



May 23, 2017

Dear Valued Customer:

As I imagine everyone is aware, 2017 has been a very difficult year from a supply standpoint. Domestic demand has increased at the same time that Russian and Chinese imports have virtually disappeared. This has forced domestic production to the highest rates in several years. We have received numerous requests for additional material to assist customers impacted by production disruptions at the same time that we have experienced our own difficulties. Our plants are in need of reinvestment income at the same time that we are implementing pollution control programs resulting from our extensive financial commitment to keep carbon black supply in the US. Obviously we cannot bear the costs for this commitment and improve our plant's operational capabilities without passing along a portion of those costs to the customer base for whom the commitment was made.

Continental Carbon Company is announcing a price increase of \$0.05/lb. for all grades to all customers effective August 1, 2017 or as soon as contracts allow. This increase will initiate the recovery of a portion of the initial costs for our pollution control equipment installation and re-investment dollars for our facilities. This will not cover any of the current or future operational costs for the pollution control equipment.

In addition to initial pollution control design and engineering costs, Phenix City continues to experience highly unfavorable oil costs as premiums to the HSFO indicator persist on the delivered costs of oil to that facility. It is difficult to justify operating that facility at sold out rates while remaining unprofitable so the aforementioned price increase will apply to all volumes for that plant as well.

I understand the impact of this increase will be difficult but ask that you also understand the absolute need to re-invest in our facilities as we approach a much tighter North American supply situation while we forge ahead with our commitment to keep a dependable and environmentally responsible supply capability in the US.

We greatly appreciate your continued business and ask that you please contact your account manager or myself if you have any questions.

Sincerely,

Darryl Huntley  
Vice President, Sales and Marketing  
Continental Carbon Company