UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

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

For the quarterly period ended September 30, 2022

OR

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

For the transition period from _______________ to _______________

ORION ENGINEERED CARBONS S.A.

(Exact name of registrant as specified in its charter)

Grand Duchy of Luxembourg	**001-36563**	**00-0000000**
(State or other jurisdiction of incorporation or organization)	(Commission file number)	(I.R.S. Employer Identification No.)
1700 City Plaza Drive, Suite 300 **Spring** **Texas**		**77389**
(Address of Principal Executive Offices)		(Zip Code)

(281) 318-2959
Registrant's telephone number, including area code

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Shares, no par value	OEC	New York Stock Exchange

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 every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

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

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

The registrant had 60,815,588 shares of common stock outstanding as of October 31, 2022.

Orion Engineered Carbons S.A.

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Orion Engineered Carbons S.A.
PART I - Financial Information
Item 1. Financial Statements and Supplementary Data (Unaudited)

Condensed Consolidated Statements of Operations

	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
	(In millions, except share and per share amounts)			
Net sales	**$ 543.1**	**$ 393.0**	**$ 1,568.8**	**$ 1,154.1**
Cost of sales	**428.7**	**294.3**	**1,216.7**	**842.8**
Gross profit	**114.4**	**98.7**	**352.1**	**311.3**
Selling, general and administrative expenses	56.0	52.9	173.2	160.3
Research and development costs	4.5	5.7	15.9	16.4
Gain related to litigation settlement	—	—	—	(82.9)
Other (income) expenses, net	0.3	(0.2)	1.9	1.9
Income from operations	**53.6**	**40.3**	**161.1**	**215.6**
Interest and other financial expense, net	10.2	11.5	29.1	30.4
Reclassification of actuarial losses from AOCI	—	1.2	—	3.6
Income before earnings in affiliated companies and income taxes	**43.4**	**27.6**	**132.0**	**181.6**
Income tax expense	11.7	6.7	38.3	48.5
Earnings in affiliated companies, net of tax	0.1	0.1	0.3	0.5
Net income	**$ 31.8**	**$ 21.0**	**$ 94.0**	**$ 133.6**
Weighted-average shares outstanding (in thousands):				
Basic	60,936	60,740	60,899	60,680
Diluted	61,215	60,840	61,314	60,756
Earnings per share:				
Basic	$ 0.52	$ 0.35	$ 1.54	$ 2.20
Diluted	$ 0.52	$ 0.35	$ 1.53	$ 2.20

See accompanying Notes to these Condensed Consolidated Financial Statements

Orion Engineered Carbons S.A.
Condensed Consolidated Statements of Comprehensive Income

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
	(In millions)			
Net income	**$ 31.8**	**$ 21.0**	**$ 94.0**	**$ 133.6**
Other comprehensive income (loss), net of tax				
Foreign currency translation adjustments	(7.7)	(10.6)	(14.7)	(8.1)
Net gains (losses) on derivatives	10.6	(1.8)	32.1	—
Defined benefit plans, net	0.2	0.9	0.4	2.9
Other comprehensive income (loss)	**3.1**	**(11.5)**	**17.8**	**(5.2)**
Comprehensive income	**$ 34.9**	**$ 9.5**	**$ 111.8**	**$ 128.4**

See accompanying Notes to these Condensed Consolidated Financial Statements

Orion Engineered Carbons S.A.
Condensed Consolidated Balance Sheets

	September 30, 2022	December 31, 2021
	(In millions, except share amounts)	
ASSETS		
Current assets		
Cash and cash equivalents	$ 43.1	$ 65.7
Accounts receivable, net	403.7	288.9
Inventories, net	266.7	229.8
Income tax receivables	6.9	12.1
Prepaid expenses and other current assets	70.3	68.5
Total current assets	**790.7**	**665.0**
Property, plant and equipment, net	732.1	707.9
Right-of-use assets	93.3	84.6
Goodwill	67.1	78.0
Intangible assets, net	26.9	36.3
Investment in equity method affiliates	4.4	5.3
Deferred income tax assets	57.8	50.4
Other assets	71.1	3.5
Total non-current assets	**1,052.7**	**966.0**
Total assets	**$ 1,843.4**	**$ 1,631.0**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 178.1	$ 195.1
Current portion of long term debt and other financial liabilities	261.0	151.7
Accrued liabilities	43.6	50.9
Income taxes payable	22.6	16.9
Other current liabilities	42.6	34.1
Total current liabilities	**547.9**	**448.7**
Long-term debt, net	618.2	631.2
Employee benefit plan obligation	64.6	74.4
Deferred income tax liabilities	86.9	61.8
Other liabilities	95.1	95.2
Total non-current liabilities	**864.8**	**862.6**
Commitments and contingencies		
Stockholders' equity		
Common stock		
Authorized: 65,035,579 and 65,035,579 shares with no par value		
Issued – 60,992,259 and 60,992,259 shares with no par value		
Outstanding – 60,815,588 and 60,656,076 shares	85.3	85.3
Treasury stock, at cost, 176,671 and 336,183	(4.7)	(6.3)
Additional paid-in capital	74.0	71.4
Retained earnings	306.8	217.8
Accumulated other comprehensive loss	(30.7)	(48.5)
Total stockholders' equity	**430.7**	**319.7**
Total liabilities and stockholders' equity	**$ 1,843.4**	**$ 1,631.0**

See accompanying Notes to these Condensed Consolidated Financial Statements

Orion Engineered Carbons S.A.
Condensed Consolidated Statements of Cash Flows

	Nine Months Ended September 30,	
	2022	2021
	(In millions)	
Cash flows from operating activities:		
Net income	$ 94.0	$ 133.6
Adjustments to reconcile Net income to Net cash provided by (used in) operating activities:		
Depreciation of property, plant and equipment and amortization of intangible assets and right of use assets	79.9	74.6
Amortization of debt issuance costs	1.4	3.8
Share-based incentive compensation	5.0	3.3
Deferred tax (benefit) provision	2.8	(2.7)
Foreign currency transactions	(13.8)	(9.0)
Reclassification of actuarial losses from AOCI	—	3.6
Other operating non-cash items, net	(0.7)	(2.4)
Changes in operating assets and liabilities, net:		
Trade receivables	(149.2)	(75.7)
Inventories	(65.3)	(58.0)
Trade payables	20.0	12.6
Other provisions	(2.0)	6.5
Income tax liabilities	13.6	30.9
Other assets and liabilities, net	(2.4)	0.2
Net cash (used in)/provided by operating activities	**(16.7)**	**121.3**
Cash flows from investing activities:		
Acquisition of intangible assets and property, plant and equipment	(167.1)	(113.7)
Net cash used in investing activities	**(167.1)**	**(113.7)**
Cash flows from financing activities:		
Proceeds from long-term debt borrowings	35.3	213.4
Repayments of long-term debt	(2.3)	(212.3)
Payments for debt issue costs	(1.5)	(2.8)
Cash inflows related to current financial liabilities	201.6	81.4
Cash outflows related to current financial liabilities	(61.7)	(87.3)
Dividends paid to shareholders	(3.8)	—
Other financing activities	(0.2)	—
Net cash provided by (used in) financing activities	**167.4**	**(7.6)**
Increase (decrease) in cash, cash equivalents and restricted cash	**(16.4)**	—
Cash, cash equivalents and restricted cash at the beginning of the period	68.5	67.9
Effect of exchange rate changes on cash	(5.5)	(2.8)
Cash, cash equivalents and restricted cash at the end of the period	**46.6**	**65.1**
Less restricted cash at the end of the period	3.5	2.8
Cash and cash equivalents at the end of the period	**$ 43.1**	**$ 62.3**

See accompanying Notes to these Condensed Consolidated Financial Statements

Orion Engineered Carbons S.A.
Condensed Consolidated Statements of Changes in Stockholders' Equity

(In millions, except per share amounts)	Common stock Number	Common stock Amount	Treasury shares	Additional paid-in capital	Retained earnings	Accumulated other comprehensive loss	Total
Balance at January 1, 2022	**60,656,076**	**$ 85.3**	**$ (6.3)**	**$ 71.4**	**$ 217.8**	**$ (48.5)**	**$ 319.7**
Net income	—	—	—	—	32.5	—	32.5
Other comprehensive income, net of tax	—	—	—	—	—	24.9	24.9
Dividends $0.02 per share	—	—	—	—	(1.2)	—	(1.2)
Share based compensation	—	—	—	1.5	—	—	1.5
Balance at March 31, 2022	**60,656,076**	**85.3**	**(6.3)**	**72.9**	**249.1**	**(23.6)**	**377.4**
Net income	—	—	—	—	29.7	—	29.7
Other comprehensive loss, net of tax	—	—	—	—	—	(10.2)	(10.2)
Dividends $0.04 per share	—	—	—	—	(2.5)	—	(2.5)
Share based compensation	—	—	—	1.6	—	—	1.6
Issuance of stock under equity compensation plans	93,189	—	1.6	(2.4)	—	—	(0.8)
Balance at June 30, 2022	**60,749,265**	**$ 85.3**	**$ (4.7)**	**$ 72.1**	**$ 276.3**	**$ (33.8)**	**$ 395.2**
Net income	—	—	—	—	31.8	—	31.8
Other comprehensive income, net of tax	—	—	—	—	—	3.1	3.1
Dividends $0.02 per share	—	—	—	—	(1.3)	—	(1.3)
Share based compensation	—	—	—	1.9	—	—	1.9
Issuance of stock under equity compensation plans	66,323	—	—	—	—	—	—
Balance at September 30, 2022	**60,815,588**	**$ 85.3**	**$ (4.7)**	**$ 74.0**	**$ 306.8**	**$ (30.7)**	**$ 430.7**
Balance at January 1, 2021	**60,487,117**	**$ 85.3**	**$ (8.5)**	**$ 68.5**	**$ 84.4**	**$ (48.7)**	**$ 181.0**
Net income	—	—	—	—	23.5	—	23.5
Other comprehensive loss, net of tax	—	—	—	—	—	(2.7)	(2.7)
Share based compensation	—	—	—	1.0	—	—	1.0
Issuance of stock under equity compensation plans	103,409	—	1.2	(1.2)	—	—	—
Balance at March 31, 2021	**60,590,526**	**85.3**	**(7.3)**	**68.3**	**107.9**	**(51.4)**	**202.8**
Net loss	—	—	—	—	89.1	—	89.1
Other comprehensive income, net of tax	—	—	—	—	—	9.0	9.0
Share based compensation	—	—	—	1.2	—	—	1.2
Balance at June 30, 2021	**60,590,526**	**$ 85.3**	**$ (7.3)**	**$ 69.5**	**$ 197.0**	**$ (42.4)**	**$ 302.1**
Net income	—	—	—	—	21.0	—	21.0
Other comprehensive loss, net of tax	—	—	—	—	—	(11.5)	(11.5)
Share based compensation	—	—	—	1.1	—	—	1.1
Issuance of stock under equity compensation plans	42,776	—	0.8	(0.8)	—	—	—
Balance at September 30, 2021	**60,633,302**	**$ 85.3**	**$ (6.5)**	**$ 69.8**	**$ 218.0**	**$ (53.9)**	**$ 312.7**

See accompanying Notes to these Condensed Consolidated Financial Statements

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Note A. Organization, Description of the Business and Summary of Significant Accounting Policies

Orion Engineered Carbons S.A.'s unaudited Condensed Consolidated Financial Statements include Orion Engineered Carbons S.A. and its subsidiaries ("Orion" or the "Company"). The unaudited Condensed Consolidated Financial Statements have been prepared in accordance with U.S. Generally Accepted Accounting Principles ("GAAP") and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for annual financial statements. These financial statements should be read in conjunction with the Consolidated Financial Statements included in our Annual Report in Form 10-K for the year ended December 31, 2021.

The accompanying unaudited Condensed Consolidated Financial Statements include all adjustments that are necessary for the fair presentation of our results for the interim periods presented. Results for interim periods are not necessarily indicative of results to be expected for the full year.

Summary of Significant Accounting Policies

Adoption of accounting standards

Government Assistance (Topic 832)—On November 17, 2021, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2021-10, *Disclosures by Business Entities About Government Assistance,* which requires business entities to provide certain disclosures when they have received government assistance and use a grant or contribution accounting model by analogy to other accounting guidance (e.g., a grant model under IAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*; *Assistance*; ASC 958-605, *Not-for-Profit Entities—Revenue Recognition*). This ASU creates Accounting Standards Codification ("ASC") Topic 832 ("ASC 832"). The guidance is effective for financial statements issued for annual periods beginning after December 15, 2021. Entities may apply the ASU's provisions either (1) prospectively to all transactions within the scope of ASC 832 that are reflected in the financial statements as of the adoption date and all new transactions entered into after the date of adoption or (2) retrospectively.

We adopted this standard prospectively on January 1, 2022. The adoption of this standard did not materially impact our Consolidated Financial Statements or related disclosures.

Note B. Accounts Receivable

Accounts receivable, net of allowance for credit losses, are as follows:

	September 30, 2022	December 31, 2021
	(In millions)	
Accounts receivable	$ 406.2	$ 291.5
Expected credit losses	(2.5)	(2.6)
Accounts receivable, net	**$ 403.7**	**$ 288.9**

Note C. Inventories

Inventories, net of reserves, are as follows:

	September 30, 2022	December 31, 2021
	(In millions)	
Raw materials, consumables and supplies, net	$ 113.3	$ 97.1
Work in process	0.6	0.2
Finished goods, net	152.8	132.5
Total	**$ 266.7**	**$ 229.8**

Note D. Debt and Other Obligations

The company's financing arrangements are as follows:

	September 30, 2022	December 31, 2021
	(In millions)	
Current		
Current portion of Term-Loan	$ 3.0	$ 3.0
Deferred debt issuance costs - Term-Loan	(0.7)	(0.8)
Other short-term debt and obligations	258.7	149.5
Current portion of long-term debt and other financial liabilities	**261.0**	**151.7**
Non-current		
Term-Loan	586.5	636.0
Deferred debt issuance costs - Term Loan	(3.6)	(4.8)
BOC Term-loan	35.3	—
Long-term debt, net	**618.2**	**631.2**
Total	**$ 879.2**	**$ 782.9**

a. Revolving credit facility

In July 2014, Orion Group Holdings, Inc. (the "Company") entered in a credit agreement to establish long-term financing ("Term-Loan") and a multicurrency revolving credit facility ("RCF") for the consolidated group. Subsequent to 2014, we entered into a number of amendments related to Term-Loan and RCF.

In May 2022, we added €100 million of capacity to our RCF, which expands our facility to €350 million ($341.2 million).

As part of the RCF, the Company can establish ancillary credit facilities by converting the commitments of select lenders under the €350 million RCF into bilateral credit agreements. Original borrowings under the ancillary credit facilities reduce availability under the RCF. Borrowings under ancillary credit facilities do not count toward debt drawn under the RCF for the purposes of determining whether the financial covenant under the Credit Agreement related to the RCF must be tested.

During the third quarter of 2022, we increased our ancillary facility capacity by €58 million. As of September 30, 2022, the total commitment of €350 million was split between an €82 million RCF tranche and €268 million of bilateral ancillary facilities established directly with several banks under the RCF.

As of September 30, 2022 and December 31, 2021, committed ancillary credit facilities totaled $261.5 million and $192.5 million, respectively.

As of September 30, 2022, $48.7 million was outstanding under the RCF, and there were no borrowings under the RCF as of December 31, 2021. We classify amounts outstanding under the RCF as current in our Condensed Consolidated Balance Sheets as the borrowings are for short-term working capital needs, typically for one-month periods, and based on management's intention to repay the amounts outstanding within one year from the date of drawing.

As of September 30, 2022 and December 31, 2021, availability under the RCF was $130.3 million and $166.7 million, respectively.

b. Local bank loans and other short-term borrowings

The local credit lines in Brazil and Korea are with local banks that are not lenders under the RCF and were negotiated bilaterally.

The ancillary facilities (under RCF commitments) and uncommitted lines of credit outstanding are as follows:

		September 30, 2022		December 31, 2021
		(In millions)		
Total ancillary capacity - EUR	**€**	**268.3**	**€**	**170.0**
Total ancillary capacity - U.S. $	**$**	**261.5**	**$**	**192.5**
Ancillary credit facilities				
OEC GmbH outstanding borrowings	$	139.6	$	103.0
OEC LLC outstanding borrowings		17.2		13.4
Uncommitted local lines of credit:				
Korea (capacity $40.0 million)		10.1		30.8
Brazil (capacity $3.0 million)		3.0		2.3
Korea working capital loan		7.0		—
Repurchase agreement		33.1		—
RCF		48.7		—
Total of Other short-term debt and obligations	**$**	**258.7**	**$**	**149.5**

Repurchase Agreement—On March 15, 2022, we entered into a repurchase agreement to sell European Emission Allowance (“EUA”) certificates. Under the agreement, we sold 450 thousand EUA certificates for €33.5 million cash to a counterparty. The same counterparty has an obligation to resell, and we have the obligation to purchase, the same or substantially the same EUA certificates on January 27, 2023 for €34.0 million. The difference between the consideration received and the amount of consideration to be paid will be recognized as interest expense. At September 30, 2022, the amount outstanding was $33.1 million. Due to the short maturity, the carrying value approximates the fair value.

Bank of China—To partially finance our Huaibei facility in China, on March 16, 2022, our wholly owned subsidiary, Orion Engineered Carbons (Huaibei) Co., Ltd. (“OECCL”), entered into a 4.5% fixed interest rate, CNY500 million (approximately $80 million), eight-year term-loan agreement with Bank of China (“BOC Term-Loan”) maturing on December 21, 2029. OECCL is required to repay the BOC Term-Loan principal in semi-annual payments beginning June 2024. Interest is payable quarterly, beginning June 2022. The agreement restricts OECCL’s ability to make external investments or make intercompany loan repayments or dividend distributions. The principal repayments under the agreement are: 2% in 2024, 10% in 2025 and 22% each year thereafter, concluding in June 2029. The BOC Term-Loan is secured with the Huaibei facility’s land, construction in progress, and buildings as collateral.

Korea Working Capital Loan—For working capital flexibility, in June 2022, we entered in a one year term-loan agreement for ₩10.0 billion Korean won ($7.0 million) with Hana Bank. The interest rate on this loan at inception is 4.3%. For early repayment, we are required to pay a 1% prorated early repayment fee. In the Condensed Consolidated Statements of Cash Flows, this loan is reflected in *Cash inflows related to current financial liabilities*. Due to the short maturity, the carrying value approximates the fair value.

As of September 30, 2022, we are in compliance with our debt covenants.

For additional information relating to our debt, see “*Note J. Debt and Other Obligations”*, included in our Annual Report in Form 10-K for the year ended December 31, 2021.

Note E. Financial Instruments and Fair Value Measurement

Risk management

We have policies governing the use of derivative instruments and do not enter into financial instruments for trading or speculative purposes.

By using derivative instruments, we are subject to credit and market risk. To minimize counterparty credit (or repayment) risk, we enter into transactions, primarily with investment grade financial institutions. The market risk exposure is not hedged in a manner to completely eliminate the effects of changing market conditions on earnings or cash flow. No significant concentration of credit risk existed as of September 30, 2022 or December 31, 2021.

Fair value measurement

The following table summarizes outstanding financial instruments that are measured at fair value on a recurring basis:

	September 30, 2022		December 31, 2021		
	Notional Amount	Fair Value	Notional Amount	Fair Value	Balance Sheet Classification
	(In millions)				
Assets					
Derivatives designated as hedges:					
Cross currency swaps	$ 197.0	$ 59.8	$ 197.0	$ 4.3	Other financial assets (non-current)
Interest rate swaps	268.1	7.5	—	—	Other financial assets (non-current)
Total	**$ 465.1**	**$ 67.3**	**$ 197.0**	**$ 4.3**	
Liabilities					
Derivatives designated as hedges:					
Interest rate swaps	—	—	311.5	8.6	Other liabilities (non-current)
Total	**$ —**	**$ —**	**$ 311.5**	**$ 8.6**	

All financial instruments in the table above are classified as Level 2. We present the gross assets and liabilities of our derivative financial instruments in the Condensed Consolidated Balance Sheets.

For financial assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization at the end of each reporting period. There were no transfers of assets measured at fair value between Level 1 and Level 2 and there were no Level 3 investments during 2022 or 2021.

The following table presents the carrying value and estimated fair value of our financial instruments that are not measured at fair value on a recurring basis for the periods presented. Short-term and long-term debt are recorded at amortized cost in the Consolidated Balance Sheets.

	September 30, 2022		December 31, 2021	
	Notional Amount	Fair Value	Notional Amount	Fair Value
	(In millions)			
Non-derivatives:				
Liabilities:				
Term loan	$ 589.5	$ 560.8	$ 639.0	$ 637.2

Term Loan in the table above is classified as Level 2.

At both September 30, 2022 and December 31, 2021, the fair values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and short term borrowings and variable rate debt approximated their carrying values due to the short-term nature of these instruments.

The following tables summarize the pre-tax effect of derivative and non-derivative instruments recorded in Accumulated other comprehensive income (loss) ("AOCI"), the gains (losses) reclassified from AOCI to earnings and additional gains (losses) recognized directly in earnings:

	Effect of Financial Instruments				
	Three Months Ended Sep 30,				
	Gain (Loss) Recognized in AOCI		Gain (Loss) Reclassified from AOCI to Income		Income Statement Classification
	2022	2021	2022	2021	
	(In millions)				
Derivatives designated as hedges:					
Cross currency swaps	$ 9.2	$ (3.2)	$ 0.4	$ —	Interest and other financial expense, net
Interest rate swaps	6.2	0.3	—	—	Interest and other financial expense, net
Total	**$ 15.4**	**$ (2.9)**	**$ 0.4**	**$ —**	

	Effect of Financial Instruments				
	Nine Months Ended September 30,				
	Gain (Loss) Recognized in AOCI		Gain (Loss) Reclassified from AOCI to Income		Income Statement Classification
	2022	2021	2022	2021	
	(In millions)				
Derivatives designated as hedges:					
Cross currency swaps	$ 30.1	$ (1.3)	$ 1.3	$ —	Interest and other financial expense, net
Interest rate swaps	15.9	0.8	—	—	Interest and other financial expense, net
Total	**$ 46.0**	**$ (0.5)**	**$ 1.3**	**$ —**	

Our cross currency swaps and interest rate swaps are designated as cash flow hedges of principal and interest payments related to our Term Loan and mature in September 2028. The amount recognized in AOCI related to cash flow hedges that will be reclassified to the Condensed Consolidated Statement of Operations in the next twelve months is approximately $1.6 million.

See "*Note K. Financial Instruments and Fair Value Measurement"*, included in our Annual Report in Form 10-K for the year ended December 31, 2021, for additional information relating to our derivatives instruments.

Note F. Employee Benefit Plans

Provisions for pensions are established to cover benefit plans for retirement, disability and surviving dependents' pensions. The benefit obligations vary depending on the legal, tax and economic circumstances in various countries in which the Company operates. Generally, the level of benefit depends on the length of service and the remuneration.

Net periodic defined benefit pension costs include the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
	(In millions)			
Service cost	$ 0.3	$ 0.4	$ 0.9	$ 1.0
Interest cost	0.3	0.2	1.1	0.8
Amortization of actuarial loss	—	1.2	—	3.6
Net periodic pension cost	**$ 0.6**	**$ 1.8**	**$ 2.0**	**$ 5.4**

Service costs were recorded within Income from operations in Selling, general and administrative expenses, and interest cost in Interest and other financial expense, net.

The amortization of actuarial losses, associated with the pension obligations recorded in prior years, in Accumulated other comprehensive income exceeding 10% of the defined benefit obligation are recorded ratably in the Condensed Consolidated Statements of Operations.

Note G. Accumulated Other Comprehensive Income/(Loss)

Changes in each component of AOCI, net of tax, are as follows:

	Currency Translation Adjustments	Hedging Activities Adjustments	Pension and Other Postretirement Benefit Liability Adjustment	Total
	(In millions)			
Balance at January 1, 2022	**$ (34.1)**	**$ (10.8)**	**$ (3.6)**	**$ (48.5)**
Other comprehensive income	11.2	18.7	—	29.9
Income tax effects	0.6	(6.0)	—	(5.4)
Currency translation AOCI	—	0.3	0.1	0.4
Balance at March 31, 2022	**$ (22.3)**	**$ 2.2**	**$ (3.5)**	**$ (23.6)**
Other comprehensive (loss)	(18.5)	12.5	—	(6.0)
Income tax effects	(0.3)	(4.0)	—	(4.3)
Currency translation AOCI	—	—	0.1	0.1
Balance at June 30, 2022	**(41.1)**	**10.7**	**(3.4)**	**(33.8)**
Other comprehensive income (loss)	(8.1)	16.5	—	8.4
Income tax effects	0.4	(5.2)	—	(4.8)
Currency translation AOCI	—	(0.7)	0.2	(0.5)
Balance at September 30, 2022	**(48.8)**	**21.3**	**(3.2)**	**(30.7)**
Balance at January 1, 2021	**$ (26.5)**	**$ (13.5)**	**$ (8.7)**	**$ (48.7)**
Other comprehensive loss before reclassifications	(4.7)	0.9	—	(3.8)
Income tax effects before reclassifications	(0.4)	(0.3)	—	(0.7)
Amounts reclassified from AOCI	—	—	1.2	1.2
Income tax effects on reclassifications	—	—	(0.4)	(0.4)
Currency translation AOCI	—	0.6	0.4	1.0
Balance at March 31, 2021	**$ (31.6)**	**$ (12.3)**	**$ (7.5)**	**$ (51.4)**
Other comprehensive income before reclassifications	7.2	1.1	—	8.3
Income tax effects before reclassifications	0.5	(0.3)	—	0.2
Amounts reclassified from AOCI	—	—	1.2	1.2
Income tax effects on reclassifications	—	—	(0.4)	(0.4)
Currency translation AOCI	—	(0.2)	(0.1)	(0.3)
Balance at June 30, 2021	**(23.9)**	**(11.7)**	**(6.8)**	**(42.4)**
Other comprehensive income (loss) before reclassifications	(10.4)	(3.2)	—	(13.6)
Income tax effects before reclassifications	(0.3)	1.1	—	0.8
Amounts reclassified from AOCI	—	—	1.2	1.2
Income tax effects on reclassifications	—	—	(0.4)	(0.4)
Currency translation AOCI	—	0.3	0.2	0.5
Balance at September 30, 2021	**$ (34.6)**	**$ (13.5)**	**$ (5.8)**	**$ (53.9)**

Note H. Earnings Per Share

Basic earnings per share (“EPS”) is computed by dividing Net income attributable to Orion by the weighted average number of common stock outstanding during the period. Diluted EPS equals Net income attributable to Orion divided by the weighted average number of common stock outstanding during the period, adjusted for the dilutive effect of our stock–based and other equity compensation awards.

The following table reflects the income and share data used in the basic and diluted EPS computations:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
	(In millions, except share and per share amounts)			
Net income attributable to ordinary equity holders	$ 31.8	$ 21.0	$ 94.0	$ 133.6
Weighted average number of ordinary shares (in thousands)	60,936	60,740	60,899	60,680
Basic EPS	**$ 0.52**	**$ 0.35**	**$ 1.54**	**$ 2.20**
Dilutive effect of share based payments (in thousands)	279	100	415	76
Weighted average number of diluted ordinary shares (in thousands)	61,215	60,840	61,314	60,756
Diluted EPS	**$ 0.52**	**$ 0.35**	**$ 1.53**	**$ 2.20**

Note I. Income Taxes

The Company records its tax provision or benefit on an interim basis using an estimated annual effective tax rate. This rate is applied to the current period ordinary income to determine the income tax provision or benefit allocated to the interim period. Losses from jurisdictions for which no benefit can be recognized, and the income tax effects of unusual and infrequent items are excluded from the estimated annual effective tax rate and are recognized in the impacted interim period as discrete items. Valuation allowances are provided against any future tax benefits that arise from losses in jurisdictions for which no benefit can be recognized. The estimated annual effective tax rate may be significantly impacted by nondeductible expenses and by the Company’s projected earnings mix by tax jurisdiction. Adjustments to the estimated annual effective income tax rate are recognized in the period when such estimates are revised.

Income tax expense for the three months ended September 30, 2022 and 2021 were $11.7 million and $6.7 million, respectively.

Income tax expense for the nine months ended September 30, 2022 and 2021 were $38.3 million and $48.5 million, respectively.

Our effective income tax rates were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Effective income tax rates	27.0 %	24.3 %	29.0 %	26.7 %

The increase in our effective tax rate for both the three and nine months ended September 30, 2022 as compared to the three and nine months ended September 30, 2021 were primarily attributable to the projected earnings mix by geography and tax jurisdiction.

Note J. Commitments and Contingencies

Restructuring—In 2016, the Company ceased operations at its plant in Ambes, France as part of the restructuring of its Rubber business segment. Expenses related to the closing include personnel costs, demolition, removal costs and remediation costs. Total estimated and recognized costs and total remaining costs to be paid as of September 30, 2022 are $46.1 million and $4.6 million, respectively. Orion's reserves for the ceased operation at Ambes are reflected in Accrued liabilities on the Condensed Consolidated Balance Sheets. Orion has accrued liabilities for personnel expenses of $2.9 million and $2.6 million, and for ground remediation costs of $1.7 million and $6.7 million, as of September 30, 2022 and December 31, 2021, respectively.

Environmental Reserves—Our accrued liability for future environmental reserves at our current and former plant sites and other sites totaled $4.9 million and $7.8 million as of September 30, 2022 and December 31, 2021, respectively. Environmental-related costs are expected to occur over a number of years and are not concentrated in any single year. In our opinion, it is reasonably possible that losses in excess of the liabilities recorded will be incurred. However, we cannot estimate any amount or range of such possible additional losses. New information about sites, new technology or future developments, such as involvement in investigations by regulatory agencies, could require us to reassess our potential exposure related to environmental matters.

Legal Proceedings—We are subject to various lawsuits and claims including, but not limited to, matters involving contract disputes, environmental damages, personal injury and property damage. We vigorously defend ourselves and prosecute these matters as appropriate. We regularly assess the adequacy of legal accruals based on our professional judgment, experience and the information available regarding our cases.

Based on a consideration of all relevant facts and circumstances, we do not believe the ultimate outcome of any currently pending lawsuit against us will have a material adverse effect upon our operations, financial condition or Condensed Consolidated Financial Statements.

EPA Action—During 2008 and 2009, the U.S. Environmental Protection Agency ("EPA") contacted all U.S. carbon black producers as part of an industry-wide EPA initiative, requesting extensive and comprehensive information under Section 114 of the U.S. Clean Air Act. The EPA used that information to determine, for each facility, that either: (i) the facility has been in compliance with the Clean Air Act; (ii) violations have occurred, and enforcement litigation may be undertaken; or (iii) violations have occurred, and a settlement of an enforcement case is appropriate. In response to information requests received by the Company's U.S. facilities, the Company furnished information to the EPA on each of its U.S. facilities. The EPA subsequently sent notices under Section 113(a) of the Clean Air Act in 2010 alleging violations of Prevention of Significant Deterioration ("PSD") and Title V permitting requirements under the Clean Air Act at the Company's Belpre (Ohio) facility. In October 2012, the Company received a corresponding notice and finding of violation (a "NOV") alleging the failure to obtain PSD and Title V permits reflecting Best Available Control Technology ("BACT") at several units of the Company's Ivanhoe (Louisiana) facility, and in January 2013, the Company also received an NOV issued by the EPA for its facility in Borger (Texas) alleging the failure to obtain PSD and Title V permits reflecting BACT during the years 1996 to 2008. A comparable NOV for the Company's U.S. facility in Orange (Texas) was issued by the EPA in February 2013, and the EPA issued an additional NOV in March 2016 alleging more recent non-PSD air emissions violations primarily at the dryers and the incinerator of the Orange facility.

In 2013, Orion began discussions with the EPA and the U.S. Department of Justice ("DOJ") about a potential settlement to resolve the NOVs received, which ultimately led to a consent decree executed between Orion Engineered Carbons LLC ("Orion LLC" for purposes of this Note J.) and the United States (on behalf of the EPA), as well as the Louisiana Department of Environmental Quality. The consent decree (the "EPA CD") became effective on June 7, 2018. The EPA CD resolves and settles the EPA's claims of noncompliance set forth in the NOVs and in a respective complaint filed in court against Orion by the United States immediately prior to the filing of the consent decree.

Under the EPA CD, Orion LLC is installing certain pollution control technology in order to further reduce emissions at its four U.S. manufacturing facilities in Ivanhoe (Louisiana), Belpre (Ohio), Borger (Texas), and Orange (Texas) over approximately five years. The EPA CD also requires continuous monitoring of emissions reductions that Orion LLC will need to comply with over a number of years. In addition, the EPA CD required Orion LLC to pay a fine of $0.8 million and perform other environmental mitigation projects that are not anticipated to be material. As part of Orion LLC's compliance plan under the EPA CD, Orion LLC installed SNOX™ emissions control technology to remove SO2, NOx and dust particles from tail gases at the Ivanhoe (Louisiana) facility in 2021. Less stringent emissions controls were installed in accordance with the EPA CD at Orange (Texas) in 2020.

We have started installation at the two remaining sites, Belpre and Borger.

As of September 30, 2022, we have spent $264 million on capital expenditures related to the EPA CD of which approximately $80 million was received as an indemnity payment from Evonik. For further discussion refer to *"Note Q. Commitments and Contingencies",* included in our Annual Report in Form 10-K for the year ended December 31, 2021.

Pledges and guarantees

The Company has pledged the majority of its assets (amongst others shares in affiliates, bank accounts and receivables) within the different regions excluding China as collateral under the debt agreements. As of September 30, 2022, the Company had guarantees totaling $13.6 million issued by various financial institutions.

Note K. Financial Information by Segment

Segment information

We disclose the results of each of our operating segments in accordance with ASC 280, *Segment Reporting*. We manage our business in two operating segments as follows:

- *Rubber Carbon Black*—Used in the reinforcement of rubber in tires and mechanical rubber goods.
- *Specialty Black Carbon*—Used for protection, colorization and conductivity in coatings, polymers, batteries, printing and special applications.

Corporate includes income and expenses that cannot be directly allocated to the business segments or that are managed at the corporate level including: finance income and expenses, taxes and items with less bearing on the underlying core business.

Discrete financial information is available for each of the segments, and the Chief Operating Decision Maker ("CODM") uses operating results of each operating segment for performance evaluation and resource allocation.

Our CODM uses Adjusted EBITDA as the primary measure for reviewing our segment profitability. We define Adjusted EBITDA as Income from operations before depreciation and amortization, restructuring expenses, consulting fees related to Company strategy, gain related to legal settlements, and includes equity earnings (loss) in affiliated companies, net of tax.

The CODM does not review reportable segment asset or liability information for purposes of assessing performance or allocating resources.

Segment operating results for the three months ended September 30, 2022 and 2021 are as follows:

	Rubber	Specialties	Corporate	Total Segments
		(In millions)		
2022				
Net sales from external customers	**$ 373.5**	**$ 169.6**	**$ —**	**$ 543.1**
Adjusted EBITDA	49.4	31.1	—	80.5
Corporate charges	—	—	(1.6)	(1.6)
Depreciation and amortization of intangible assets, right of use assets, and property, plant and equipment	(15.6)	(9.6)	—	(25.2)
Excluding equity in earnings of affiliated companies, net of tax	(0.1)	—	—	(0.1)
Interest and other financial expense, net			(10.2)	(10.2)
Income before earnings in affiliated companies and income taxes				**$ 43.4**
2021				
Net sales from external customers	**$ 242.8**	**$ 150.2**	**$ —**	**$ 393.0**
Adjusted EBITDA	27.4	39.0	—	66.4
Corporate charges	—	—	(2.2)	(2.2)
Depreciation and amortization of intangible assets, right of use assets, and property, plant and equipment	(13.3)	(10.5)	—	(23.8)
Excluding equity in earnings of affiliated companies, net of tax	(0.1)	—	—	(0.1)
Interest and other financial expense, net			(11.5)	(11.5)
Reclassification of actuarial losses from AOCI			(1.2)	(1.2)
Income before earnings in affiliated companies and income taxes				**$ 27.6**

Segment reconciliation for the nine months ended September 30, 2022 and 2021:

	Rubber	Specialties	Corporate	Total Segments
		(In millions)		
2022				
Net sales from external customers	**$ 1,039.7**	**$ 529.1**	**$ —**	**$ 1,568.8**
Adjusted EBITDA	128.1	119.0	—	247.1
Corporate charges	—	—	(5.8)	(5.8)
Depreciation and amortization of intangible assets, right of use assets, and property, plant and equipment	(49.1)	(30.8)	—	(79.9)
Excluding equity in earnings of affiliated companies, net of tax	(0.3)	—	—	(0.3)
Interest and other financial expense, net			(29.1)	(29.1)
Income before earnings in affiliated companies and income taxes				**$ 132.0**
2021				
Net sales from external customers	**$ 703.5**	**$ 450.6**	**$ —**	**$ 1,154.1**
Adjusted EBITDA	98.0	118.1	—	216.1
Corporate charges	—	—	(8.3)	(8.3)
Depreciation and amortization of intangible assets, right of use assets, and property, plant and equipment	(41.7)	(32.9)	—	(74.6)
Gain related to litigation settlement			82.9	82.9
Excluding equity in earnings of affiliated companies, net of tax	(0.5)	—	—	(0.5)
Interest and other financial expense, net			(30.4)	(30.4)
Reclassification of actuarial losses from AOCI			(3.6)	(3.6)
Income before earnings in affiliated companies and income taxes				**$ 181.6**

Expense from operations before income taxes and finance costs of the segment "*Corporate"* comprises the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
	(In millions)			
Long term incentive plan	$ 1.9	$ 1.3	$ 5.0	$ 3.3
Other non-operating	(0.3)	0.9	0.8	5.0
Corporate Charges	**$ 1.6**	**$ 2.2**	**$ 5.8**	**$ 8.3**

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

The following discussion and analysis summarizes the significant factors affecting our results of operations and financial condition during the three and nine months ended September 30, 2022 and 2021 and should be read in conjunction with the information included under Item 1. Financial Statements and Supplementary Data (Unaudited) elsewhere in this report. We prepare our financial statements in accordance with accounting principles generally accepted in the United States ("GAAP").

PRESENTATION OF CERTAIN FINANCIAL AND OTHER INFORMATION

Non-GAAP Financial Measures

We present certain financial measures that are not prepared in accordance with GAAP or the accounting standards of any other jurisdiction and which may not be comparable to other similarly titled measures of other companies. For a reconciliation of these non-GAAP financial measures to the most directly comparable GAAP measures, see section *Reconciliation of Non-GAAP Financial Measures* below.

These non-GAAP measures are, but are not limited to, Contribution margin, Contribution margin per metric ton (collectively, "Contribution margins"), Adjusted EBITDA, Net working capital and Capital expenditures. We define Contribution margin as revenue less variable costs (such as raw materials, packaging, utilities and distribution costs). We define Contribution margin per metric ton as Contribution margin divided by volume measured in metric tons. We define Adjusted EBITDA as Income from operations before depreciation and amortization, restructuring expenses, consulting fees related to Company strategy, gain related to legal settlement, and includes equity earnings (loss) in affiliated companies, net of tax. 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 items that have less bearing on the performance of our underlying core business. We define Net working capital as inventories plus current trade receivables minus trade payables. We define Capital expenditures as cash paid for the acquisition of intangible assets and property, plant and equipment as shown in the Condensed Consolidated Financial Statements.

We also use Segment Adjusted EBITDA margin, which we define as Adjusted EBITDA for the relevant segment divided by the revenue for that segment.

We use Adjusted EBITDA as an internal measure of performance to benchmark and compare performance among our own operations. We use these measures, together with other measures of performance under GAAP, to compare the relative performance of operations in planning, budgeting and reviewing the performance of our business. We believe these measures are useful measures of financial performance, in addition to consolidated Net income for the period, Income from operations and other profitability measures under GAAP, because they facilitate operating performance comparisons from period to period and company to company and, with respect to Contribution margin, eliminate volatility in feedstock prices. By eliminating potential differences in results of operations between periods or companies caused by factors such as depreciation and amortization methods, historic cost and age of assets, financing and capital structures and taxation positions or regimes, Adjusted EBITDA provides a useful additional basis for comparing the current performance of the underlying operations being evaluated. For these reasons, EBITDA-based measures are often used by the investment community as a means of comparison of companies in our industry. By deducting variable costs (such as raw materials, packaging, utilities and distribution costs) from revenue, we believe that Contribution margins can provide a useful basis for comparing the current performance of the underlying operations being evaluated by indicating the portion of revenue that is not consumed by these variable costs and therefore contributes to the coverage of all costs and profits.

Different companies and analysts may calculate measures based on EBITDA, Contribution margins and working capital differently, so making comparisons among companies on this basis should be done carefully. Adjusted EBITDA, Contribution margins and Net working capital are not measures of performance under GAAP and should not be considered in isolation or construed as substitutes for revenue, consolidated Net income for the period, Income from operations, Gross profit or other GAAP measures as an indicator of our operations in accordance with GAAP.

Reconciliation of Non-GAAP Financial Measures

Contribution margin and Contribution margin per metric ton (Non-GAAP Financial Measures)

Reconciliation of Contribution margin and Contribution margin per metric ton to Gross profit is as follows:

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2022	2021	Delta		2022	2021	Delta	
	(In millions)			%	(In millions)			%
Revenue	$ 543.1	$ 393.0	$ 150.1	38.2	$ 1,568.8	$ 1,154.1	$ 414.7	35.9
Variable costs	382.3	252.5	129.8	51.4	1,069.8	712.9	356.9	50.1
Contribution margin	**160.8**	**140.5**	**20.3**	14.4	**499.0**	**441.2**	**57.8**	13.1
Freight	24.4	23.3	1.1	4.7	77.6	69.8	7.8	11.2
Fixed costs	(70.8)	(65.1)	(5.7)	8.8	(224.5)	(199.7)	(24.8)	12.4
Gross profit	**$ 114.4**	**$ 98.7**	**$ 15.7**	15.9	**$ 352.1**	**$ 311.3**	**$ 40.8**	13.1
Volume (in kmt)	243.3	236.9	6.4	2.7	747.9	741.2	6.7	0.9
Contribution margin per metric ton	$ 660.9	$ 593.1	$ 67.8	11.4	$ 667.2	$ 595.3	$ 71.9	12.1
Gross profit per metric ton	$ 470.2	$ 416.8	$ 53.4	12.8	$ 470.8	$ 420.0	$ 50.8	12.1

Adjusted EBITDA (A Non-GAAP Financial Measure)

Reconciliation of Adjusted EBITDA to consolidated Net income is as follows:

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2022	2021	Delta		2022	2021	Delta	
	(In millions)			%	(In millions)			%
Net income	**$ 31.8**	**$ 21.0**	**$ 10.8**	51.4	**$ 94.0**	**$ 133.6**	**$ (39.6)**	(29.6)
Add back Income tax expense	11.7	6.7	5.0	74.6	38.3	48.5	(10.2)	(21.0)
Add back Equity in earnings of affiliated companies, net of tax	(0.1)	(0.1)	—	—	(0.3)	(0.5)	0.2	(40.0)
Income before earnings in affiliated companies and income taxes	**43.4**	**27.6**	**15.8**	57.2	**132.0**	**181.6**	**(49.6)**	(27.3)
Add back Interest and other financial expense, net	10.2	11.5	(1.3)	(11.3)	29.1	30.4	(1.3)	(4.3)
Add back Reclassification of actuarial losses from AOCI	—	1.2	(1.2)	(100.0)	—	3.6	(3.6)	(100.0)
Income from operations	**53.6**	**40.3**	**13.3**	33.0	**161.1**	**215.6**	**(54.5)**	(25.3)
Add back depreciation and amortization of intangible assets, right of use assets, and property, plant and equipment	25.2	23.8	1.4	5.9	79.9	74.6	5.3	7.1
EBITDA	**78.8**	**64.1**	**14.7**	22.9	**241.0**	**290.2**	**(49.2)**	(17.0)
Equity in earnings of affiliated companies, net of tax	0.1	0.1	—	—	0.3	0.5	(0.2)	(40.0)
Evonik legal settlement	—	—	—	—	—	(82.9)	82.9	(100.0)
Long term incentive plan	1.9	1.3	0.6	46.2	5.0	3.3	1.7	51.5
Other adjustments	(0.3)	0.9	(1.2)	(133.3)	0.8	5.0	(4.2)	(84.0)
Adjusted EBITDA	**$ 80.5**	**$ 66.4**	**$ 14.1**	21.2	**$ 247.1**	**$ 216.1**	**$ 31.0**	14.3
Adjusted EBITDA Specialty Carbon Black	*$ 31.1*	*$ 39.0*	*$ (7.9)*	(20.3)	*$ 119.0*	*$ 118.1*	*$ 0.9*	0.8
Adjusted EBITDA Rubber Carbon Black	*$ 49.4*	*$ 27.4*	*$ 22.0*	80.3	*$ 128.1*	*$ 98.0*	*$ 30.1*	30.7

A. Operating Results

For the three months ended September 30, 2022 compared to three months ended September 30, 2021

The table below presents our historical results derived from our Condensed Consolidated Financial Statements for the periods indicated.

Condensed Consolidated Statement of Operations Data	Three Months Ended September 30,		Year-Over Year	
	2022	2021	Delta	
	(In millions)			%
Net sales	**$ 543.1**	**$ 393.0**	**$ 150.1**	**38.2**
Cost of sales	**428.7**	**294.3**	**134.4**	**45.7**
Gross profit	**114.4**	**98.7**	**15.7**	**15.9**
Selling, general and administrative expenses	56.0	52.9	3.1	5.9
Research and development costs	4.5	5.7	(1.2)	(21.1)
Other (income) expenses, net	0.3	(0.2)	0.5	(250.0)
Income from operations	**53.6**	**40.3**	**13.3**	**33.0**
Interest and other financial expense, net	10.2	11.5	(1.3)	(11.3)
Reclassification of actuarial losses from AOCI	—	1.2	(1.2)	(100.0)
Income before earnings in affiliated companies and income taxes	**43.4**	**27.6**	**15.8**	**57.2**
Income tax expense	11.7	6.7	5.0	74.6
Earnings in affiliated companies, net of tax	0.1	0.1	—	—
Net income	**$ 31.8**	**$ 21.0**	**$ 10.8**	**51.4**

Net sales

Net sales increased by $150.1 million, or 38.2%, in the third quarter of 2022 to $543.1 million, compared to the third quarter of 2021, primarily driven by passing through higher feedstock costs, pricing, favorable product mix in both segments and higher volume in Rubber Carbon Black segment, partially offset by the impact of unfavorable foreign currency translation and lower volume in Specialty Carbon Black segment.

Volume increased by 6.4 kmt in the third quarter of 2022 to 243.3 kmt, compared to the third quarter of 2021, primarily due to higher demand in Rubber Carbon Black segment, partially offset by lower volume in the Specialty Carbon Black segment.

Cost of sales

Cost of sales increased by $134.4 million, or 45.7%, to $428.7 million in the third quarter of 2022, compared to the third quarter of 2021, primarily due to higher raw material and production-associated costs.

Gross profit

Gross profit increased by $15.7 million, or 15.9%, to $114.4 million, year over year, primarily due to pricing and favorable product mix.

Selling, general and administrative expenses

Selling, general and administrative expenses increased by $3.1 million, or 5.9%, to $56.0 million in the third quarter of 2022, compared to the third quarter of 2021.

The increase was primarily driven by higher freight and personal costs, partially offset by the impact of unfavorable foreign currency translation.

Provision for income taxes

For the three months ended September 30, 2022, the Company recognized Income before earnings in affiliated companies and income taxes of $43.4 million, compared to $27.6 million in the three months ended September 30, 2021. The provision for income taxes was an expense of $11.7 million and $6.7 million for the three months ended September 30, 2022 and September 30, 2021, respectively. The effective tax rate for the three months ended September 30, 2022, was 27%, as compared to 24% for the three months ended September 30, 2021. The increase in our effective tax rate for the three months ended September 30, 2022, relative to the three months ended September 30, 2021, was primarily attributable to the projected earnings mix by geography and tax jurisdiction compared to the prior period.

Contribution margin and Contribution margin per metric ton (Non-GAAP Financial Measures)

Contribution margin increased in the third quarter of 2022 by $20.3 million, or 14.4%, to $160.8 million, year over year. Contribution margin per metric ton increased by 11.4% to $660.9 per metric ton in the three months ended September 30, 2022.

The increase was primarily driven by pricing measures, favorable product mix in both segments and higher volume in Rubber Carbon Black segment, partially offset by lower volume in the Specialty Carbon Black segment and higher selling, general and administrative costs. Higher margins per ton resulted from price increases to recover environmental and reliability-related capital expenditures.

Adjusted EBITDA (A Non-GAAP Financial Measure)

Adjusted EBITDA increased in the third quarter of 2022 by $14.1 million, or 21.2%, to $80.5 million, year over year.

The increase was driven by pricing, favorable product mix and higher volume in Rubber Carbon Black segment, partially offset by lower volume in the Specialty Carbon Black segment and higher selling, general and administrative costs.

For the nine months ended September 30, 2022 compared to nine months ended September 30, 2021

Condensed Consolidated Statement of Operations Data	Nine Months Ended September 30,		Year-Over Year	
	2022	2021	Delta	
	(In millions)			%
Net sales	**$ 1,568.8**	**$ 1,154.1**	**$ 414.7**	**35.9**
Cost of sales	**1,216.7**	**842.8**	**373.9**	**44.4**
Gross profit	**352.1**	**311.3**	**40.8**	**13.1**
Selling, general and administrative expenses	173.2	160.3	12.9	8.0
Research and development costs	15.9	16.4	(0.5)	(3.0)
Gain related to litigation settlement	—	(82.9)	82.9	(100.0)
Other (income) expenses, net	1.9	1.9	—	—
Income from operations	**161.1**	**215.6**	**(54.5)**	**(25.3)**
Interest and other financial expense, net	29.1	30.4	(1.3)	(4.3)
Reclassification of actuarial losses from AOCI	—	3.6	(3.6)	(100.0)
Income before earnings in affiliated companies and income taxes	**132.0**	**181.6**	**(49.6)**	**(27.3)**
Income tax expense	38.3	48.5	(10.2)	(21.0)
Earnings in affiliated companies, net of tax	0.3	0.5	(0.2)	(40.0)
Net income	**$ 94.0**	**$ 133.6**	**$ (39.6)**	**(29.6)**

Net sales

Net sales increased by $414.7 million, or 35.9%, in the nine months ended September 30, 2022 to $1,568.8 million, year over year, driven primarily by passing through higher feedstock costs, pricing, favorable product mix, and higher volume in Rubber Carbon Black segment, partially offset by unfavorable impact of foreign currency translation and lower volume in the Specialty Carbon Black segment.

Volume increased by 6.7 kmt to 747.9 kmt compared to the nine months ended September 30, 2021, primarily due to higher demand in Rubber Carbon Black segment, partially offset by lower demand in the Specialty Carbon Black segment.

Cost of sales

Cost of sales increased by $373.9 million, or 44.4%, to $1,216.7 million in the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021, primarily due to higher raw material costs and production-associated costs.

Gross profit

Gross profit increased by $40.8 million, or 13.1%, to $352.1 million, year over year, primarily due to pricing and favorable product mix.

Selling, general and administrative expenses

Selling, general and administrative expenses increased by $12.9 million, or 8.0%, to $173.2 million in the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021, driven primarily by higher freight and personal costs and higher personnel, partially offset by the impact of unfavorable foreign currency translation.

Gain related to litigation settlement

During the second quarter of 2021, Evonik agreed to make a one-time cash payment of €66.55 million ($79.5 million) to settle a dispute which originated from the acquisition of the carbon black business by Rhône Capital and Triton Partners in 2011. The 2011 acquisition agreement provided for a partial indemnity from Evonik against various exposures, including capital investments, fines and costs arising in connection with U.S. Clean Air Act violations that occurred prior to the closing of the 2011 acquisition (i.e., under Evonik's control). In addition, we released $3.4 million of net legal reserves related to this dispute. This was not repeated in 2022.

Provision for income taxes

For the nine months ended September 30, 2022, the Company recognized Income before earnings in affiliated companies and income taxes of $132.0 million, compared to $181.6 million in the nine months ended September 30, 2021. The provision for income taxes was an expense of $38.3 million for the nine months ended September 30, 2022, and $48.5 million for the nine months ended September 30, 2021. The effective tax rate for the nine months ended September 30, 2022, was 29%, as compared to 27% for the nine months ended September 30, 2021. The increase in our effective tax rate for the nine months ended September 30, 2022, as compared to the nine months ended September 30, 2021, was primarily attributable to the projected earnings mix by geography and tax jurisdiction as compared to the prior period.

Contribution margin and Contribution margin per metric ton (Non-GAAP Financial Measures)

Contribution margin increased by $57.8 million, or 13.1%, to $499.0 million in the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021. The increase was primarily due to pricing measures, favorable product mix and higher volume in Rubber Carbon Black segment, partially offset by unfavorable impact of foreign currency translation and lower volume in the Specialty Carbon Black segment.

Contribution margin per metric ton increased by 12.1%, to $667.2 per metric ton in the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021. Higher margins per ton resulted from price increases to recover environmental and reliability-related Capital expenditures.

Adjusted EBITDA (A Non-GAAP Financial Measure)

Adjusted EBITDA increased by $31.0 million, or 14.3%, from $216.1 million in the nine months ended September 30, 2021 to $247.1 million in the nine months ended September 30, 2022. The increase was primarily due to higher margins, favorable product mix and higher volume in Rubber Carbon Black segment, partially offset by unfavorable impact of foreign currency translation and lower volume in the Specialty Carbon Black segment.

Segment Discussion

Our operations are managed through two reportable segments, *Specialty Carbon Black* and *Rubber Carbon Black*. We use Segment Adjusted EBITDA as the measure of segment performance and profitability.

The table below presents our segment results derived from our unaudited Condensed Consolidated Financial Statements for the periods indicated.

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2022	2021	Delta		2022	2021	Delta	
	(In millions)			%	(In millions)			%
Specialty Carbon Black								
Net sales	$ 169.6	$ 150.2	$ 19.4	12.9	$ 529.1	$ 450.6	$ 78.5	17.4
Cost of sales	124.8	98.6	26.2	26.6	366.1	292.6	73.5	25.1
Gross profit	**$ 44.8**	**$ 51.6**	**$ (6.8)**	(13.2)	**$ 163.0**	**$ 158.0**	**$ 5.0**	3.2
Volume (kmt)	52.3	63.9	(11.6)	(18.2)	177.6	203.4	(25.8)	(12.7)
Adjusted EBITDA	$ 31.1	$ 39.0	$ (7.9)	(20.3)	$ 119.0	$ 118.1	$ 0.9	0.8
Adjusted EBITDA margin (%)	18.3	26.0	(7.7)	(29.6)	22.5	26.2	(3.7)	(14.1)
Rubber Carbon Black								
Net sales	$ 373.5	$ 242.8	$ 130.7	53.8	$ 1,039.7	$ 703.5	$ 336.2	47.8
Cost of sales	303.9	195.7	108.2	55.3	850.6	550.2	300.4	54.6
Gross profit	**$ 69.6**	**$ 47.1**	**$ 22.5**	47.8	**$ 189.1**	**$ 153.3**	**$ 35.8**	23.4
Volume (kmt)	191.0	173.0	18.0	10.4	570.3	537.8	32.5	6.0
Adjusted EBITDA	$ 49.4	$ 27.4	$ 22.0	80.3	$ 128.1	$ 98.0	$ 30.1	30.7
Adjusted EBITDA margin (%)	13.2	11.3	1.9	16.8	12.3	13.9	(1.6)	(11.5)

Specialty Carbon Black

Net sales increased by $19.4 million, or 12.9%, year over year, to $169.6 million and increased by $78.5 million, or 17.4%, year over year, to $529.1 million for the three and nine months ended September 30, 2022, respectively. The net sales increase in both comparative period was primarily driven by pricing and favorable product mix, partially offset by lower sales volume and impact of unfavorable foreign currency translation.

Volumes decreased by 11.6 kmt, or 18.2%, year over year, to 52.3 kmt and decreased by 25.8 kmt, or 12.7% year over year, to 177.6 kmt for the three and nine months ended September 30, 2022, respectively. The volumes were lower primarily due to lower demand and price competition in lower-end markets in both comparative periods.

Gross profit segment, for the three months ended September 30, 2022, decreased by $6.8 million, or 13.2%, year over year, to $44.8 million, primarily due to lower demand and price competition in lower-end markets.

Gross profit segment, for the nine months ended September 30, 2022, increased by $5.0 million, or 3.2%, year over year, to $163.0 million, primarily driven by higher margins and favorable product mix.

Year over year, adjusted EBITDA for the three months ended September 30, 2022 decreased by $7.9 million, or 20.3%, to $31.1 million, primarily driven by lower sales volume, partially offset by higher margins and favorable product mix.

Year over year, adjusted EBITDA for the nine months ended September 30, 2022 increased by $0.9 million, or 0.8%, to $119.0 million, primarily driven by higher margins and favorable product mix, partially offset by lower volume.

Higher margins resulted from price increases to recover environmental and reliability-related Capital expenditures.

Adjusted EBITDA margin decreased by 770 basis points, year over year, to 18.3%, and decreased by 370 basis points, year over year, to 22.5% for the three and nine months ended September 30, 2022, respectively. The decrease in both comparative periods was primarily due to lower demand, higher fixed costs and price competition in lower-end markets, partially offset by higher margins and favorable product mix.

Rubber Carbon Black

Net sales increased by $130.7 million, or 53.8%, year over year, to $373.5 million, and increased by $336.2 million, or 47.8%, year over year, to $1,039.7 million for the three and nine months ended September 30, 2022, respectively. The increase in both comparative periods was primarily due to pricing, higher volume and favorable product mix, partially offset by the impact of unfavorable foreign currency translation.

Volumes increased by 18.0 kmt, or 10.4%, year over year, to 191.0 kmt, and increased by 32.5 kmt, or 6.0%, year over year, to 570.3 kmt, for the three and nine months ended September 30, 2022, respectively. The increase in both comparative periods reflects higher demand in Americas and Europe/Middle East/Africa.

Gross profit increased by $22.5 million, or 47.8%, year over year, to $69.6 million, and increased by $35.8 million, or 23.4%, to $189.1 million, for the three and nine months ended September 30, 2022, respectively. The increase in both periods was primarily driven by higher margins, higher volume and favorable product mix, partially offset by the impact of unfavorable foreign currency translation in both periods. Higher margins resulted from price increases to recover environmental and reliability-related Capital expenditures.

Adjusted EBITDA increased by $22.0 million, or 80.3%, year over year, to $49.4 million, and increased by $30.1 million, or 30.7%, to $128.1 million for the three and nine months ended September 30, 2022, respectively. The increase was primarily due to higher volume, pricing and product mix, partially offset by impact of unfavorable foreign currency translation and higher selling, general and administrative costs in both comparative periods.

For the three months ended September 30, 2022, adjusted EBITDA margin rose 190 basis points to 13.2%, year over year.

For the nine months ended September 30, 2022, adjusted EBITDA margin decreased 160 basis points, year over year, to 12.3%, primarily due to the revenue impact from higher feedstock prices.

Liquidity and Capital Resources

Historical Cash Flows

The tables below present our historical cash flows derived from our unaudited Condensed Consolidated Financial Statements for the periods indicated.

	Nine Months Ended September 30,	
	2022	2021
	(In millions)	
Net cash (used in)/provided by operating activities	$ (16.7)	$ 121.3
Net cash used in investing activities	(167.1)	(113.7)
Net cash provided by (used in) financing activities	167.4	(7.6)

2022

Net cash used in operating activities during the nine months ended September 30, 2022, was $16.7 million. The cash used in operating activities primarily reflects changes in working capital and lower Net income. 2021 operating activities included $82.9 million related to Evonik legal settlement gain not repeated in 2022

Net cash used in investing activities in the nine months ended September 30, 2022, amounted to $167.1 million. These expenditures were composed of a combination of safety, maintenance-related and growth investments, as well as expenditures associated with our ongoing efforts to install emissions reduction technology to meet EPA requirements in the U.S.

Net cash provided by financing activities during the nine months ended September 30, 2022, amounted to $167.4 million. Cash inflows during the nine months of $139.9 million were primarily related to net drawings under our senior secured revolving credit facilities (“RCF”), $35.3 million borrowings to partially finance our Huaibei facility in China from *Bank of China* and $7.0 million of short-term working capital borrowings in Korea, partially offset by scheduled debt repayments.

2021

Net cash provided by operating activities for the nine months ended September 30, 2021, amounted to $121.3 million. The cash provided by operating activities primarily reflected our Net income, adjusted for non-cash items and changes in our working capital. Net income includes $82.9 million related to Evonik legal settlement gain. See “*Note Q. Commitments and Contingencies*” included in the Annual Report in Form 10-K for the year ended December 31, 2021 for further discussion on Evonik legal settlement.

Net cash used in investing activities for the nine months ended September 30, 2021, amounted to $113.7 million. These expenditures were composed of a combination of safety, sustainability and growth investments, as well as expenditures associated with our ongoing efforts to install emissions reduction technology to meet EPA requirements in the U.S.

Net cash used in financing activities for the nine months ended September 30, 2021, amounted to $7.6 million. Cash outflows during the nine months of $6.0 million were primarily related to RCF repayments. 2021 financing activities included refinancing of our Term-loan and associated costs. See *Note J. Debt and Other Obligations* included in the Annual Report in Form 10-K for the year ended December 31, 2021 for further discussion on our Term-loan refinancing.

Sources of Liquidity

Our principal sources of liquidity are (i) cash on hand, (ii) net cash generated from operating activities, primarily driven by our operating results and changes in working capital requirements, and (iii) cash available from financing activities, primarily driven by borrowing amounts available under our committed multicurrency, senior secured RCF and related ancillary facilities, various uncommitted local credit lines, and, from time to time, term loan borrowings.

We expect cash on hand and cash provided by operating activities and borrowings will be sufficient to pay our operating expenses, satisfy our debt service obligations and fund Capital expenditures for the foreseeable future.

As of September 30, 2022, the company had total liquidity of $203.3 million, including cash and equivalents of $43.1 million, $130.3 million availability under our revolving credit facility, including ancillary lines and $29.9 million of capacity under other available credit lines. Net debt was $840.4 million, and net leverage was 2.81x.

Net working capital (A Non-GAAP Financial Measure)

We define Net working capital as the sum total of current trade receivables and inventories less trade payables. Net working capital is a non-GAAP financial measure, and other companies may use a similarly titled financial measure that is calculated differently from the way we calculate Net working capital. The following table sets forth the principal components of our Net working capital as of the dates indicated.

	September 30, 2022	December 31, 2021
	(In millions)	
Trade receivables	$ 403.7	$ 288.9
Inventories	266.7	229.8
Trade payables	(178.1)	(195.1)
Net working capital	**$ 492.3**	**$ 323.6**

Our Net working capital position can vary significantly from month to month, mainly due to fluctuations in oil prices and receipts of carbon black oil shipments. In general, increases in the cost of raw materials lead to an increase in our Net working capital requirements, as our inventories and trade receivables increase as a result of higher carbon black oil prices and related sales levels. These increases are partially offset by related increases in trade payables. Due to the quantity of carbon black oil that we typically keep in stock, such increases in Net working capital occur gradually over a period of two to three months. Conversely, decreases in the cost of raw materials lead to a decrease in our Net working capital requirements over the same period of time.

Our Net working capital increased from $323.6 million as of December 31, 2021, to $492.3 million as of September 30, 2022. The components of working capital were:

- *Inventories*—higher oil prices and an increase in production to meet forecasted demand resulted in increases in raw material and finished goods inventory; and
- *Trade receivables*—increase was driven by pricing, timing of payments and higher sales due to higher product demand timing.

  Trade receivables include a long-term steam supply contract between one of our wholly-owned subsidiaries and the city of Hürth, Germany (Stadtwerke Hürth/Hürth municipal utilities). The municipality financed certain turbines and infrastructure which are operated by us under a finance lease agreement. In addition, the city of Hürth entered into a long-term supply agreement for heat delivered to the city. Since the fourth quarter of 2020, the city of Hürth has not fully honored the contractually-stipulated calculation for heat deliveries, amongst other stipulations. As a result, as of September 30, 2022, Orion has open receivables from the city of Hürth totaling $7.7 million, while the city of Hürth argues open claims of approximately $5.5 million related to lease payments. Orion is in negotiations with the city but is prepared to pursue its rights vigorously through legal enforcement if necessary.

Those increases were partially offset by:

- *Accounts payable*—decrease was driven by timing of capital expenditures.

Capital expenditures (A Non-GAAP Financial Measure)

We define Capital expenditures as cash paid for the acquisition of intangible assets and property, plant and equipment as shown in the unaudited Condensed Consolidated Financial Statements.

We plan to finance our Capital expenditures with cash generated by our operating activities. With the exception of required expenditures in association with our settlement with the EPA, we currently do not have any material obligatory commitments to make Capital expenditures outside the ordinary course of our business. For further discussion on EPA settlement, see Note J. Commitments and Contingencies.

Capital expenditures during the nine months ended September 30, 2022 amounted to $167.1 million and were primarily associated with safety, sustainability and growth investments as well as expenditures associated with our ongoing efforts to install emissions reduction technology to meet EPA requirements in the U.S.

Capital expenditures in the nine months ended September 30, 2021 amounted to $113.7 million and were mainly comprised of preservation and overhaul projects and expenditures related to investments required to address the EPA requirements in the U.S.

Off-Balance Sheet Arrangements

As of September 30, 2022, we did not have any off-balance sheet arrangements.

Cautionary Statement for the Purposes of the "Safe Harbor" Provisions of the Private Securities Litigation Reform Act of 1995

This report contains and refers to 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 (the "Exchange Act"). Forward-looking statements are statements of future expectations that are based on management's current expectations and 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," "assume," "assure," "believe," "confident," "could," "estimate," "expect," "intend," "may," "plan," "objectives," "outlook," "probably," "project," "will," "seek," "target," "to be," and other words of similar meaning. These forward-looking statements include, without limitation, statements about the following matters:

- our strategies for (i) strengthening our position in specialty carbon blacks and rubber carbon blacks, (ii) increasing our rubber carbon black margins and (iii) strengthening the competitiveness of our operations;
- the ability to pay dividends at historical dividend levels or at all;
- cash flow projections;
- the installation and operation of pollution control technology in our United States ("U.S.") manufacturing facilities pursuant to the EPA consent decree described herein;
- the outcome of any in-progress, pending or possible litigation or regulatory proceedings;
- our expectations regarding environmental-related costs and liabilities;
- expectations regarding the performance of our industry and the global economy, including with respect to foreign currency rates;
- the sufficiency of our cash on hand and cash provided by operating activities and borrowings to pay our operating expenses, satisfy our debt obligations and fund capital expenditures;
- mitigating the impacts of the global outbreak of COVID-19 and variances thereof;
- anticipated spending on, and the timely completion and anticipated impacts of, capital projects including growth projects and the construction of new plants;
- our projections and expectations for pricing, financial results and performance in 2023 and beyond;
- the status of contract negotiations with counterparties and the impact of new contracts on our growth;
- the implementation of our natural gas and other raw material consumption reduction contingency plan;
- demand for our specialty products; and
- our expectation that the markets we serve will continue to remain stable or grow.

All these forward-looking statements are based on estimates and assumptions that, although believed to be reasonable, are inherently uncertain. Therefore, undue reliance should not be placed upon any forward-looking statements. 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:

- the effects of the COVID-19 pandemic on our business and results of operations;
- negative or uncertain worldwide economic conditions;
- volatility and cyclicality in the industries in which we operate;
- operational risks inherent in chemicals manufacturing, including disruptions due to technical facilities, severe weather conditions or natural disasters;
- our dependence on major customers and suppliers;
- unanticipated fluctuations in demand for our specialty products, including due to factors beyond our control;
- our ability to compete in the industries and markets in which we operate;
- our ability to address changes in the nature of future transportation and mobility concepts which may impact our customers and our business;
- our ability to develop new products and technologies successfully and the availability of substitutes for our products;
- our ability to implement our business strategies;
- our ability to respond to changes in feedstock prices and quality;
- our ability to realize benefits from investments, joint ventures, acquisitions or alliances;
- our ability to negotiate with counterparties on terms satisfactory to us and the satisfactory performance by such counterparties of their obligations to us;

- our ability to realize benefits from planned plant capacity expansions and site development projects and the potential delays to such expansions and projects;
- information technology systems failures, network disruptions and breaches of data security;
- our relationships with our workforce, including negotiations with labor unions, strikes and work stoppages;
- our ability to recruit or retain key management and personnel;
- our exposure to political or country risks inherent in doing business in some countries;
- any and all impacts from the Russian war against Ukraine and/or any escalation thereof as well as related energy shortages or other economic or physical impairments or disruptions;
- geopolitical events in the European Union ("EU"), relations amongst the EU member states as well as future relations between the EU and other countries and organizations;
- environmental, health and safety regulations, including nanomaterial and greenhouse gas emissions regulations, and the related costs of maintaining compliance and addressing liabilities;
- possible future investigations and enforcement actions by governmental, supranational agencies or other organizations;
- our operations as a company in the chemical sector, including the related risks of leaks, fires and toxic releases;
- market and regulatory changes that may affect our ability to sell or otherwise benefit from co-generated energy;
- litigation or legal proceedings, including product liability and environmental claims;
- our ability to protect our intellectual property rights and know-how;
- our ability to generate the funds required to service our debt and finance our operations;
- fluctuations in foreign currency exchange and interest rates;
- the availability and efficiency of hedging;
- changes in international and local economic conditions, including with regard to the dollar and the euro, dislocations in credit and capital markets and inflation or deflation;
- potential impairments or write-offs of certain assets;
- required increases in our pension fund contributions;
- the adequacy of our insurance coverage;
- changes in our jurisdictional earnings mix or in the tax laws or accepted interpretations of tax laws in those jurisdictions;
- challenges to our decisions and assumptions in assessing and complying with our tax obligations; and
- potential difficulty in obtaining or enforcing judgments or bringing legal actions against Orion Engineered Carbons SA (a Luxembourg incorporated entity) in the U.S.

Factors that could cause our actual results to differ materially from those expressed or implied in such forward-looking statements include those factors detailed under the captions *"Note Regarding Forward-Looking Statements"* and *"Risk Factors"* in our Annual Report on Form 10-K for the year ended December 31, 2021 and in "*Note Q. Commitments and Contingencies"* to our audited Consolidated Financial Statements regarding contingent liabilities, including litigation in the same Form 10-K, , and in our quarterly reports on Form 10-Q and the unaudited Consolidated Financial Statements contained therein. It is not possible for our management to predict all risk factors and uncertainties, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. We undertake no obligation to publicly update or revise any forward-looking statement - including those in Note K. Financial Information by Segment above - as a result of new information, future events or other information, other than as required by applicable law.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Information about market risks for the period ended September 30, 2022 does not differ materially from that discussed under "*Item 7A"* in our 2021 Form 10-K.

Item 4. Controls and Procedures

As of September 30, 2022, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15 under the Securities Exchange Act of 1934, as amended. Based upon that evaluation, our principal executive officer and our principal financial officer concluded that our disclosure controls and procedures were effective as of that date.

There were no changes in our internal control over financial reporting that occurred during the quarter ended September 30, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II

Item 1. Legal Proceedings

We become involved from time to time in various claims and lawsuits arising in the ordinary course of our business, such as employment related claims and asbestos litigation. Some matters involve claims for large amounts of damages as well as other relief. With respect to our settlement of the EPA's enforcement initiative and the arbitration proceedings with Evonik see "*Item 1. Business—Environmental, Health and Safety Matters—Environmental—Environmental Proceedings*." and "*Item 1A. Risk Factors—Legal and Regulatory Matter—Litigation or legal proceedings could expose us to significant liabilities and thus adversely affect our business, financial condition, results of operations and cash flows***.**" as well as "*Item 1A. Risk Factors—Legal and Regulatory Matter—We may not be able to protect our intellectual property rights successfully*" included in our Annual Report on Form 10-K for the year ended December 31, 2021, and which are incorporated herein by reference. We believe, based on currently available information, that the results of the proceedings referenced above, in the aggregate, will not have a material adverse effect on our financial condition, but may be material to our operating results and cash flow for any particular period when the relevant costs are incurred. We note that the outcome of legal proceedings is inherently uncertain, and we offer no assurances as to the outcome of any of these matters or their effect on the Company.

Item 1A. Risk Factors

The risk factors set forth below update, and should be read together with, the risk factors described in our Annual Report in Form 10-K for the year ended December 31, 2021.

Risks Related to Our Business

Our business, financial condition and results of operations could be adversely affected by disruptions in the carbon black oil and natural gas supplies caused by the ongoing conflict between Russia and Ukraine.

War and other geopolitical events in eastern Europe, including but not limited to Russia and Ukraine, may cause volatility in crude oil and natural gas prices, due to the region's importance to these markets, the potential impacts to global transportation and shipping, and other supply chain disruptions. These events are unpredictable and may lead to extended periods of price volatility.

In late February 2022, Russia invaded Ukraine, significantly amplifying already existing geopolitical tensions among Russia and other countries in the region and in the West. The responses of countries and political bodies to Russia's actions, the larger overarching tensions, and Ukraine's military response and the potential for wider conflict may increase energy market volatility generally, have severe adverse effects on regional and global economic markets, and cause volatility in energy prices. Global prices of crude oil and natural gas are primarily a function of global production and demand. Long term impacts from sanctions, shipping disruptions, collateral war damage, and a potential expansion of the conflict between Russia and Ukraine could further disrupt the availability of crude oil and natural gas supplies. Russia is one of the largest crude oil and natural gas exporters. Currently, the conflict has impacted exports of Russian crude oil and natural gas. As such, volatility, trading volumes, and prices in global crude oil and natural gas have risen dramatically and are expected to continue indefinitely at extreme elevated levels. Furthermore, global supply chains, which have already been disrupted by the far-reaching effects of the COVID-19 pandemic, may suffer future damage if the Ukrainian war continues or escalates further. The extent or length of any adverse effects of the war in Ukraine on the supply of oil and natural gas and the quality and availability of carbon black oil is difficult to quantify, however, current events as recent as July 2022 further increase concerns about the stability of the natural gas supply in Europe. Furthermore, the European Union ("EU") has proposed a voluntary gas demand reduction target of 15% to be achieved between August 1, 2022 and March 31, 2023. To reach that target, the plan outlines various measures whereby Member States can encourage the decrease of gas demand and consumption by the public sector and businesses, as well as households.

The continuation of unfavorable events like the Ukrainian war could decrease our production volumes and margins and may adversely impact our business operations, financial condition and results of operations.

Risks Related to Indebtedness, Currency Exposure and Other Financial Matters

Significant changes in our jurisdictional earnings mix or in the tax laws of those jurisdictions, as well as changes in their interpretation, could adversely affect our business, financial condition, results of operations and cash flows.

Our future tax rates may be adversely affected by a number of factors, including the enactment of new tax legislation, other changes in tax laws or the interpretation of such tax laws, changes in the estimated realization of our net deferred tax assets (arising, among other things, from tax loss carry forwards and the acquisition of the carbon black business line from Evonik Industries AG, completed on July 29, 2011 ("Acquisition")), the jurisdictions in which profits are determined to be earned and taxed, adjustments to estimated taxes upon finalization of various tax returns, increases in expenses that are not deductible for tax purposes, including write-offs of acquired in process R&D and impairment of goodwill in connection with acquisitions, changes in available tax credits and additional tax or interest payments resulting from tax audits with various tax authorities. Losses for which no tax benefits can be recorded could materially impact our tax rate and its volatility from period to period. Any significant change in our jurisdictional earnings mix or in the tax laws in those jurisdictions, as well as changes in their interpretation, could increase our tax rates and adversely affect our financial results in those periods.

During periods of high profitability in certain industries, there are often calls for increased taxes or surcharges on incremental revenues or profits, often called "*windfall profit*" taxes. Governments in various jurisdictions including Italy and the United Kingdom have imposed or increased such taxes in the past, including during 2022 for certain companies operating in the energy and oil and gas sector. Such taxes may be imposed or increased in the future in these or other jurisdictions in which the Company has operations or in which the Company is subject to taxation. The imposition of, or increase to, such windfall profit taxes could adversely affect our financial results.

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

None

Item 3. Defaults Upon Senior Securities

None

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None

Item 6. Exhibits

Exhibit Number		Description
31.1	*	Certification of Principal Executive Officer required by Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act.
31.2	*	Certification of Principal Financial Officer required by Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act.
32.1	**	Certification of the Principal Executive Officer pursuant to 18 U.S.C. Section 1350.
32.2	**	Certification of the Principal Financial Officer pursuant to 18 U.S.C. Section 1350.
101.INS		Inline XBRL Instance Document.
101.SCH		Inline XBRL Taxonomy Extension Schema.
101.CAL		Inline XBRL Taxonomy Extension Calculation Linkbase.
101.LAB		Inline XBRL Taxonomy Extension Label Linkbase.
101.PRE		Inline XBRL Taxonomy Extension Presentation Linkbase.
101.DEF		Inline XBRL Taxonomy Extension Definition Document.
104.0		Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

* Filed herewith
** Furnished herewith

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ORION ENGINEERED CARBONS S.A.

November 3, 2022

By /s/ Jeffrey Glajch

Name: Jeffrey Glajch

Title: Chief Financial Officer

Exhibit 31.1 Certification by Corning F. Painter pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934.

I, Corning Painter, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Orion Engineered Carbons S.A.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 3, 2022

/s/ Corning Painter
Chief Executive Officer

Exhibit 31.2 Certification by Jeffrey Glajch pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934.

I, Jeffrey Glajch, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Orion Engineered Carbons S.A.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 3, 2022

/s/ Jeffrey Glajch
Chief Financial Officer

Exhibit 32.1 Certification by Corning F. Painter pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

CERTIFICATION

In connection with the Quarterly Report of Orion Engineered Carbons S.A. on Form 10-Q for the quarterly period ended September 30, 2022 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Corning Painter, Chief Executive Officer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 3, 2022

/s/ Corning Painter
Chief Executive Officer

Exhibit 32.2 Certification by Jeffrey Glajch pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

CERTIFICATION

In connection with the Quarterly Report of Orion Engineered Carbons S.A. on Form 10-Q for the quarterly period ended September 30, 2022 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Jeffrey Glajch, Chief Financial Officer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 3, 2022

/s/ Jeffrey Glajch
Chief Financial Officer