



As we progress on our journey as the leader in Carbon Black, we need to continue to improve and drive for success. However, we face a growing threat to our business.

When everyone in Carbon Black competed based on the price of U.S. Gulf Coast feedstock, the playing field was level. Small differences in efficiency or cost provided a competitive advantage. With the rapid growth of Chinese Carbon Black production based not on U.S. Gulf Coast prices but Chinese coal tars, a dramatic shift in the competitive landscape occurred. We have seen the impact of this shift in many of our markets, like India, where despite overcapacity by the domestic producers, imported Carbon Black accounted for nearly 20% of the market last year.

Such a dramatic shift means that we can no longer look for small improvements to provide a comfortable position. We must push our operations to become more flexible and more efficient. We must engage with our customers to maximize the value for both them and us.

CONTINUED SUCCESS IN CARBON BLACK WILL BE DETERMINED BY OUR EFFECTIVENESS IN FOUR KEY AREAS:

- 1. How effectively we purchase our feedstocks
- 2. How efficiently we convert feedstocks into Carbon Black
- 3. Our energy efficiency
- 4. How effectively we manage our customer engagement

Relying on U.S. Gulf Coast feedstock is no longer an option. Therefore, we must aggressively pursue better value feedstocks

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wherever economical. This means taking the knowledge inherent in Birla Carbon to push the boundaries of our current operations to obtain the lowest total cost feedstock.

Driving yield higher is critical to our success. Rapid implementation of known technology is critical to achieving results. We must continue to build trust that “if it works in that facility, then I can make it work here.” In addition, to be efficient, we must take some risks on feedstock inventory. The times where we could easily afford to run with full tanks and full silos are over. Efficient means lean, so we reduce our exposure to volatile pricing in these uncertain times. SAP will help us by providing a common tool for analyzing our performance.

Energy is a critical cost component for our facilities. Given our surplus in many facilities, we sometimes forget how much impact energy can have on our results. If our sites have a surplus, then the more efficient we are directly improves our revenue as we will be able to sell more. In sites where we are buying energy, being more efficient means fewer purchases and better results.

Customer engagement is critical to correctly value the products we make. Recent surveys with our customers highlight how far we have to go to be viewed as the leader by our customers. Just because we have the most capacity does not automatically make us the leader. As the leader, we need to set the standard in our markets for pricing and

performance. In specialty blacks, we have the added challenge of growing our position to a leadership role in the market. We have just started on this journey.

Finally, as fitting the leader in our industry, we have established sustainability goals for ourselves relative to our stakeholders. It is our duty to ourselves and our families and those around us to operate in a safe manner. It means being a good citizen of the communities in which we operate. It means providing a long-term, stable business to provide a secure workplace for our employees, a steady supplier to our customers, and an economic return for the investment by our shareholders.

This journey will take the sustained efforts of everyone in the Carbon Black business. Given the continued commitment of everyone on the team, I am confident that we will be successful in our journey.

Kevin Boyle