Quaker Houghton

First Quarter 2022 Results

Investor Conference Call

Quaker Houghton
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Forward-Looking Statements

Regulation G

The attached charts include Company information that does not conform to generally accepted accounting principles (“GAAP”). Management believes that an analysis of this data is meaningful to investors because it provides insight with respect to ongoing operating results of the Company and helps investors to evaluate the financial results of the Company. These measures should not be viewed as an alternative to GAAP measures of performance. Furthermore, these measures may not be consistent with similar measures provided by other companies. This data should be read in conjunction with the first quarter earnings news release, dated May 5, 2022, which has been furnished to the Securities and Exchange Commission (“SEC”) on Form 8-K.

Forward-Looking Statements

This presentation contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements can be identified by the fact that they do not relate strictly to historical or current facts. We have based these forward-looking statements, including statements regarding the potential effects of the COVID-19 pandemic, the Russia and Ukraine conflict, inflation and global supply chain constraints on the Company’s business, results of operations, and financial condition, our expectations that we will maintain sufficient liquidity and remain in compliance with the terms of the Company’s credit facility, expectations about future demand and raw material costs, and statements regarding the impact of increased raw material costs and pricing initiatives, on our current expectations about future events. These forward-looking statements include statements with respect to our beliefs, plans, objectives, goals, expectations, anticipations, intentions, financial condition, results of operations, future performance, and business, including but not limited to the potential benefits of the Combination and other acquisitions, the impacts on our business as a result of the COVID-19 pandemic and global supply chain constraints, and our current and future results and plans and statements that include the words "may," "could," "should," "would," "believe," "expect," "anticipate," "estimate," "intend," "plan" or similar expressions. These forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those projected in such statements. A major risk is that demand for the Company's products and services is largely derived from the demand for its customers' products, which subjects the Company to uncertainties related to downturns in a customer's business and unanticipated customer production slowdowns and shutdowns, including as is currently being experienced by many automotive industry companies as a result of supply chain disruptions. Other major risks and uncertainties include, but are not limited to, the primary and secondary impacts of the COVID-19 pandemic, including actions taken in response to the pandemic by various governments, which could exacerbate some or all of the other risks and uncertainties faced by the Company, including the potential for significant increases in raw material costs, supply chain disruptions, customer financial instability, worldwide economic and political disruptions including the impacts of the military conflict between Russia and Ukraine, the economic and other sanctions imposed by other nations on Russia, suspensions of activities in Russia by many multinational companies and the potential expansion of military activity, foreign currency fluctuations, significant changes in applicable tax rates and regulations, future terrorist attacks and other acts of violence. Furthermore, the Company is subject to the same business cycles as those experienced by our customers in the steel, automobile, aircraft, industrial equipment, and durable goods industries. The ultimate impact of COVID-19 on our business will depend on, among other things, the extent and duration of the pandemic, the severity of the disease and the number of people infected with the virus including new variants, the continued uncertainty regarding global availability, administration, acceptance and long-term efficacy of vaccines, or other treatments for COVID-19 or its variants, the longer-term effects on the economy of the pandemic, including the resulting market volatility, and by the measures taken by governmental authorities and other third parties restricting day-to-day life and business operations and the length of time that such measures remain in place, as well as laws and other governmental programs implemented to address the pandemic or assist impacted businesses, such as fiscal stimulus and other legislation designed to deliver monetary aid and other relief. Other factors could also adversely affect us, including those related to the Combination and other acquisitions and the integration of acquired businesses. Our forward-looking statements are subject to risks, uncertainties and assumptions about the Company and its operations that are subject to change based on various important factors, some of which are beyond our control. These risks, uncertainties, and possible inaccurate assumptions relevant to our business could cause our actual results to differ materially from expected and historical results. All forward-looking statements included in this presentation, including expectations about business conditions during 2022 and future periods, are based upon information available to the Company as of the date of this presentation, which may change. Therefore, we caution you not to place undue reliance on our forward-looking statements. For more information regarding these risks and uncertainties as well as certain additional risks that we face, refer to the Risk Factors section, which appears in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2021, our Quarterly Report on Form 10-Q for the period ended March 31, 2022, and in subsequent reports filed from time to time with the Securities and Exchange Commission. We do not intend to, and we disclaim any duty or obligation to, update or revise any forward-looking statements to reflect new information or future events or for any other reason. This discussion is provided as permitted by the Private Securities Litigation Reform Act of 1995.

Non-GAAP and Pro Forma Measures

The information included in this presentation includes non-GAAP (unaudited) financial information that includes EBITDA, adjusted EBITDA, adjusted EBITDA margin, non-GAAP operating income, non-GAAP operating margin, non-GAAP net income, non-GAAP earnings per diluted share, and pro forma net sales, net income attributable to Quaker Houghton, EBITDA, adjusted EBITDA, and adjusted EBITDA margin. The Company believes these non-GAAP financial measures provide meaningful supplemental information as they enhance a reader's understanding of the financial performance of the Company, are indicative of future operating performance of the Company, and facilitate a comparison among fiscal periods, as the non-GAAP financial measures exclude items that are not indicative of future operating performance or not considered core to the Company's operations. Non-GAAP results and pro forma information are presented for supplemental informational purposes only and should not be considered a substitute for the financial information presented in accordance with GAAP.

The Company presents EBITDA which is calculated as net income attributable to the Company before depreciation and amortization, interest expense, net, and taxes on income before equity in net income of associated companies. The Company also presents adjusted EBITDA which is calculated as EBITDA plus or minus certain items that are not indicative of future operating performance or not considered core to the Company's operations. In addition, the Company presents non-GAAP operating income which is calculated as operating income plus or minus certain items that are not indicative of future operating performance or not considered core to the Company's operations. Adjusted EBITDA margin and non-GAAP operating margin are calculated as the percentage of adjusted EBITDA and non-GAAP operating income to consolidated net sales, respectively. The Company believes these non-GAAP measures provide transparent and useful information and are widely used by analysts, investors, and competitors in our industry as well as by management in assessing the operating performance of the Company on a consistent basis.

Additionally, the Company presents non-GAAP net income and non-GAAP earnings per diluted share as additional performance measures. Non-GAAP net income is calculated as adjusted EBITDA, defined above, less depreciation and amortization, interest expense, net, and taxes on income before equity in net income of associated companies, in each case adjusted, as applicable, for any depreciation, amortization, interest or tax impacts resulting from the non-core items identified in the reconciliation of net income attributable to the Company to adjusted EBITDA. Non-GAAP earnings per diluted share is calculated as non-GAAP net income per diluted share as accounted for under the "two-class share method." The Company believes that non-GAAP net income and non-GAAP earnings per diluted share provide transparent and useful information and are widely used by analysts, investors, and competitors in our industry as well as by management in assessing the operating performance of the Company on a consistent basis.

In addition, the Company has provided certain unaudited pro forma financial information in this presentation. The unaudited pro forma financial information is based on the historical consolidated financial statements and results of both Quaker and Houghton and has been prepared to illustrate the effects of the Combination. The unaudited pro forma financial information has been presented for informational purposes only and is not necessarily indicative of Quaker Houghton's past results of operations, nor is it indicative of the future operating results of Quaker Houghton and should not be considered a substitute for the financial information presented in accordance with GAAP. The Company has not provided pro forma financial information as it relates to the acquired operating divisions of Norman Hay plc or for any of its other acquisitions based on materiality. Pro forma results for the year ended December 31, 2019 include five months of Houghton's operations post-closing of the Combination, while Houghton reflects seven months of results for the period from January 1, 2019 through July 31, 2019. Pro forma results for the years ended December 31, 2018, 2017 and 2016, respectively, include Quaker's historical results, while Houghton reflects its stand-alone results.

As it relates to 2022 projected adjusted EBITDA growth for the Company, including as a result of our recent acquisitions, the Company has not provided guidance for comparable GAAP measures or a quantitative reconciliation of forward-looking non-GAAP financial measures to the most directly comparable U.S. GAAP measure because it is unable to determine with reasonable certainty the ultimate outcome of certain significant items necessary to calculate such measures without unreasonable effort. These items include, but are not limited to, certain non-recurring or non-core items the Company may record that could materially impact net income, as well as the impact of COVID-19. These items are uncertain, depend on various factors, and could have a material impact on the U.S. GAAP reported results for the guidance period.

The following charts should be read in conjunction with the Company's first quarter earnings news release dated May 5, 2022, which has been furnished to the Securities and Exchange Commission on Form 8-K, the Company's Annual Report for the year ended December 31, 2021, and the Company's 10-Q for the period ended March 31, 2022. These documents may contain additional explanatory language and information regarding certain of the items included in the following reconciliations.

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Speakers

Andy Tometich

Chief Executive Officer & President

Shane W. Hostetter

Senior Vice President, Chief Financial Officer

Robert T. Traub

Senior Vice President, General Counsel & Corporate Secretary

David A. Will

Vice President & Chief Accounting Officer

Jeffrey Schnell

Senior Director, Investor Relations

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Highlights

- **Delivered Q1’22 results in-line with expectations despite significant challenges**
  - Strong sales growth across all our segments driven by double-digit price capture
  - Stable gross margins compared to Q4’21 despite significant and persistent cost inflation
  - Organic sales volumes increased ~3% compared to Q4’21 due to a favorable demand environment
- **Executing on items within our control amid heightened uncertainty**
  - Advancing our strategic pricing initiatives to mitigate current and expected inflationary pressures
  - Focused on recovering margins to pre-pandemic levels and delivering on our growth potential
  - Taking steps to improve working capital management and enhance free cash flow generation
- **Well-positioned to accelerate growth and deliver shareholder value**
  - Deeper deployment of our customer intimate model and investing in our productivity and profitability initiatives
  - Advancing our growth initiatives including through innovation and breadth of product and service offerings
  - Disciplined capital allocation strategy including organic investments, M&A, debt reduction and shareholder returns

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Financial Snapshot

(dollars in millions, per share amounts)

	Q1 2022	Q1 2021	Variance (1)		Q4 2021	Variance (1)	
GAAP							
Net Sales	$ 474.2	$ 429.8	$ 44.4	10%	$ 447.0	$ 27.1	6%
Gross Profit	146.1	156.2	(10.1)	(6%)	138.9	7.2	5%
Gross Margin (%)	30.8%	36.3%	(5.5%)	(15%)	31.1%	(0.3%)	(1%)
Operating Income	29.4	44.9	(15.5)	(35%)	30.7	(1.3)	(4%)
Net Income	19.8	38.6	(18.8)	(49%)	18.1	1.7	9%
Earnings Per Diluted Share	1.11	2.15	(1.04)	(48%)	1.01	0.10	10%
Non-GAAP							
Non-GAAP Operating Income	$ 39.2	$ 53.7	$ (14.5)	(27%)	$ 39.3	$ (0.2)	(0%)
Non-GAAP Operating Margin (%)	8.3%	12.5%	(4.2%)	(34%)	8.8%	(0.5%)	(6%)
Adjusted EBITDA	60.4	77.1	(16.7)	(22%)	60.7	(0.3)	(0%)
Adjusted EBITDA Margin (%)	12.7%	18.0%	(5.2%)	(29%)	13.6%	(0.8%)	(6%)
Non-GAAP Earnings Per Diluted Share	1.42	2.11	(0.69)	(33%)	1.29	0.13	10%

(1) *Certain amounts may not calculate due to rounding*

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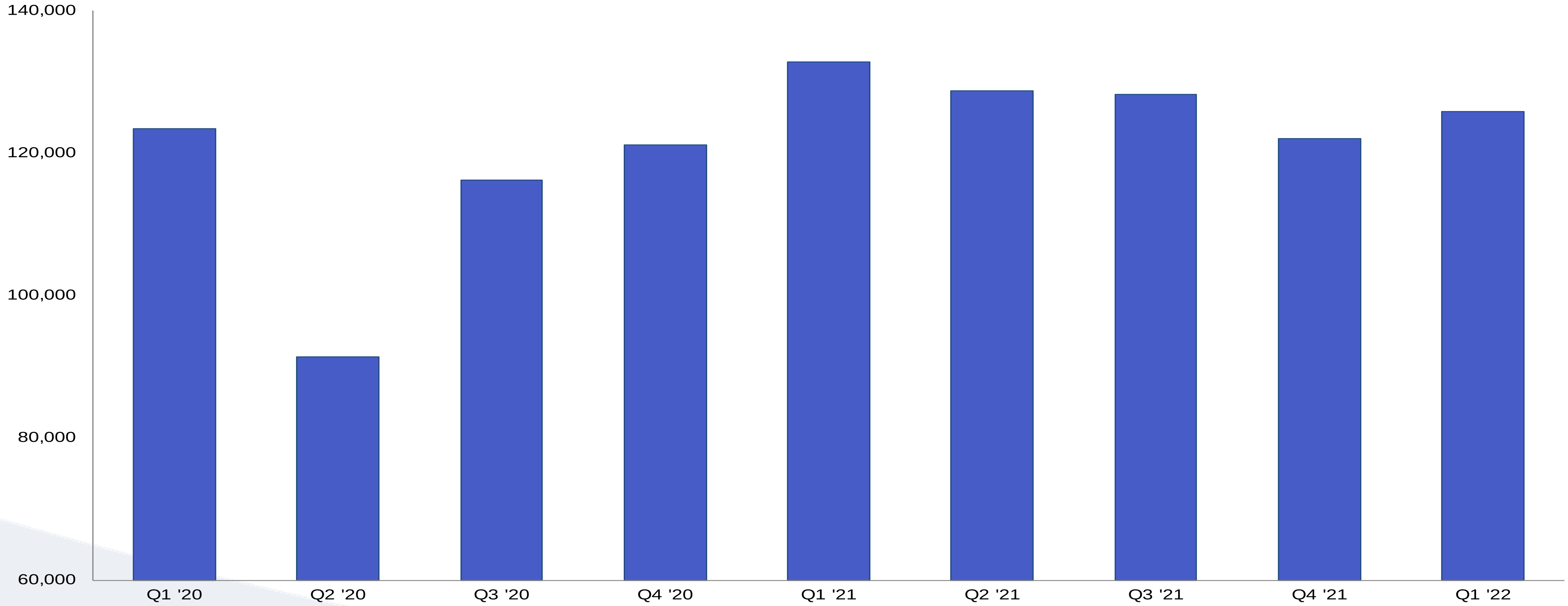
Total Company Volume Trend

(kilograms, in thousands)



Q1'22 sales volumes reflect the comparison to a strong Q1'21, where customers replenished their supply chains, lower volumes related to the tolling agreement on previously divested products and the current quarter impact of geopolitical events

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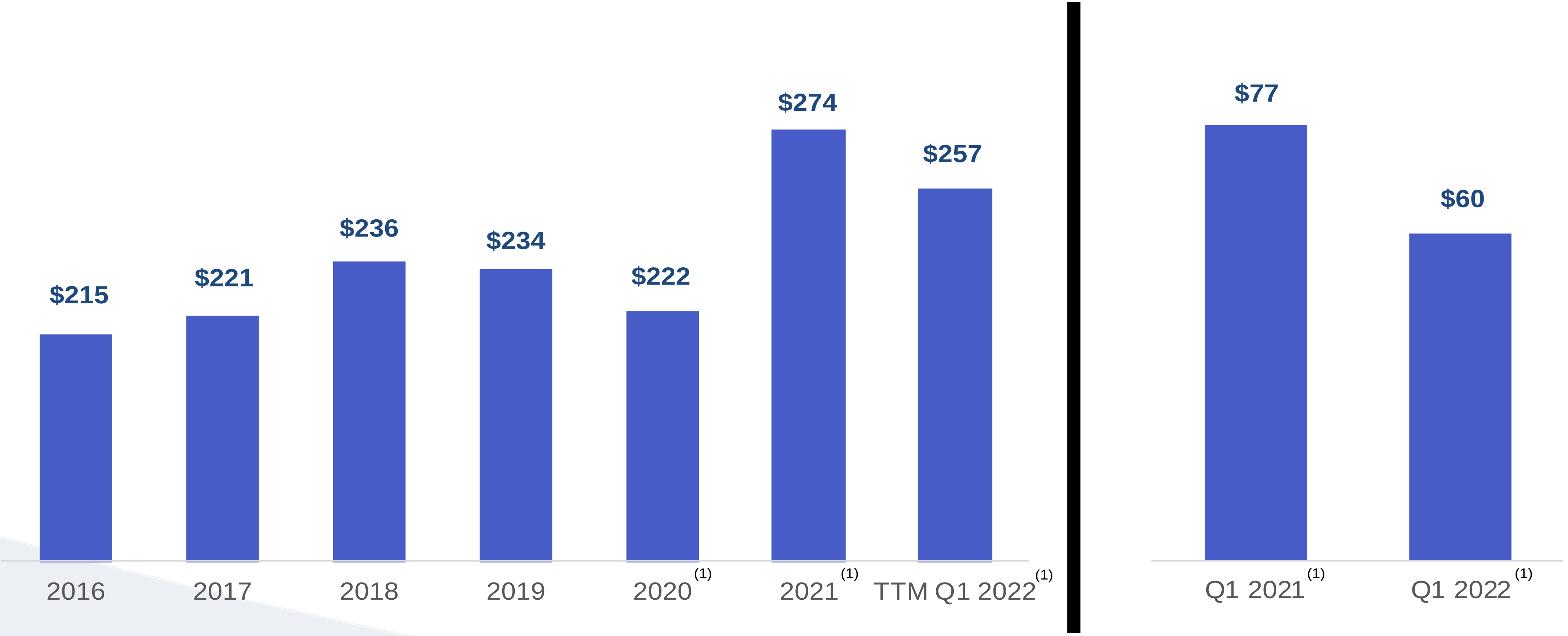
Adjusted EBITDA

(dollars in millions)



Adjusted EBITDA trend shows strong price capture offset by significant and persistent inflationary pressures in Q1'22

(1) Results presented above for 2020, 2021 and 2022 are the actual results for Quaker Houghton, all other years are pro forma results

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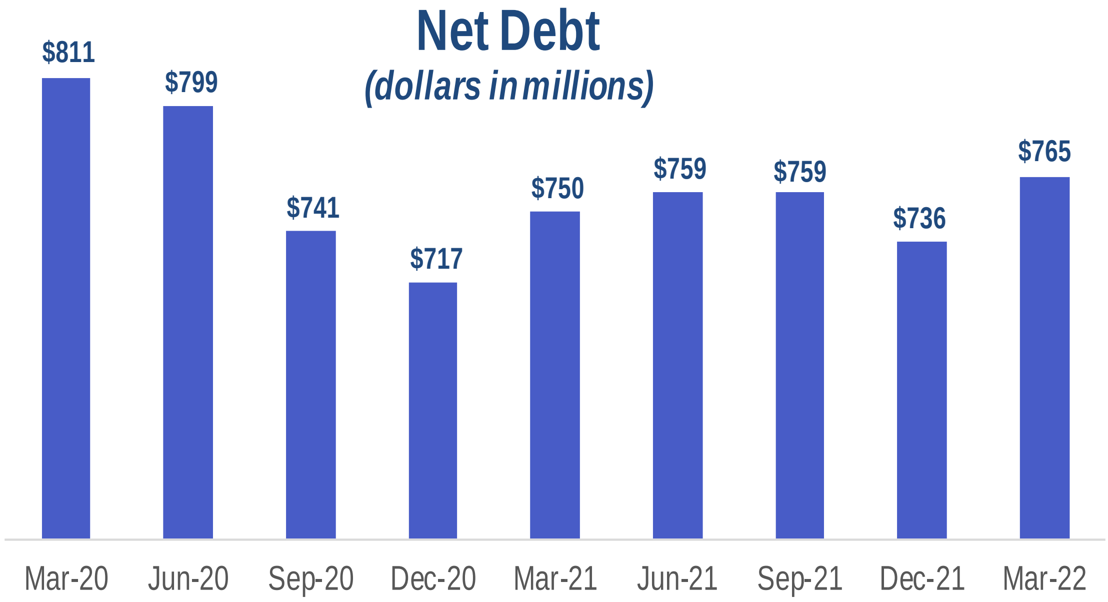
Leverage and Liquidity Update



Leverage	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Reported	3.5x	3.4x	3.7x	3.4x	3.2x	3.1x	2.7x	2.7x	3.0x
Bank	2.9x	2.8x	3.1x	2.9x	2.8x	2.8x	2.5x	2.5x	2.8x

- **Total debt of $926.9 million and cash of $161.6 million resulted in net debt of $765.3 million**
- **Leverage[1] of 3.0x as of March 31, 2022**
  - Increase is primarily attributable to the comparison to a strong 1Q'21 which generated a higher adjusted EBITDA
- **Operating well within all bank covenants**
  - 2.8x net debt / TTM adjusted EBITDA as of Q1'22
  - Maximum permitted leverage[1] of 3.75x
- **Cost of debt on credit facility at the end of Q1'22 was ~1.7% compared to ~1.6% at the end of Q4'21**

[1] Leverage ratio defined as net debt divided by trailing twelve month adjusted EBITDA

Appendix

Actual and Non-GAAP Results

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Non-GAAP Operating Income Reconciliation

(dollars in thousands, unless otherwise noted)

	Q1 2022	Q1 2021
Operating income	$ 29,403	$ 44,894
Combination, integration and other acquisition-related expenses	4,053	6,230
Strategic planning and transformation expenses	3,088	-
Restructuring and related charges	820	1,175
Fair value step up of acquired inventory sold	-	801
Executive transition costs	539	504
Inactive subsidiary's non-operating litigation costs	92	51
Customer insolvency costs	1,166	-
Non-GAAP operating income	$ 39,161	$ 53,655
Non-GAAP operating margin (%)	8.3%	12.5%

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Adjusted EBITDA & Non-GAAP Net Income Reconciliation

(dollars in thousands, unless otherwise noted)

	Q1 2022	Q1 2021
Net income attributable to Quaker Chemical Corporation	$ 19,816	$ 38,615
Depreciation and amortization	20,727	22,448
Interest expense, net	5,345	5,470
Taxes on income before equity in net income of associated companies	2,866	10,689
EBITDA	$ 48,754	$ 77,222
Equity loss (income) in a captive insurance company	244	(3,080)
Combination, integration and other acquisition-related expenses	6,032	427
Strategic planning and transformation expenses	3,088	-
Restructuring and related charges	820	1,175
Fair value step up of acquired inventory sold	-	801
Executive transition costs	539	504
Inactive subsidiary's non-operating litigation costs	92	51
Customer insolvency costs	1,166	-
Pension and postretirement benefit income, non-service components	(479)	(124)
Currency conversion impacts of hyper-inflationary economies	188	172
Adjusted EBITDA	$ 60,444	$ 77,148
Adjusted EBITDA Margin (%)	12.7%	18.0%
Adjusted EBITDA	$ 60,444	$ 77,148
Less: Depreciation and amortization - adjusted	20,727	22,033
Less: Interest expense, net	5,345	5,470
Less: taxes on income before equity in net income of associated companies - adjusted	8,902	11,739
Non-GAAP Net Income	$ 25,470	$ 37,906

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Adjusted EBITDA Reconciliation

(dollars in thousands)

	FY 2020	FY 2021
Net income attributable to Quaker Chemical Corporation	$ 39,658	$ 121,369
Depreciation and amortization	84,494	87,728
Interest expense, net	26,603	22,326
Taxes on income before equity in net income of associated companies	(5,296)	34,939
EBITDA	$ 145,459	$ 266,362
Equity income in a captive insurance company	(1,151)	(4,993)
Combination, integration and other acquisition-related expenses	29,538	17,917
Restructuring and related charges	5,541	1,433
Fair value step up of acquired inventory sold	226	801
Executive transition costs	-	2,986
Inactive subsidiary's non-operating litigation costs	-	819
Customer insolvency costs	463	-
Facility remediation costs, net	-	2,066
Indefinite-lived intangible asset impairment	38,000	-
Pension and postretirement benefit costs (income), non-service components	21,592	(759)
Gain on changes in insurance settlement restrictions of an inactive subsidiary and related insurance insolvency recovery	(18,144)	-
Brazilian non-income tax credits	-	(13,087)
Currency conversion impacts of hyper-inflationary economies	450	564
Adjusted EBITDA	$ 221,974	$ 274,109
Adjusted EBITDA Margin (%)	15.7%	15.6%

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Adjusted EBITDA Reconciliation

Trailing Twelve Months Q1 2022

(dollars in thousands)

	A Q1 2021	B Full Year 2021	C = B - A Last Nine Months 2021	D Q1 2022	E = C + D TTM Q1 2022
Net income attributable to Quaker Chemical Corporation	$ 38,615	$ 121,369	$ 82,754	$ 19,816	$ 102,570
Depreciation and amortization	22,448	87,728	65,280	20,727	86,007
Interest expense, net	5,470	22,326	16,856	5,345	22,201
Taxes on income before equity in net income of associated companies	10,689	34,939	24,250	2,866	27,116
EBITDA	$ 77,222	$ 266,362	$ 189,140	$ 48,754	$ 237,894
Equity income (loss) in a captive insurance company	(3,080)	(4,993)	(1,913)	244	(1,669)
Combination, integration and other acquisition-related expenses	427	17,917	17,490	6,032	23,522
Strategic planning and transformation expenses	-	-	-	3,088	3,088
Restructuring and related charges	1,175	1,433	258	820	1,078
Fair value step up of acquired inventory sold	801	801	-	-	-
Executive transition costs	504	2,986	2,482	539	3,021
Inactive subsidiary's non-operating litigation costs	51	819	768	92	860
Customer insolvency costs	-	-	-	1,166	1,166
Facility remediation costs, net	-	2,066	2,066	-	2,066
Pension and postretirement benefit income, non-service components	(124)	(759)	(635)	(479)	(1,114)
Brazilian non-income tax credits	-	(13,087)	(13,087)	-	(13,087)
Currency conversion impacts of hyper-inflationary economies	172	564	392	188	580
Adjusted EBITDA	$ 77,148	$ 274,109	$ 196,961	$ 60,444	$ 257,405

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Non-GAAP EPS Reconciliation

	Q1 2022	Q1 2021
GAAP earnings per diluted share attributable to Quaker Chemical Corporation common shareholders	$ 1.11	$ 2.15
Equity loss (income) in a captive insurance company per diluted share	0.01	(0.17)
Combination, integration and other acquisition-related expenses per diluted share	0.25	0.04
Strategic planning and transformation expenses per diluted share	0.14	-
Restructuring and related charges per diluted share	0.03	0.05
Fair value step up of acquired inventory sold per diluted share	-	0.03
Executive transition costs per diluted share	0.02	0.02
Inactive subsidiary's non-operating litigation costs per diluted share	0.00	0.00
Customer insolvency costs per diluted share	0.06	-
Pension and postretirement benefit income, non-service components per diluted share	(0.02)	(0.00)
Currency conversion impacts of hyper-inflationary economies per diluted share	0.01	0.01
Impact of certain discrete tax items per diluted share	(0.19)	(0.02)
Non-GAAP earnings per diluted share	$ 1.42	$ 2.11

Segment Performance

(dollars in thousands)

	Q1 2022	Q1 2021
Net sales		
Americas	$ 154,144	$ 134,871
EMEA	125,687	119,814
Asia/Pacific	104,234	96,706
Global Specialty Businesses	90,106	78,392
Total net sales	**$ 474,171**	**$ 429,783**
Segment operating earnings		
Americas	$ 29,220	$ 32,234
EMEA	16,766	25,244
Asia/Pacific	21,907	27,478
Global Specialty Businesses	25,035	24,169
Total segment operating earnings	**92,928**	**109,125**
Combination, integration and other acquisition-related expenses	(4,053)	(5,815)
Restructuring and related charges	(820)	(1,175)
Fair value step up of acquired inventory sold	-	(801)
Non-operating and administrative expenses	(43,463)	(40,992)
Depreciation of corporate assets and amortization	(15,189)	(15,448)
Operating income	**29,403**	**44,894**
Other (expense) income, net	(2,206)	4,687
Interest expense, net	(5,345)	(5,470)
Income before taxes and equity in net income of associated companies	**$ 21,852**	**$ 44,111**

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Appendix

Pro Forma Results

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Full Year 2019 Pro Forma Reconciliation

(dollars in millions)

	2019				
	Quaker	Houghton	Divestitures	Other (a)	Pro Forma*
Net sales	$ 1,134	$ 475	$ (34)	$ (13)	$ 1,562
Net Income (Loss) Attributable to Quaker Houghton	$ 32	$ (3)	$ (6)	$ 10	$ 33
Depreciation and Amortization	45	31	-	3	77
Interest Expense, Net	17	33	-	(15)	35
Taxes on Income (b)	2	(1)	(2)	3	2
EBITDA*	96	60	(8)	1	148
Combination, Integration and Other Acquisition-Related Expenses	35	44	-	-	80
Gain on the Sale of Divested Assets	-	(35)	-	-	(35)
Fair Value Step Up of Houghton and Norman Hay Inventory Sold	12	-	-	-	12
Restructuring and Related Charges	27	-	-	-	27
Other Addbacks (c)	3	(0)	-	-	3
Adjusted EBITDA*	$ 173	$ 68	$ (8)	$ 1	$ 234
Adjusted EBITDA Margin* (%)	15%	14%	24%	-4%	15%

* Certain amounts may not calculate due to rounding, including EBITDA, Adjusted EBITDA, Adjusted EBITDA margin (%) as well as the total pro forma financial results presented for combined Quaker Houghton.

(a) Other includes: (i) additional depreciation and amortization expense based on the initial estimates of fair value step up and estimated useful lives of depreciable fixed assets, definite-lived intangible assets and investment in associated companies acquired; (ii) adoption of required accounting guidance and alignment of related accounting policies; (iii) elimination of transactions between Quaker and Houghton; and (iv) an adjustment to interest expense, net, to reflect the impact of the new financing and capital structure of the combined Company.

(b) Taxes on income related to both Divestitures and Other reflect each tax effected at the U.S. federal tax rate of 21%.

(c) Other addbacks include equity income in a captive insurance company, pension and postretirement benefit costs, non-service components, customer bankruptcy costs, insurance insolvency recoveries and currency conversion impacts of hyper-inflationary economies.

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Full Year 2018 Pro Forma Reconciliation

(dollars in millions)

	2018				
	Quaker	Houghton	Divestitures	Other (a)	Pro Forma*
Net sales	$ 868	$ 861	$ (53)	$ (22)	$ 1,655
Net Income (Loss) Attributable to Quaker Houghton	$ 59	$ (0)	$ (9)	$ 17	$ 66
Depreciation and Amortization	20	54	-	5	79
Interest Expense, Net	4	56	-	(25)	35
Taxes on Income (b)	25	3	(2)	5	30
EBITDA*	108	113	(12)	1	210
Combination, Integration and Other Acquisition-Related Expenses	16	7	-	-	23
Other Addbacks (c)	1	2	-	-	3
Adjusted EBITDA*	$ 126	$ 121	$ (12)	$ 1	$ 236
Adjusted EBITDA Margin* (%)	14%	14%	23%	-4%	14%

* Certain amounts may not calculate due to rounding, including EBITDA, Adjusted EBITDA, Adjusted EBITDA margin (%) as well as the total pro forma financial results presented for combined Quaker Houghton.

(a) Other includes: (i) additional depreciation and amortization expense based on the initial estimates of fair value step up and estimated useful lives of depreciable fixed assets, definite-lived intangible assets and investment in associated companies acquired; (ii) adoption of required accounting guidance and alignment of related accounting policies; (iii) elimination of transactions between Quaker and Houghton; and (iv) an adjustment to interest expense, net, to reflect the impact of the new financing and capital structure of the combined Company.

(b) Taxes on income related to both Divestitures and Other reflect each tax effected at the U.S. federal tax rate of 21%.

(c) Other addbacks include currency conversion impacts on hyper-inflationary economies, a gain on the liquidation of an inactive legal entity and charges related to non-recurring non-income tax and VAT charges.

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Full Year 2017 Pro Forma Reconciliation

(dollars in millions)

	2017				
	Quaker	Houghton	Divestitures	Other (a)	Pro Forma*
Net Income (Loss) Attributable to Quaker Houghton	$ 20	$ (47)	$ (9)	$ 9	$ (26)
Depreciation and Amortization	20	55	-	5	80
Interest Expense, Net	1	51	-	(16)	37
Taxes on Income (b)	42	42	(2)	2	84
EBITDA*	83	102	(11)	0	175
Equity Income in a Captive Insurance Company	(3)	-	-	-	(3)
Combination, Integration and Other Acquisition-Related Expenses	30	10	-	-	40
Pension and Postretirement Benefit Costs, Non-Service Components	4	(1)	-	-	4
Cost Reduction Activities	0	2	-	-	2
Loss on Disposal of Held-for-Sale Asset	0	-	-	-	0
Insurance Insolvency Recovery	(1)	-	-	-	(1)
Affiliate Management Fees	-	2	-	-	2
Non-Income Tax Settlement Expense	-	1	-	-	1
Other Addbacks (c)	0	0	-	-	1
Adjusted EBITDA*	$ 115	$ 116	$ (11)	$ 0	$ 221
Adjusted EBITDA Margin* (%)	14%	15%	20%	0%	14%

* Certain amounts may not calculate due to rounding, including EBITDA, Adjusted EBITDA, Adjusted EBITDA margin (%) as well as the total pro forma financial results presented for combined Quaker Houghton.

(a) Other includes estimated increases to depreciation and amortization due to purchase accounting fair value adjustments and a reduction of interest expense based on the average borrowings of the period plus the purchase consideration under the Quaker Houghton facility estimated interest rates.

(b) Taxes on income related to both Divestitures and Other reflect each tax effected at the U.S. federal tax rate of 21%.

(c) Other addbacks includes charges related to inventory fair value step up adjustments in the Wallover acquisition, currency conversion impacts of hyper-inflationary economies and other non-recurring charges.

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Full Year 2016 Pro Forma Reconciliation

(dollars in millions)

	2016				
	Quaker	Houghton	Divestitures	Other (a)	Pro Forma*
Net Income (Loss) Attributable to Quaker Houghton	$ 61	$ (37)	$ (8)	$ 7	$ 23
Depreciation and Amortization	20	55	-	5	80
Interest Expense, Net	1	51	-	(14)	37
Taxes on Income (b)	23	(5)	(2)	2	18
EBITDA*	105	64	(10)	0	158
Equity Income in a Captive Insurance Company	(2)	-	-	-	(2)
Combination, Integration and Other Acquisition-Related Expenses	2	3	-	-	5
Pension and Postretirement Benefit Costs, Non-Service Components	2	(1)	-	-	1
Cost Reduction Activities	-	4	-	-	4
Impairment of Goodwill and Intangible Assets	-	41	-	-	41
Affiliate Management Fees	-	2	-	-	2
Non-Income Tax Settlement Expense	-	2	-	-	2
Full-Year Impact of Wallover Acquisition	-	3	-	-	3
Other Addbacks (c)	(0)	1	-	-	1
Adjusted EBITDA*	$ 107	$ 119	$ (10)	$ 0	$ 215
Adjusted EBITDA Margin* (%)	14%	16%	22%	0%	15%

* Certain amounts may not calculate due to rounding, including EBITDA, Adjusted EBITDA, Adjusted EBITDA margin (%) as well as the total pro forma financial results presented for combined Quaker Houghton.

(a) Other includes estimated increases to depreciation and amortization due to purchase accounting fair value adjustments and a reduction of interest expense based on the average borrowings of the period plus the purchase consideration under the Quaker Houghton facility estimated interest rates.

(b) Taxes on income related to both Divestitures and Other reflect each tax effected at the U.S. federal tax rate of 21%.

(c) Other addbacks includes a charge related to a legal settlement, a charge related to inventory fair value adjustments in the Wallover acquisition, offset by a gain on the sale of an asset, currency conversion impacts of hyper-inflationary economies and a restructuring credit.

Quaker Houghton
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