ORION ENGINEERED CARBONS

# 2Q 2017 Earnings Call

August 4, 2017

# Note Regarding Forward-Looking Statements; Non-IFRS Measures

*This presentation contains certain forward-looking statements with respect to our financial condition, results of operations and business. These statements constitute forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934 as amended. Forward-looking statements are statements of future expectations that are based on management's current assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in these statements. Forward-looking statements include, among others, statements concerning the potential exposure to market risks, statements expressing management's expectations, beliefs, estimates, forecasts, projections and assumptions and statements that are not limited to statements of historical or present facts or conditions. Forward-looking statements are typically identified by words such as "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "plan," "objectives," "outlook," "probably," "project," "will," "seek," "target" and other words of similar meaning. All these forward-looking statements are based on estimates and assumptions that, although believed to be reasonable, are inherently uncertain.*

*There are important factors that could cause actual results to differ materially from those contemplated by such forward-looking statements. These factors include, among others: (a) negative or uncertain worldwide economic conditions; (b) volatility and cyclicality in the industries in which we operate; (c) operational risks inherent in chemicals manufacturing; (d) our dependence on major customers; (e) our ability to compete in the industries in which we operate and the availability of substitutes for carbon black; (f) volatility in the costs and availability of raw materials and energy; (g) our relationships with our workforce; (h) environmental, health and safety regulations and the related costs of maintaining compliance and addressing liabilities; (i) current and potentially future investigations and enforcement actions by the EPA; (j) litigation or legal proceedings; (k) our ability to protect our intellectual property rights; (l) our ability to generate the funds required to service our debt and finance our operations; and (m) potential conflicts of interests with our principal shareholders. For additional information see "Risk Factors" in our annual report on Form 20-F for the year ended December 31, 2016.*

*You should not place undue reliance on forward-looking statements.*

*We present certain financial measures that are not recognized by International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"). These non-IFRS measures are Contribution Margin, Contribution Margin per Metric Ton, Adjusted EBITDA, Adjusted EPS, Net Working Capital and Capital Expenditures.*

*Adjusted EBITDA, Adjusted EPS, Contribution Margins and Net Working Capital are not measures of performance under IFRS and should not be considered in isolation or construed as substitutes for revenue, consolidated profit (loss) for the period, operating result (EBIT), gross profit or other IFRS measures as an indicator of our operations in accordance with IFRS. For a reconciliation of these non-IFRS financial measures to the most directly comparable IFRS measures, see Appendix.*

*Forward-looking Adjusted EBITDA and Adjusted EPS included in this presentation are not reconcilable to their respective most directly comparable IFRS measure without unreasonable efforts, because we are not able to predict with reasonable certainty the ultimate amount or nature of adjustment items in the fiscal year. These items are uncertain, depend on many factors and could have a material impact on our IFRS reported results for the guidance period.*

# Agenda

Jack Clem
*CEO*

Charles Herlinger
*CFO*

- 2Q 2017 Highlights & Business Review
- Financial Review
- 2017 Guidance
- Operational Priorities
- Comments on Orion's Progress
- Q&A



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# 2Q 2017 Highlights [1]

## Orion Reports Near-Record Quarterly Adjusted EBITDA

| | 2Q17 | 2Q16 | Y-o-Y Comparison |
|---|---|---|---|
| Total volume *(kmt)* | 266.6 | 292.4 | -8.8% |
| Adjusted EBITDA *(EUR/Millions)* | 58.4 | 57.7 | 1.1% |
| Adjusted EPS *(EUR)* | 0.37 | 0.35 | €0.02 |
| Net Income *(EUR/Millions)* | 16.8 | 16.5 | €0.3 |
| EPS Basic *(EUR)* | 0.28 | 0.28 | €0.00 |

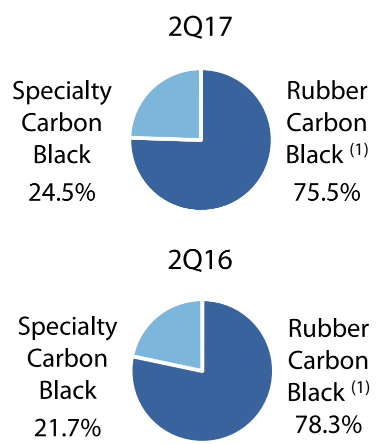
- Specialty volume grew versus an already very strong 2Q16. Up 8% year to date
- Rubber volume stable excluding internal initiatives (French facility closure, capacity conversion to specialty and prolonged US turnaround)
- Strong Adjusted EBITDA driven by recovering Rubber and solid Specialty performances
- Net income increased to €16.8 million
- Leverage down to 2.37x

(1) See Appendix for reconciliation of non-IFRS measures to the most directly comparable IFRS measures

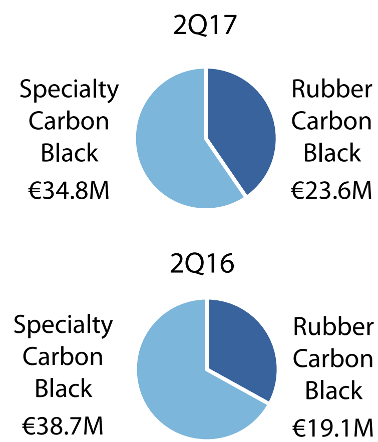
# 2Q 2017 Highlights

## Specialty and Technical Rubber Grades Growth Continues

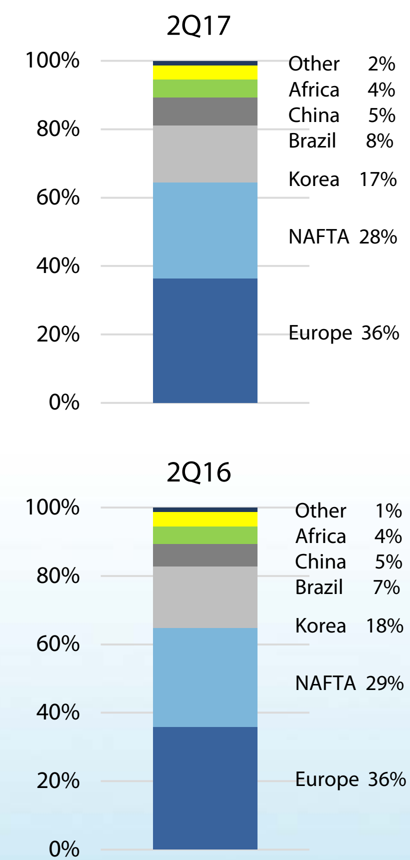
### Volume Mix

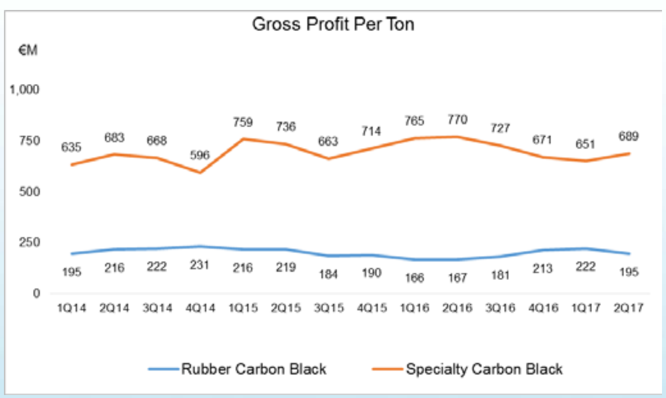


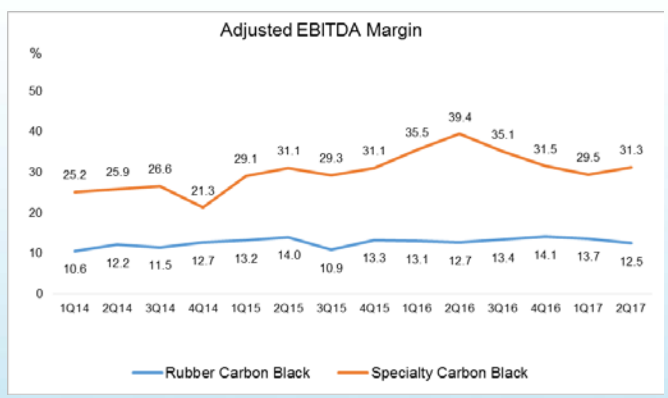

### Adjusted EBITDA




### Volume By Producing Location




(1) 35.2% of 2Q17 Rubber Carbon Black volume, including OECQ, comprises technical grade products versus 32.8% for 2Q16. Technical grade products, which include MRG, are those products that require special technology or support and carry higher margins.

# Specialty Carbon Black Business (1)

## Solid Performance versus a very Strong 2016 Comparator

| | 2Q17 | 2Q16 | Y-o-Y Comparison |
|---|---|---|---|
| Volume *(kmt)* | 65.3 | 63.4 | +2.9% |
| Revenue *(EUR/Millions)* | 111.1 | 98.0 | +13.3% |
| Gross Profit *(EUR/Millions)* | 45.0 | 48.8 | -7.9% |
| Gross Profit/ton *(EUR)* | 688.8 | 769.8 | -10.5% |
| Adjusted EBITDA *(EUR/Millions)* | 34.8 | 38.7 | -10.0% |
| Adjusted EBITDA/ton *(EUR)* | 533.2 | 609.6 | -12.5% |
| Adjusted EBITDA Margin | 31.3% | 39.4% | |

- Volume growth driven by continued market penetration, strong execution in underserved markets and further capacity dedication to specialty in Korea and Qingdao, China
- End market demand remained strong, particularly in Europe
- Gross profit up 3% versus 1Q 2017 but below prior year due to the delayed pass thru of higher feedstock costs
- Adjusted EBITDA/ton decline reflects gross profit development, with improvement versus Q1 2017

(1) See Appendix for reconciliation of non-IFRS measures to the most directly comparable IFRS measures



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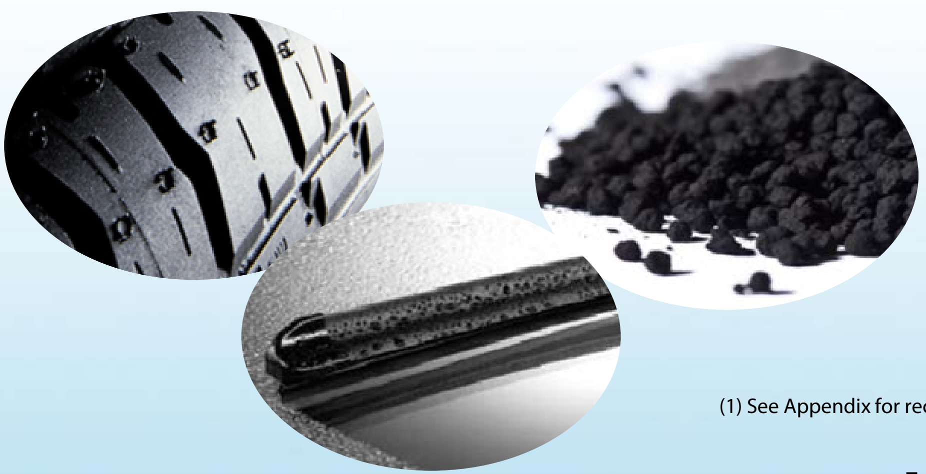
# Rubber Carbon Black Business (1)

## Rubber Recovery Continues with Improved Pricing, Stable End Markets and Reduced Fixed Costs

| | 2Q17 | 2Q16 | Y-o-Y Comparison |
|---|---|---|---|
| Volume *(kmt)* | 201.3 | 229.0 | -12.1% |
| Revenue *(EUR/Millions)* | 188.3 | 149.9 | +25.6% |
| Gross Profit *(EUR/Millions)* | 39.3 | 38.1 | +3.2% |
| Gross Profit/ton *(EUR)* | 195.4 | 166.5 | +17.4% |
| Adjusted EBITDA *(EUR/Millions)* | 23.6 | 19.1 | +23.6% |
| Adjusted EBITDA/ton *(EUR)* | 117.1 | 83.3 | +40.6% |
| Adjusted EBITDA Margin | 12.5% | 12.7% | |



- Volume decline partially due to exit of low margin business associated with closure of French facility
- End market demand remained strongest in Europe
- Weaker carbon black suppliers in China struggling with feedstock cost and environmental pressures
- Uptick in co-generation contribution due to higher energy prices
- Strong gross profit/ton gain versus prior year
- Adjusted EBITDA/ton reflects gross profit/ton development

(1) See Appendix for reconciliation of non-IFRS measures to the most directly comparable IFRS measures



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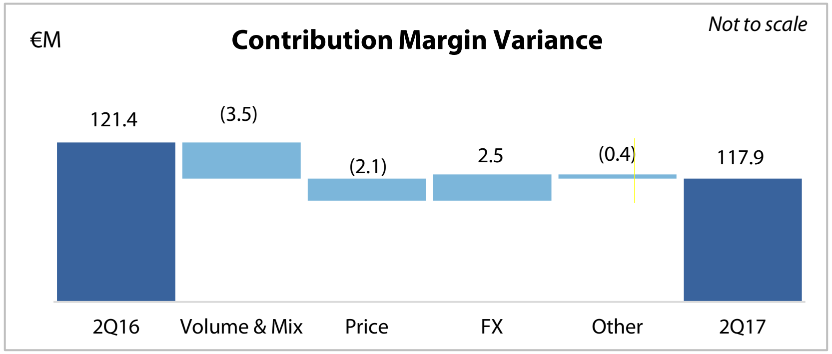
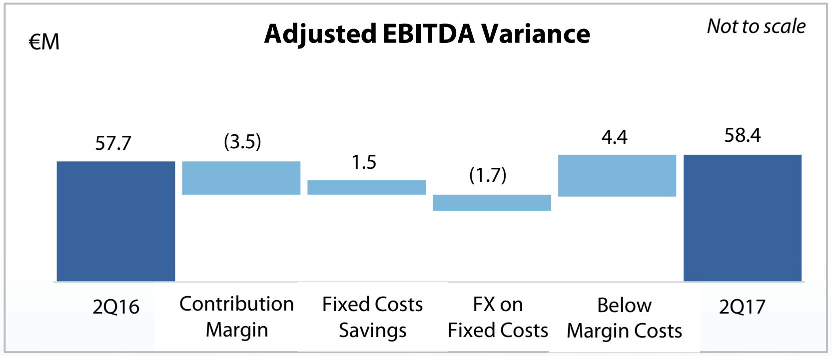
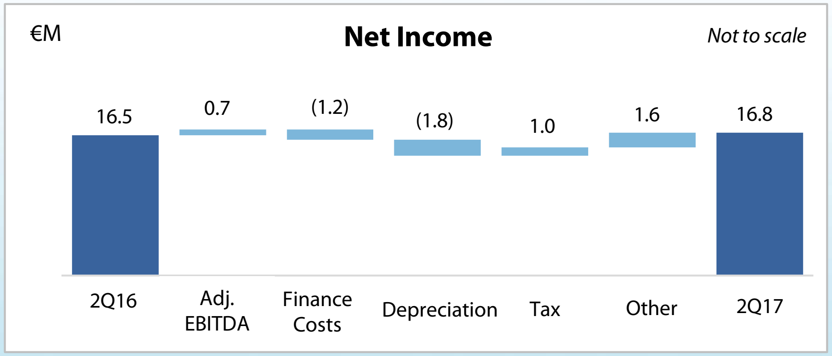
# 2Q 2017 Consolidated Operating Results [1]

## Quarterly Adj. EPS Increased to €0.37 Per Share Driven by Improved Contribution Margin per Ton

| | 2Q17 | 2Q16 | Y-o-Y Comparison |
|---|---|---|---|
| Volume *(kmt)* | 266.6 | 292.4 | -8.8% |
| Revenue *(EUR/Millions)* | 299.3 | 247.9 | +20.8% |
| Contribution Margin *(EUR/Millions)* | 117.9 | 121.4 | -2.9% |
| Contribution Margin/ton *(EUR)* | 442.2 | 415.1 | +6.5% |
| Operating Result (EBIT) (*EUR/Millions)* | 34.6 | 34.2 | +1.4% |
| Adjusted EBITDA *(EUR/Millions)* | 58.4 | 57.7 | +1.1% |
| Adjusted EBITDA Margin | 19.5% | 23.3% | -380bps |
| Net Income *(EUR/Millions)* | 16.8 | 16.5 | €0.3 |
| EPS *(EUR)* | 0.28 | 0.28 | €0.00 |
| Adjusted EPS *(EUR)* | 0.37 | 0.35 | €0.02 |




(1) See Appendix for reconciliation of non-IFRS measures to the most directly comparable IFRS measures



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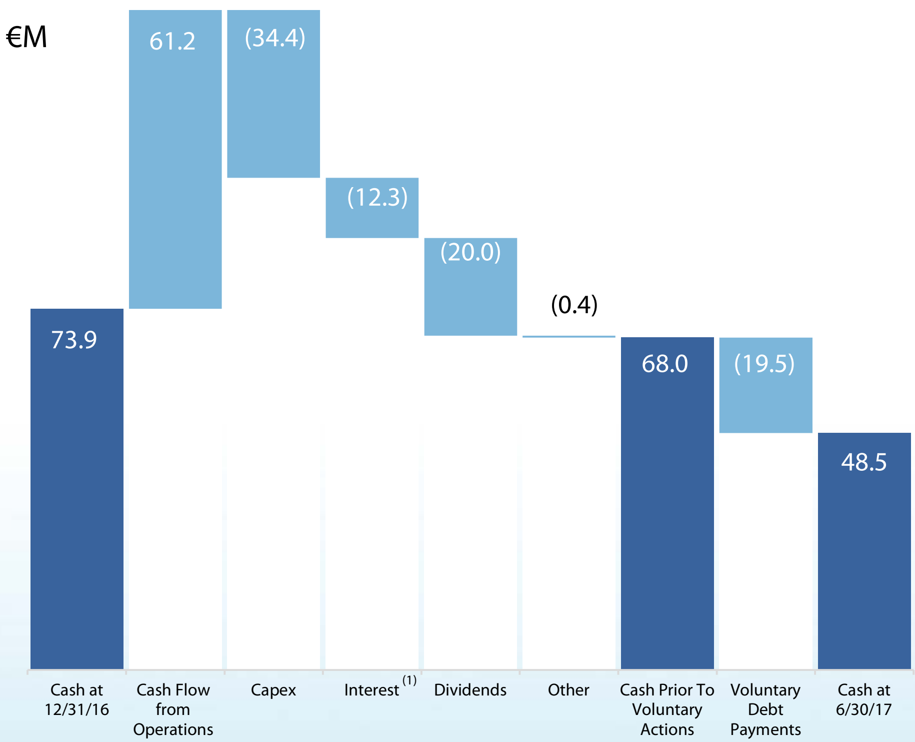
# 2017 YTD Cash Flow and 2Q 2017 Balance Sheet Highlights

## Continued Strong Cash Flow Generation from Operations. Leverage reduction continues, down to 2.37x

### 2017 YTD Cash Flow Generation

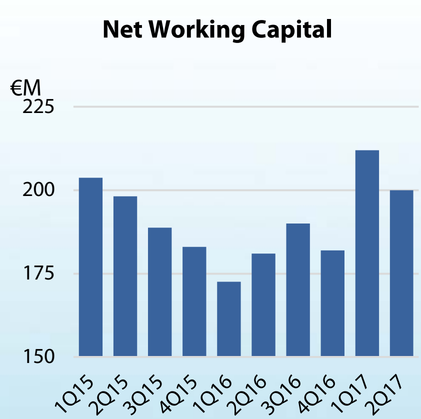


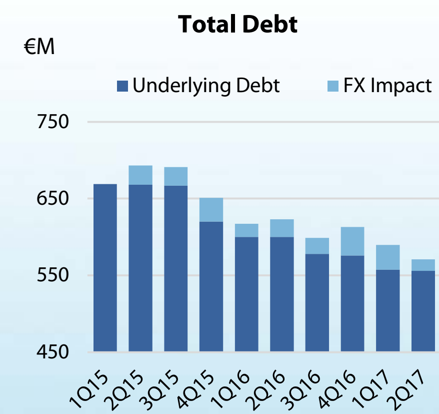

(1) Interest payments

(2) Net working capital = Inventories + Trade Receivables – Trade Payables

### Balance Sheet Highlights

| In EUR/Millions unless noted | As of June 30, 2017 |
|---|---|
| Cash & Cash Equivalents | 48.5 |
| Net Working Capital (2) | 200.1 |
| Total Debt (long term) | 571.8 |
| Total Liabilities and Equity | 946.0 |
| Net Debt | 542.0 |
| Net Debt/LTM Adjusted EBITDA | 2.37x |



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# 2017 Guidance and Cash Analysis

## Guidance Affirmed Based on Current Operating Environment

### 2017 Guidance

**Adjusted EBITDA: EUR 220 to 240 million**

**Forecast assumptions:**

- Volume growth in line with current GDP expectations
- Oil prices and foreign exchange rates at Q2 2017 levels

**Other guidance metric assumptions:**

- Capital Expenditures: EUR 60 million plus So. Korea
- Depreciation: EUR 60 million
- Amortization: EUR 20 million
- Tax rate: 35%
- Shares outstanding: 59.3 million

### Base Business Annual Cash Requirements

| (EUR/Millions) | |
|---|---|
| Maintenance Capex | 30 |
| Mandatory Debt Service | 7 |
| Interest Payments | 23 |
| Cash Tax Payments * | 32 |
| Change in NWC ** | -- |
| **Total Cash Requirements** | **92*** |

*Assumes mid-range 2017 Adjusted EBITDA guidance

** A $10 (decrease)/increase in Brent crude will likely (lower)/raise total cash requirements by causing NWC to (contract)/expand by roughly €19m - €21m over approximately a 3 month period

### Capital Allocation

**Excess cash will be available to support:**

- ✓ Dividends
- ✓ Optimization capex
- ✓ Voluntary debt repayment

# Operational Priorities / Actions

| Priorities | Key Actions |
| --- | --- |
| Drive growth of Specialty and Technical Rubber Carbon Black grades | • Grow Specialty Capacity ahead of market growth rates<br>• Continue growing technical rubber grade mix and capacity.<br>• Review options for bolt-on acquisitions to support technical and geographical coverage |
| Systematically evaluate the global production footprint to meet supply/demand dynamics | • Flex U.S. capacity to fit regional demand profile<br>• Restructure Korean network in order to close Bupyeong in 2018 |
| Drive productivity and efficiency measures to improve operating efficiency | • Install higher efficiency systems to continue productivity improvements<br>• Expand feedstock delivery options<br>• Expand cogeneration capabilities |

**Direct Capital Expenditures to:**

Expand capacity of selected Specialty Carbon Black grades
Continue attractive yield efficiency projects
Advance Lighthouse projects

# Orion's Progress

## Demonstrated track record of delivery on key metrics for shareholders over time*

### Consistent delivery

**10 out of 11 quarters**
since IPO with LTM Adjusted EBITDA growth
Thru June 30, 2017

### Attractive organic growth rate

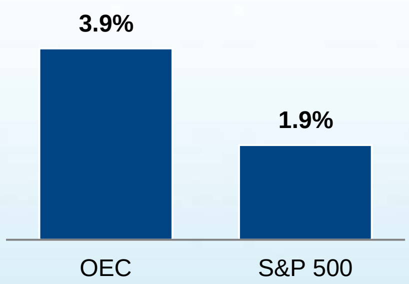
**Ø 4.4% Adjusted EBITDA CAGR**
(2012A-1H 2017A)

### High rate of operating cash conversion

**Ø 86.9% Operating Cash Conversion[1]**
(2012A-1H 2017A)

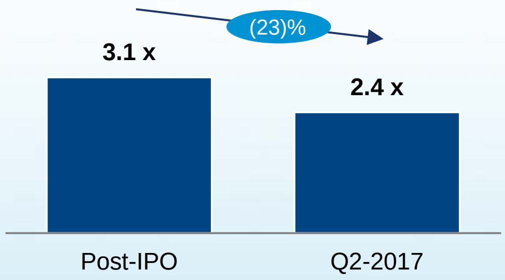
### Industry and market leading dividend yield (3.9%)

2017E Dividend Yield %[2]



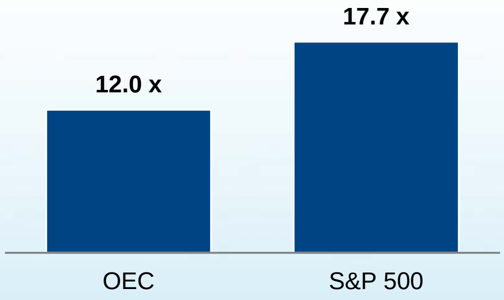

### Judicious use of cash generation to reduce debt

Net Debt / LTM Adjusted EBITDA (x)




### P/E relative to S&P 500

FY1 P/E Multiple




*Source: Factset, market data as of June 30, 2017*

*[1] Operating Cash conversion calculated as Cash Flows from Operating Activities divided by Adj. EBITDA.*

*[2] Calculated as the most recently announced dividend amount, annualized by the payment frequency, then divided by price.*

**Past results are not necessarily indicative of results to be expected in any future period. See also Note Regarding Forward-Looking Statements on Page 2*

# Appendix

# Historical Non-IFRS Metrics Reconciliation

| Historical Non-IFRS Metrics Reconciliation (€million unless otherwise stated) | | |
|---|---|---|
| | Three Months Ended June 30, | |
| | 2016 | 2017 |
| **Revenue** | **248** | **299** |
| Variable costs [1] | -127 | -181 |
| **Contribution Margin** | **121** | **118** |
| Sales volume (in kmt) | 292 | 267 |
| **Contribution Margin per Metric Ton** | **415** | **442** |
| | | |
| **Profit or loss for the period** | **16** | **17** |
| Income taxes | 9 | 8 |
| **Profit or loss before income taxes** | **25** | **25** |
| Share of profit or loss of associates | 0 | 0 |
| Finance costs, net [2] | 9 | 10 |
| **Operating result (EBIT)** | **34** | **35** |
| Depreciation and amortization | 20 | 21 |
| **EBITDA** | **54** | **56** |
| Consulting fees related to group strategy | 2 | 1 |
| Other non-operating | 2 | 1 |
| **Adjusted EBITDA** | **58** | **58** |
| *Thereof Adjusted EBITDA Specialty Carbon Black* | *39* | *35* |
| *Thereof Adjusted EBITDA Rubber Carbon Black* | *19* | *23* |
| **Historical Non-IFRS Metrics Reconciliation in € per share** | | |
| **EPS** | **0.28** | **0.28** |
| Long Term Incentive Plan | **0.01** | **0.02** |
| Other Adjustments | **0.05** | **0.01** |
| Amortization of Acquired Intangible Assets | **0.05** | **0.06** |
| Foreign Exchange Rate Impacts to Financial Results | **-0.01** | **0.03** |
| Amortization of Transaction Costs | **0.01** | **0.02** |
| Tax Effect on Add Back Items | **-0.04** | **-0.05** |
| **Adjusted EPS** | **0.35** | **0.37** |

1 Includes costs such as raw materials, packaging, utilities and distribution - Variable manufacturing costs are assigned to products based on actual cost of consumption. Fixed manufacturing costs are assigned to products based on production line time. SG&A costs are assigned to products based on designated personnel costs or consistently allocated based on the drivers of these costs

2 Finance costs, net consists of Finance income and Finance costs

# Historical Non-IFRS Metrics Reconciliation

| Historical Non-IFRS Metrics Reconciliation (€million unless otherwise stated) | | |
|---|---|---|
| | Six Months Ended June 30, | |
| | 2016 | 2017 |
| **Revenue** | **494** | **603** |
| Variable costs [(1)] | -258 | -363 |
| **Contribution Margin** | **236** | **240** |
| Sales volume (in kmt) | 570 | 542 |
| **Contribution Margin per Metric Ton** | **413** | **443** |
| | | |
| **Profit or loss for the period** | **30** | **33** |
| Income taxes | 17 | 17 |
| **Profit or loss before income taxes** | **47** | **50** |
| Share of profit or loss of associates | 0 | 0 |
| Finance costs, net [(2)] | 18 | 20 |
| **Operating result (EBIT)** | **65** | **70** |
| Depreciation and amortization | 39 | 42 |
| **EBITDA** | **104** | **112** |
| Consulting fees related to group strategy | 2 | 1 |
| Other non-operating | 6 | 4 |
| **Adjusted EBITDA** | **112** | **117** |
| *Thereof Adjusted EBITDA Specialty Carbon Black* | 73 | 67 |
| *Thereof Adjusted EBITDA Rubber Carbon Black* | 39 | 50 |
| **Historical Non-IFRS Metrics Reconciliation in € per share** | | |
| **EPS** | **0.50** | **0.55** |
| Long Term Incentive Plan | **0.02** | **0.05** |
| Other Adjustments | **0.12** | **0.04** |
| Amortization of Acquired Intangible Assets | **0.11** | **0.12** |
| Foreign Exchange Rate Impacts to Financial Results | **-0.07** | **0.04** |
| Amortization of Transaction Costs | **0.03** | **0.03** |
| Tax Effect on Add Back Items | **-0.07** | **-0.10** |
| **Adjusted EPS** | **0.64** | **0.73** |

1 Includes costs such as raw materials, packaging, utilities and distribution - Variable manufacturing costs are assigned to products based on actual cost of consumption. Fixed manufacturing costs are assigned to products based on production line time. SG&A costs are assigned to products based on designated personnel costs or consistently allocated based on the drivers of these costs

2 Finance costs, net consists of Finance income and Finance costs

# Non-IFRS Metric Definitions

*In this presentation we refer to Adjusted EBITDA, Contribution Margin, Contribution Margin per ton, Net Working Capital, Capital Expenditures and Adjusted EPS, which are financial measures that have not been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS") or the accounting standards of any other jurisdiction and may not be comparable to other similarly titled measures of other companies. Adjusted EBITDA is defined as operating result (EBIT) before depreciation and amortization, adjusted for acquisition related expenses, restructuring expenses, consulting fees related to group strategy, share of profit or loss of joint venture and certain other items. Adjusted EBITDA is used by our management to evaluate our operating performance and make decisions regarding allocation of capital because it excludes the effects of certain items that have less bearing on the performance of our underlying core business. Our use of Adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our financial results as reported under IFRS. Some of these limitations are: (a) although Adjusted EBITDA excludes the impact of depreciation and amortization, the assets being depreciated and amortized may have to be replaced in the future and thus the cost of replacing assets or acquiring new assets, which will affect our operating results over time, is not reflected; (b) Adjusted EBITDA does not reflect interest or certain other costs that we will continue to incur over time and will adversely affect our profit or loss, which is the ultimate measure of our financial performance and (c) other companies, including companies in our industry, may calculate Adjusted EBITDA or similarly titled measures differently. Because of these and other limitations, you should consider Adjusted EBITDA alongside our other IFRS-based financial performance measures, such as consolidated profit or loss for the period.*

*Contribution Margin is calculated by subtracting variable costs (such as raw materials, packaging, utilities and distribution costs) from our revenue. We believe that Contribution Margin and Contribution Margin per Metric Ton are useful because we see these measures as indicating the portion of revenue that is not consumed by such variable costs and therefore contributes to the coverage of all other costs and profits.*

*Adjusted EPS is defined as profit or loss for the period adjusted for acquisition related expenses, restructuring expenses, consulting fees related to group strategy, certain other items (such as amortization expenses related to intangible assets acquired from our predecessor and foreign currency revaluation impacts) and assumed taxes, divided by the weighted number of shares outstanding. Adjusted EPS provides guidance with respect to our underlying business performance without regard to the effects of (a) foreign currency fluctuations, (b) the amortization of intangible assets which other companies may record as goodwill having an indefinite lifetime and thus no amortization and (c) our start-up and initial public offering costs. Other companies may use a similarly titled financial measure that is calculated differently from the way we calculate Adjusted EPS.*

*We define Net Working Capital as the total of inventories and current trade receivables, less trade payables. Net Working Capital is a non-IFRS financial measure, and other companies may use a similarly titled financial measure that is calculated differently from the way we calculate Net Working Capital.*

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