



Earnings Teleconference

Third Quarter / Fiscal 2016



Forward Looking Statements

This presentation contains forward-looking statements based on management's current expectations, estimates and projections. All statements that address expectations or projections about the future, including our statements addressing our expectations for volume and earnings growth, demand for our products; expectations relating to capital expenditures for fiscal 2016, and statements addressing our cost reduction program and our future financial performance particularly our expectations for adjusted earnings per share for fiscal 2016, are forward-looking statements. These statements are not guarantees of future performance and are subject to risks, uncertainties, potentially inaccurate assumptions, and other factors, some of which are beyond our control and difficult to predict. If known or unknown risks materialize, or should underlying assumptions prove inaccurate, our actual results could differ materially from past results and from those expressed in the forward-looking statement. Important factors that could cause our results to differ materially from those expressed in the forward-looking statements include, but are not limited to lower than expected demand for our products; the loss of one or more of our important customers; our failure to develop new products or to keep pace with technological developments; patent rights of others; the timely commercialization of products under development (which may be disrupted or delayed by technical difficulties, market acceptance, competitors' new products, as well as difficulties in moving from the experimental stage to the production stage); changes in raw material costs; demand for our customers' products; competitors' reactions to market conditions; delays in the successful integration of structural changes, including acquisitions or joint ventures; the laws, regulations, policies and economic conditions, including inflation, interest and foreign currency exchange rates, of countries where we do business; and severe weather events that cause business interruptions, including plant and power outages or disruptions in supplier or customer operations. These factors are discussed more fully in the reports we file with the Securities and Exchange Commission, particularly our latest annual report on Form 10-K.

Q3 2016 Operating Performance



Operating Performance

	Q3 2016	Q3 2015
Total Segment EBIT (in millions)	\$104	\$86
Adjusted EPS	\$0.93	\$0.64
Cash flows from operations (in millions)	\$107	\$73

- ◆ Stronger volumes drove significant improvement in operating results both year-over-year and sequentially
- ◆ Fifth consecutive quarter of record EBIT for the Performance Chemicals segment
- ◆ Specialty Fluids segment delivered a higher level of profitability from projects in the North Sea and Asia
- ◆ Strong cash flows from operating activities in excess of \$100 million for the quarter

Corporate Strategy: *Advancing the Core*

Extend our leadership in performance materials by

investing for **growth in our core** businesses,

driving **application innovation** with our customers, and

generating strong cash flows through **efficiency and optimization**.

GROWTH IN OUR CORE

- ◆ Leverage our global reach
- ◆ Capture market growth
- ◆ Enhance portfolio with new, differentiated products
- ◆ Strengthen positions through bolt-on acquisitions

APPLICATION INNOVATION

- ◆ Focus on attractive applications
- ◆ Invest to develop application and formulation solutions
- ◆ Participate to create maximum value in the chain
- ◆ Foster long-lasting, multi-layered customer relationships

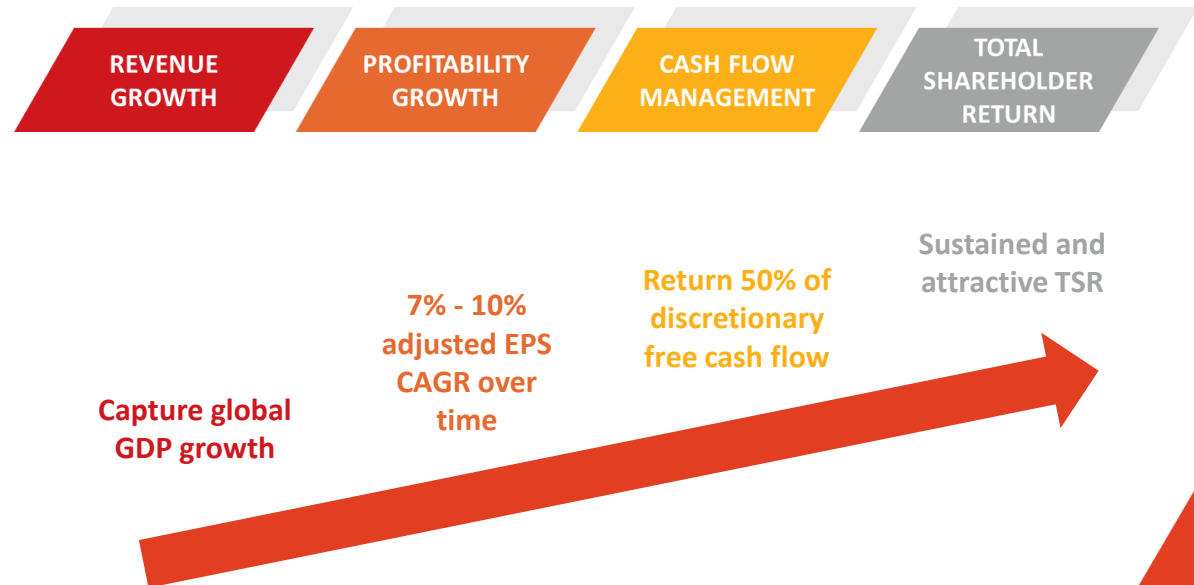
EFFICIENCY AND OPTIMIZATION

- ◆ Deliver world-class operational effectiveness
- ◆ Drive capital efficiency
- ◆ Manage working capital rigorously
- ◆ Lead in cost competitiveness

Deliver Sustained and Attractive Total Shareholder Return

FOCUSED ON GROWING SHAREHOLDER VALUE

- ◆ Robust portfolio of businesses with leading market positions
- ◆ Aligned with macro trends that drive global growth
- ◆ Strong and stable balance sheet
- ◆ Disciplined capital allocation priorities



Reinforcement Materials Segment



Q3 Key Highlights

- ◆ Lower fixed costs as a result of cost savings initiatives
- ◆ Volumes declined 2% year-over-year driven by lower demand in Asia

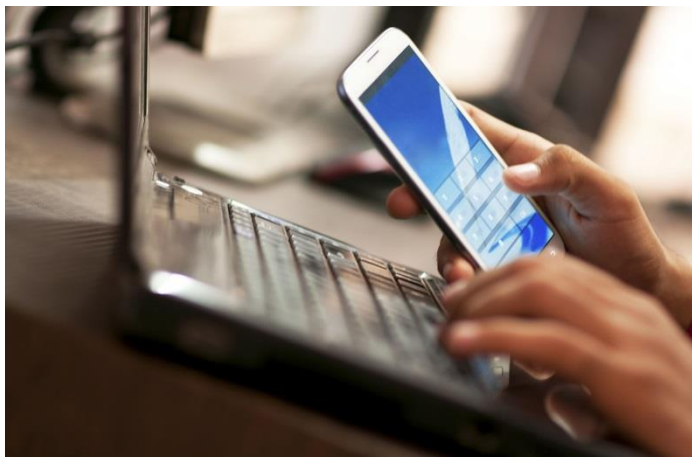
Operating Performance

In millions	Q3 2016	Q3 2015	YTD 2016	YTD 2015
Segment EBIT	\$35	\$32	\$95	\$112
Segment EBITDA	\$53	\$53	\$151	\$176

Segment Outlook

- ◆ Improvement anticipated in Q4 as compared to Q3 from:
 - ◆ More favorable product mix
 - ◆ Contribution from price increases

Performance Chemicals Segment



Q3 Key Highlights

- ◆ Stronger margins
- ◆ Volumes increased year-over-year in Specialty Carbons and Formulations (+3%) and Metal Oxides (+9%)

Operating Performance

In millions	Q3 2016	Q3 2015	YTD 2016	YTD 2015
Segment EBIT	\$59	\$48	\$167	\$129
Segment EBITDA	\$71	\$61	\$204	\$169

Segment Outlook

- ◆ Expect normal seasonal moderation in Q4 as compared to Q3
- ◆ Continue to drive penetration of high-value products

Purification Solutions Segment



Q3 Key Highlights

- ◆ Higher volumes due to MATS implementation
- ◆ Improved fixed costs year-over-year, including lower depreciation and amortization
- ◆ Drawdown of inventory resulted in negative P&L impact

Operating Performance

In millions	Q3 2016	Q3 2015	YTD 2016	YTD 2015
Segment EBIT	\$-	\$3	(\$7)	\$3
Segment EBITDA	\$10	\$14	\$22	\$38

Segment Outlook

- ◆ Improvement anticipated in Q4 as compared to Q3 from:
 - ◆ Stronger seasonal volumes
 - ◆ Lower level of inventory drawdown

Specialty Fluids Segment



Q3 Key Highlights

- ◆ High level of project activity in both the North Sea and Asia
- ◆ Continued geographic expansion

Operating Performance

In millions	Q3 2016	Q3 2015	YTD 2016	YTD 2015
Segment EBIT	\$10	\$3	\$8	\$8
Segment EBITDA	\$11	\$4	\$10	\$10

Segment Outlook

- ◆ Current project activity supports profitable Q4
- ◆ Continuing to expand the pipeline outside of the North Sea

Q3 2016 Corporate Financial Items

- ◆ Liquidity remained strong at \$1.2 billion
- ◆ Increased quarterly dividend by 36% to \$19 million
- ◆ Repurchased 175,000 shares for \$8 million
- ◆ Capital expenditures of \$28 million
- ◆ LIFO expense of \$3 million
- ◆ Year-to-date operating tax rate of 24%

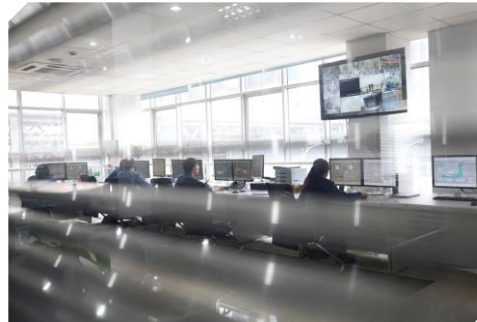
Outlook

Fiscal year on track to meet our expectations

Looking ahead sequentially:

- ◆ Performance Chemicals and Specialty Fluids anticipated to moderate
- ◆ Reinforcement Materials and Purification Solutions segments expected to improve

Continue to drive our *Advancing the Core* strategy and capital allocation framework



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Appendix

Use of Non-GAAP Financial Measures & Definitions of Terms Used

Use of Non-GAAP Financial Measures

This presentation includes references to adjusted earnings per share (EPS), total segment EBIT, segment EBITDA, and operating tax rate, which are non-GAAP measures. Reconciliations of adjusted EPS to EPS from continuing operations, Total segment EBIT to Income (Loss) from continuing operations before income taxes and equity in earnings of affiliated companies, and operating tax rate to effective tax rate, the most directly comparable GAAP financial measures, are provided in the tables included in our third quarter earnings release and filed on our Current Report on Form 8-K dated July 28, 2016.

Reconciliations for Total Segment EBIT and segment EBITDA for each segment are included in the following slides.

Explanation of Terms Used

Product Mix. The term “product mix” refers to the mix of types and grade of products sold or the mix of geographic regions where products are sold, and the positive or negative impact this has on the revenue or profitability of the business or segment.

Net Working Capital. The term “net working capital” includes accounts receivable, inventory and accounts payable and accrued expenses.

Non-GAAP Financial Measures

Total Segment EBIT

Our Chief Operating Decision Maker uses segment income (loss) from continuing operations before interest and taxes (which we refer to as segment “EBIT”) to evaluate the operating results of each segment and to allocate resources to the segments. We believe Total segment EBIT, which reflects the total of these 4 reportable segments, provides useful supplemental information for our investors as it is an important indicator of the Company’s operational strength and performance, allows investors to see our results through the eyes of management, and provides context for our discussion of individual business segment performance. Total segment EBIT is a non-GAAP financial measure, and should not be considered an alternative for Income (loss) from continuing operations before income taxes and equity in earnings of affiliated companies, which is the most directly comparable GAAP financial measure. In calculating Total segment EBIT, we exclude (i) items of expense and income that management does not consider representative of our fundamental on-going segment results, which we refer to as “certain items”, and (ii) items that, because they are not controlled by the business segments and primarily benefit corporate objectives, are not allocated to our business segments, such as interest expense and other corporate costs which include unallocated corporate overhead expenses such as certain corporate salaries, headquarter expenses and other items, plus costs related to special projects and initiatives, which we refer to as “other unallocated items”. Our Chief Operating Decision Maker uses segment EBIT to evaluate the operating results of each segment and to allocate resources to the segments. We believe Total segment EBIT provides useful supplemental information for our investors as it is an important indicator of the Company’s operational strength and performance, allows investors to see our results through the eyes of management, and provides context for our discussion of individual business segment performance. Investors should consider the limitations associated with this non-GAAP measure, including the potential lack of comparability of this measure from one company to another. A reconciliation of Total segment EBIT to Income (loss) from continuing operations before income taxes and equity in earnings of affiliated companies is below.

	Q3 2016	Q3 2015
Income (loss) from continuing operations before income taxes and equity in earnings of affiliated companies	\$ 74	\$ (509)
Interest expense	13	13
Certain items	6	567
Unallocated corporate costs	11	12
General unallocated expense	(1)	2
Equity in earnings of affiliated companies	1	1
Total Segment EBIT	\$ 104	\$ 86

Non-GAAP Financial Measures

Segment EBITDA

Segment EBITDA is comprised of Segment EBIT plus depreciation and amortization. Management believes that Segment EBITDA is useful supplemental information because it provides investors with a view of the cash generated by each of the Company's segments, which is available to fund operating needs such as working capital and capital expenditures as well as the cost of financing the Company's capital needs and returning cash to shareholders.

	Q3 2016	YTD 2016	Q3 2015	YTD 2015
Reinforcement Materials EBIT	\$ 35	\$ 95	\$ 32	\$ 112
Plus: Depreciation & Amortization	18	56	21	64
Reinforcement Materials EBITDA	\$ 53	\$ 151	\$ 53	\$ 176

	Q3 2016	YTD 2016	Q3 2015	YTD 2015
Performance Chemicals EBIT	\$ 59	\$ 167	\$ 48	\$ 129
Plus: Depreciation & Amortization	12	37	13	40
Performance Chemicals EBITDA	\$ 71	\$ 204	\$ 61	\$ 169

	Q3 2016	YTD 2016	Q3 2015	YTD 2015
Purification Solutions EBIT	\$ -	\$ (7)	\$ 3	\$ 3
Plus: Depreciation & Amortization	10	29	11	35
Purification Solutions EBITDA	\$ 10	\$ 22	\$ 14	\$ 38

	Q3 2016	YTD 2016	Q3 2015	YTD 2015
Specialty Fluids EBIT	\$ 10	\$ 8	\$ 3	\$ 8
Plus: Depreciation & Amortization	1	2	1	2
Specialty Fluids EBITDA	\$ 11	\$ 10	\$ 4	\$ 10

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