A. Blair  | 32%    | 21% | 47% | 100%  |
| John D. Moran     | 35%    | 20% | 45% | 100%  |

Our performance measures are set at target levels that are expected to be achieved, but represent a level of difficulty that requires diligent management focus and attention and does not ensure value if our stretch performance objectives are not attained. Our named executive officers are required to devote significant effort and produce significant results to attain payment for performance at, or above, our goals. Annual incentives include business unit objectives for positions that require the management of business units and corporate objectives for other positions.

We also evaluate individual performance based on pre-established criteria, which we use in establishing base salary levels and for making negative adjustments to annual cash incentive awards. A portion of our long-term incentive opportunities are equity awards that realize value based on performance over a designated period. We believe that these criteria align the interests of our named executive officers with the interests of GrafTech and its stockholders and that achievement of the criteria will enhance stockholder value. Specifically, the Compensation Committee reviews: the competitiveness of the current compensation levels of our named executive officers; our pay and performance relative to those of our peer organizations; typical market practices surrounding short- and long-term incentive programs; dilution and run-rate levels at GrafTech and our peer organizations; and our share ownership guidelines compared to peers.

We encourage retention and long-term value creation by offering long-term incentives that can be earned or vested over several years as well as a competitive package of benefits. In order to align our key executives’ interests with those of our stockholders, we grant equity interests and encourage ongoing stock retention by our named executive officers, all of whom are subject to minimum ownership guidelines.

The Compensation Committee reviews the following compensation elements for each named executive officer: base salary; annual cash and long-term equity incentive compensation levels; retirement; health, life, and disability insurance; and vacation. The Compensation Committee considers each individual named executive officer’s level and complexity of responsibility, experience and skills, and performance in his or her position over time in considering changes to that named executive officer’s total compensation opportunity. Our management provides the Compensation Committee with tally sheets that include an analysis of the total compensation paid to, and other information with respect to, each named executive officer and information concerning the performance of such named executive officer. The tally sheets are used to benchmark the named executives’ compensation against the Compensation Peer Group. Together with evaluations of the executives’ performance, the tally sheets are also used to develop recommended compensation actions for changes in base salaries and alignment of annual and long-term incentive levels. In determining each named executive officer’s compensation package, the Compensation Committee

reviews management's recommendations, considers how each element of compensation as well as the total compensation package compare with the market median for the named executive officer, the named executive officer's performance and the Company's internal pay equities. Chief Executive Officer compensation is determined by the Compensation Committee in consultation with Mercer.

Compensation Consultant

The Compensation Committee followed a careful selection process before it retained Mercer in 2009 as its third-party consultant on executive compensation matters and has engaged Mercer each year since then. Mercer serves at the sole pleasure of the

Compensation Committee and works with the Compensation Committee and management on the organization, strategy, structure and effectiveness of our executive compensation program.

Mercer also assists the Compensation Committee in its process of reviewing the peer group of companies used to benchmark pay practices and the peer group against which our long-term performance incentives are measured, reviewing the compensation programs of members of the peer groups and making recommendations and providing detailed analysis of, and advice with respect to, the compensation of our named executive officers and the overall effectiveness of our executive compensation program.

In connection with the Compensation Committee's most recent engagement of Mercer for compensation advisory services, and in accordance with the rules issued under the Dodd-Frank Act, each of the following independence factors was considered:

• The provision of other services to the Company by Mercer and its affiliates.

• The amount of fees received from the Company by Mercer and its affiliates, as a percentage of its and its parent company's consolidated total revenue.

• The policies and procedures adopted by Mercer and its affiliates that are designed to prevent conflicts of interest.

• Any business or personal relationship of our Mercer consultants with a member of the Compensation Committee.

• Mercer and our Mercer consultants' ownership of Company stock.

• Any business or personal relationships between our executive officers and our Mercer consultants, Mercer, and Mercer's parent company.

The Compensation Committee concluded that there was no conflict of interest associated with its engagement of Mercer and that Mercer was independent with the meaning of NYSE rules.

#### Peer Groups

When determining an executive's overall compensation package, the different elements of compensation are considered in light of the compensation packages provided to similarly situated executives at comparable companies, which we refer to as our "Compensation Peer Group", as well as the role the executive is expected, and should be able, to play in achieving our short- and long-term goals. The Compensation Peer Group, as well as the Performance Peer Group described below, have been constructed to include organizations of comparable size, revenue, assets, employees, market capitalization, complexity, business focus and geographical scope.

#### Compensation Peer Group

The Compensation Peer Group currently consists of 18 publicly-traded companies in industries similar or related to our own and with revenues comparable to our historical revenue level. Our Compensation Peer Group is adjusted from time to time to reflect the impact of acquisitions, or other significant events to ensure the reference companies continue to meet the established criteria for comparison. There were no changes in the composition of our Compensation Peer Group between 2013 and 2014.

The 2013 median revenue of the Compensation Peer Group was \$1.5 billion (based on revenues reported in each company's annual report on Form 10-K) compared to our 2013 revenue of \$1.2 billion. The 2014 Compensation Peer Group consisted of the following companies:

Acuity Brands, Inc.

Actuant Corporation

Amkor Technology, Inc.

Barnes Group Inc.

Belden Inc.

Carpenter Technology Corporation

Encore Wire Corporation

Energys

Ferro Corporation

Performance Peer Group

Franklin Electric Co, Inc.

IDEX Corporation

Materion Corporation

MKS Instruments, Inc.

Nordson Corporation

Polypore International, Inc.

Powell Industries, Inc.

Watts Water Technologies, Inc.

Woodward Inc.

We adopted an "expanded peer group" against which to measure performance for our long-term incentives for awards granted in 2012 and 2013 and which we refer to as our Performance Peer Group. Our Performance Peer Group is

comprised of our Compensation Peer Group plus 11 additional companies that are primarily engaged in the design, manufacture, and supply of electrical equipment.

The identity of the additional companies included in our Performance Peer Group is adjusted from time to time to reflect the impact of acquisitions, divestitures or other significant events to ensure the reference companies continue to meet the established criteria for comparison. In addition to the peers included in our Compensation Peer Group, the Performance Peer Group includes the following 11 companies in the electrical equipment industry with 2013 revenues ranging from approximately \$724 million to \$3.4 billion:

|                         |                                |
|-------------------------|--------------------------------|
| A. O. Smith Corporation | II-VI Inc.                     |
| Brady Corporation       | International Wire Group, Inc. |
| Crane Co.               | Mueller Water Products, Inc.   |
| Donaldson Company Inc.  | Regal-Beloit Corporation       |
| Entegris, Inc.          | SunPower Corporation           |
| First Solar Inc.        |                                |

#### Structure of Executive Compensation Program

##### Components

We believe that our executive compensation program, each element alone and in total, effectively achieves our objectives. The primary elements of our executive compensation program, which are key to the attraction, retention and motivation of our named executive officers, are shown in the following table.

| Element   | Objective   | Key Features   |
|---|---|--|
| Base Salary   | Values the competencies, skills, experience and performance of individual executives.<br><br>Attracts and retains executive talent by providing a fixed level of compensation that is financially stable and not “at risk.”   | Targeted at the median of our Compensation Peer Group, since we strive to have the majority of executive officer pay “at risk” and tied to Company performance.<br><br>Our annual cash bonus plan provides for awards targeted at market median.   |
| Executive Incentive Compensation Plan (“Executive Plan” or “ICP” or “bonus plan”)                         | Provides competitive incentives to executive officers by having a portion of their annual cash compensation dependent upon annual performance and “at risk.”<br><br>Motivates and rewards executives for the achievement of targeted financial and strategic operational goals. | For 2014, the performance measures were Operating Income (50%) and Free Cash Flow (50%).<br><br>For 2015, the performance measures are Operating Income of Business Units (50%) and Operating Income of Company as a whole (50%).<br><br>Awards targeted at market median award levels. Grants in 2014 included a mix of:<br>- stock options (20%),<br>- restricted stock units (30%), and<br>- performance share units (50%). |
| 2005 Equity Incentive Plan (“Equity Incentive Plan,” “2005 Plan,” “EIP,” or “long-term equity incentive”) | Retain executive officers and align their interests with those of stockholders.<br><br>Motivate and reward executives for the achievement of long-term financial goals and creation of stockholder value.   | Performance share unit awards, granted in November 2014, are based on Free Cash Flow (50%) and Total Shareholder Return (50%) over the three- year performance period (2015-2017).   |
| Retirement Savings Plan   | Provide competitive market-based retirement savings benefits in a tax- efficient manner.  | Broad-based plan under which we make matching contributions that vary, based on the employee’s contribution, on eligible earnings up to the Code limit of \$265,000 for 2015.  |
| Compensation Deferral Plan  | Provides savings in a tax-efficient manner.   | Matching contributions that are comparable to the Retirement Savings Plan on eligible earnings in excess of the Code limit of \$265,000 for 2015.  |
| Health, Welfare and Other Benefits  | Attract and retain key executives by providing competitive health, welfare and other benefits.  | Generally, benefits are made available to executive officers on the same basis as benefits are made available to other eligible employees.   |

Performance measure definitions

For purposes of our incentive compensation plans:

“EBIT” means earnings before interest and taxes.

“EBITDA” means EBIT before depreciation and amortization.

“EPS” means earnings per share.

“Free Cash Flow” means cash flow from operations after capital expenditures.

“Operating Income” means net sales less cost of sales, research and development costs, and selling and administrative costs.

“ROIC” means return on invested capital.

“Total Shareholder Return” or “TSR” means return to shareholders over time based on changes in the price of a share of stock plus, if applicable, dividends and distributions.

The foregoing definitions are subject to and qualified by reference to the calculation methods set forth in the applicable plan, Compensation Committee minutes and related documents. Our calculation methods for these performance measures provide for certain adjustments, including the inclusion or exclusion of certain special items not specifically mentioned above, which may differ from performance period to performance period.

#### Base Salaries

We provide base salaries to our named executive officers that we believe are competitive to attract and retain key executive talent and to provide a compensation component that is financially stable. Base salaries for our named executive officers are targeted at the market median of the Compensation Peer Group, with individual variations based on job scope, tenure, promotions, retention risks, and performance. Base salaries also form the basis for calculating other compensation opportunities for our named executive officers. For example, an executive’s base salary is used to determine each executive officer’s annual and long-term incentive opportunity levels and is included in the formula for calculating severance benefits in the event of termination of the executive’s employment in connection with a change in control and under severance plans.

#### Year-to-Year Base Rate Annualized Salary Changes

In January 2014, Mr. Hawthorne was promoted from President, Engineered Solutions to Chief Executive Officer when Mr. Shular retired from that position. In connection with Mr. Hawthorne’s appointment as Chief Executive Officer, the Compensation Committee approved certain modifications to his compensation arrangements. In light of his new responsibilities, Mr. Hawthorne’s annual base salary was increased to \$700,000.

Upon Mr. Shular’s retirement as Chief Executive Officer and President, he became executive Chairman, a position that he held until May 21, 2014. In connection with Mr. Shular’s transition to executive Chairman, the Compensation Committee reduced his annual base salary to \$600,000.

In January 2014, Lionel Batty was promoted to President, Engineered Solutions. Mr. Batty’s base salary was adjusted from \$280,000 to \$300,000 in connection with his promotion.

In November 2014, Darrell Blair was promoted from Vice President-Global Sales, for the graphite electrode business, to President, Industrial Materials. His base salary for 2014 reflects international variations in compensation arrangements and benefits, in addition to cost-of-living differences and currency fluctuations. In November 2014, the Compensation Committee approved changes in Mr. Blair’s compensation arrangement effective upon his relocation to the United States in 2015.

Effective December 2014, after Mr. Barnard’s retirement, the Company and Mr. Barnard entered into a consulting agreement under which Mr. Barnard was engaged to perform services through March 31, 2015 to facilitate the transition of the Industrial Materials business segment to a decentralized structure and additional work as mutually agreed. Mr. Barnard was compensated for services performed at the rate of \$1,500 per billable day. Under the consulting agreement, Mr. Barnard was expected to provide services four out of every 20 business days on a rolling basis.

In connection with the changes to the named executive officers’ compensation in 2014 due to promotions and changes in responsibilities, the Compensation Committee received reports and recommendations from Mercer, including assessments of market practices, benchmarking analysis and evaluations of overall compensation and alignment of incentives with shareholder values.

In 2014, the Compensation Committee, with assistance from Mercer, assessed the competitiveness of the base salaries of our named executive officers. Mercer provided the Compensation Committee with a detailed analysis of its executive compensation review of our named executive officers. This executive compensation review and analysis showed that, although several of our named executive officers’ base salaries were below market median, in the aggregate our named executive officers’ base salary levels approximate market median levels (without regard to temporary salary reductions). Mercer generally considers base salary and total cash compensation to be competitive if it falls within a range of 90% to 110% of the market median for base salary.



As noted above, for the third consecutive year, in light of the challenging economic environment and at management's recommendation, the Compensation Committee decided not to provide any salary increases in 2014 for our named executive officers other than in connection with upward adjustments due to promotions to positions of greater responsibility. As also noted above, the base salaries of our named executive officers were temporarily reduced by 10% for the CEO and 5% for the other named executives and certain other corporate officers effective in 2015.

#### Short-Term Incentives through the Executive Incentive Compensation Plan

The purpose of the Executive Incentive Compensation Plan, or the ICP or annual ICP, is to provide competitive incentives to executive officers by having a portion of their annual cash compensation dependent upon annual performance and to motivate and reward executives for the achievement of targeted annual financial and operational goals that create stockholder value.

Under the annual ICP, payments are generally made in cash (although the ICP permits payments to be made in cash or stock or a combination thereof), assuming applicable performance measures are achieved and individual criteria satisfied.

Based on 2014 performance, no bonuses were paid to our named executive officers.

Our performance measures for our annual ICP are set at target levels that are expected to be achievable, but represent a level of difficulty that requires diligent management focus and attention and does not ensure value if our stretch performance objectives are not attained. At management's recommendation, the Compensation Committee approved an annual bonus program for 2014 under which payouts upon achievement of targets plans would be at 25% of targeted bonus level instead of the 100% as has been historically used (50% in 2013). Correspondingly, threshold payout was reduced from 25% to 0%, with achievement of performance goals above threshold but below target resulting in payouts based on a formula adopted by the Compensation Committee. This recommendation was based on the challenging economic environment the Company was facing and in recognition that the targets were lower than actual 2013 results. Our named executive officers are required to devote significant effort and produce meaningful results to attain payment for performance at, or above, our goals. Annual incentives include business unit objectives for positions that require the management of business units and corporate objectives for other positions.

#### ICP Target Opportunities

Annual ICP award targets for our named executive officers are established to drive achievement of stockholder return objectives. The Compensation Committee aims for total cash compensation to be at market median levels. Based on Mercer's benchmarking analysis against the Compensation Peer Group, the target payout level for 2014 ICP was set at an amount between 55% and 100% of a named executive officer's actual base salary. Upon his promotion to Chief Executive Officer, Mr. Hawthorne's target payout level for 2014 ICP was set at 100% of his base salary.

For 2015, the percentages of compensation target levels are the same as in 2014. As a result of changes to the calculations for 2015 under the ICP whereby minimum threshold payouts do not begin for named executive officers until after annual business plan targets have been exceeded, achievement of the Compensation Committee's market median cash compensation objectives will require substantial efforts and exceptional performance. Prior to 2014, generally achievement of the annual business plan performance goals would have resulted in bonus payout at targeted level. In 2013, achievement of the annual business plan performance goals would have resulted in bonus payout at 50% of targeted level.

#### ICP Performance Measures for 2014

The performance measures for 2014 were Operating Income and Free Cash Flow. We identified these performance measures as key elements in our business strategy to drive profitable growth. We believed that, by achieving profitability objectives and maximizing our cash flows, we would deliver enhanced financial performance that would drive shareholder value and be in the best position to capitalize on growth opportunities.

No annual bonuses under our ICP were earned with respect to 2014. The 2014 incentive targets for Messrs.

Hawthorne, Asmussen, and Moran were based on our total Company threshold, target and maximum performance measures. The 2014 incentive targets for Messrs. Barnard, Batty, and Blair were based 60% on total Company results and 40% on their respective operating segment results.

#### ICP Performance Measures for 2015

For 2015, upon consultation with management, Mercer recommended, and the Compensation Committee approved, performance measures that correlate with our continued focus on growth. Accordingly, the ICP performance measures for the 2015 performance period will be based 50% on business unit Operating Income and 50% on Company-as-a whole Operating Income. The 2015 incentive targets for Messrs. Hawthorne, Asmussen, and Moran are based 100%

on total Company results. The 2015 incentive targets for Messrs. Batty and Blair are based 60% on total Company results and 40% on their respective operating segment results.

We believe that Operating Income is a generally accepted method of measuring operational profitability. Management uses Operating Income as well as other financial measures in connection with its decision-making activities. We believe that these measures are key elements in our business plan to drive profitable growth in order to create additional shareholder value in coming years.

### Long-Term Incentives through Management Stock Ownership

We believe that compensation in the form of stock-based awards helps create a culture focused on long-term stockholder value.

Awards under our equity incentive plan are designed to:

- Provide rewards for the achievement of financial and strategic goals, including through incentives that drive return based performance, propel growth, and increase stockholder value.

- Encourage retention of our top performers.

- Reward our top leaders—those who have the ability to make a material difference in the Company.

- Align management's interests with those of our stockholders by aligning rewards with growth in stockholder value.

Awards granted to our named executive officers are determined based on their levels of responsibility, ability to make a positive impact on GrafTech, current or new positions, current base salaries, and salaries and other compensation offered by other similarly situated companies for individuals in equivalent positions. These awards are consistent with our pay-for-performance principles because they are designed to focus the attention of executives on strategic and performance goals spanning more than the current year and to align the interest of executives with our goal of creating long-term stockholder value. The primary difference between awards denominated in units versus awards denominated in shares is that units represent a promise to pay, provide tax efficiencies for international employees, and do not carry the right to vote or receive dividends.

The Compensation Committee has adopted a practice of granting equity incentive awards to our named executive officers and certain other members of our global management team at the Compensation Committee's last meeting of the year, the date of which is generally established in the preceding calendar year. In connection with improvements to our business model, rationalization activities, and cost reduction initiatives, we have substantially reduced the number of managers who participate in the equity incentive plan. We have adopted a portfolio approach to equity awards, as recommended by Mercer, that is consistent with practices within our Compensation Peer Group. This approach includes a mix of (i) time-based stock options, (ii) time-based restricted stock units, and (iii) performance share units. Since November 2012, the mix of awards to our named executive officers has consisted of stock options (20%), restricted stock units (30%) and performance share units (50%), to put a heavier weight on the performance share unit component to reflect that pay for performance is a key element of our compensation philosophy and to put more pay at risk to motivate the GrafTech team to excel in its performance.

The stock options and restricted stock units vest ratably on each of the first three anniversaries of the grant date. Performance share units are measured and earned on the basis of performance over a three-year period, cliff vest after the end of the performance period, and are payable in shares after completion of the performance period to the extent earned.

Upon his promotion to Chief Executive Officer, Mr. Hawthorne received a long-term equity incentive award, consisting of options to purchase 66,600 shares at \$10.31 per share (fair market value on the date of grant), 50,700 shares of restricted stock units and 83,500 performance share units. The actual amount of performance share unit payouts is subject to the attainment of applicable performance targets.

#### Performance Share Unit Awards-2011-2013

In selecting performance measures for the performance share units, the Compensation Committee determined, in consultation with Mercer, that the awards should provide rewards for successful, profitable growth over a three-year time horizon and, under the circumstances, that the best way to measure GrafTech's success was through relative performance versus our Performance Peer Group.

For awards made in December 2011, potential payouts, which would have vested on March 31, 2015, were based EBITDA growth (60%) and revenue growth (40%) as measured against the Performance Peer Group. Based on estimated performance, which is subject to certification by the Compensation Committee, we expect that no shares will be earned under the 2011 grant.

The performance measures for the performance share units granted in November 2012 are based on ROIC (60%) and EPS growth (40%) as measured against the Performance Peer Group.

The performance measures for the performance share units granted in November 2013 are based on EPS growth (40%) as measured against the Performance Peer Group and ROIC improvement (60%) over three one-year

performance periods. The EPS performance measure is based on the compound annual growth rate (“CAGR”) in our EPS over the performance period, as measured against the Performance Peer Group. Threshold payouts based on EPS growth are earned at 30<sup>th</sup> percentile performance (35<sup>th</sup> percentile performance for the December 2011 grant), target at 50<sup>th</sup> percentile performance, and maximum at or above 75<sup>th</sup> percentile performance (when compared to the performance of the Performance Peer Group), and amounts are pro-rated between 50% and 200%

21

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payouts based on pro-rated performance. Further, with respect to the 2011 grants, if EBITDA growth does not achieve at least 35th percentile performance, no awards will be earned for the EBITDA growth component.

#### Performance Share Unit Awards-2014

The performance measures for the performance share units granted in November 2014 are based on Total Shareholder Return (50%) and Free Cash Flow (50%).

The TSR performance measure is an absolute metric based on share appreciation. For calculating the share price for measuring the level of attainment of performance targets, the closing share price on the New York Stock Exchange must exceed the target levels for 20 consecutive trading days at any time during the three-year performance period. Threshold (50%), target (100%), and maximum (200%) payouts commence upon achievement of 80%, 100% and 150% percent of the cumulative three-year Free Cash Flow target, respectively. Payouts for achievement of Free Cash Flow performance between threshold and target, and between target and maximum are interpolated on a straight-line basis. Achievement of the minimum threshold stock price conditions (75%) will result in a payout of 50% of the TSR component of the awards at the end of the performance period; achievement of the targeted price conditions will result in a payout of 100% of the TSR component, achievement of 125% the targeted price conditions will result in a payout of 150% of the TSR component, and achievement of 150% the targeted price conditions will result in a payout of 200% of the TSR component. No shares are vested or delivered until March 31, 2018, subject to the provisions of the applicable award agreements.

In selecting the performance measures for these awards, the Compensation Committee reviewed the performance measures utilized in our performance share unit awards. Mercer assisted in identifying various performance metric alternatives. The Compensation Committee determined to include performance measures that it believes reflect the full impact of acquisitions and capital allocation decisions.

Subject to applicable terms of the award agreements, the 2014 awards also have a service vesting component, and do not vest until March 2018. Awards, are forfeited if the executive's employment terminates before vesting occurs (except in the case of certain terminations and a change in control, in which case all or a portion of the award may continue to vest).

| 2014 Performance Share Units                            | Cumulative Three-Year- Cash Flow Performance Measure    | Percentages in this Column Apply to 50% of the Target Award* | Total Shareholder Return Performance Measure    | Percentages in this Column Apply to 50% of the Target Award* |
|---|---|--|---|--|
| Level of Performance Achieved During Performance Period | Cumulative Three Year- Cash Flow for Performance Period | Resulting Performance Shares Earned                          | Total Shareholder Return for Performance Period | Resulting Performance Shares Earned                          |
| Threshold   | 80% of target   | 50%  | 75% of target                                   | 50%  |
| Target  | 100% of target  | 100%   | 100% of target                                  | 100%   |
| Between target and maximum                              | -   | -  | 125% of target                                  | 150%   |
| Maximum   | 150% of target  | 200%   | 150% of target                                  | 200%   |