

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 October 2, 2022

or

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

Commission File Number 1-11430

**MINERALS TECHNOLOGIES INC.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of incorporation or organization)

**25-1190717**

(I.R.S. Employer Identification No.)

**622 Third Avenue, New York, New York 10017-6707**  
(Address of principal executive offices, including zip code)

**(212) 878-1800**

(Registrant's telephone number, including area code)

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

| <b>Title of each class</b>     | <b>Trading Symbol</b> | <b>Name of exchange on which registered</b> |
|--------------------------------|-----------------------|---|
| Common Stock, \$0.10 par value | MTX                   | New York Stock Exchange LLC                 |

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 electronically 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   
Non-accelerated Filer   
Emerging Growth Company

Accelerated Filer   
Smaller Reporting 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 Exchange Act).

Yes  No

As of October 20, 2022, there were 32,450,263 shares of common stock, par value of \$0.10 per share, of the registrant outstanding.

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PART 1. FINANCIAL INFORMATION

ITEM 1. Financial Statements

MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES  
CONDENSED CONSOLIDATED STATEMENTS OF INCOME  
(Unaudited)

| (millions of dollars, except per share data)             | Three Months Ended |                 | Nine Months Ended |                 |
|--|--------------------|-----------------|-------------------|-----------------|
|  | Oct. 2,<br>2022    | Oct. 3,<br>2021 | Oct. 2,<br>2022   | Oct. 3,<br>2021 |
| Net sales  | \$ 541.9           | \$ 473.2        | \$ 1,617.9        | \$ 1,381.4      |
| Cost of goods sold                                       | 423.6              | 359.9           | 1,250.6           | 1,040.9         |
| Production margin  | 118.3              | 113.3           | 367.3             | 340.5           |
| Marketing and administrative expenses                    | 46.0               | 45.5            | 143.6             | 139.9           |
| Research and development expenses                        | 5.1                | 4.6             | 15.2              | 14.5            |
| Acquisition related transaction and integration costs    | 0.5                | 1.5             | 4.7               | 1.9             |
| Litigation costs   | 31.1               | —               | 32.6              | —               |
| Restructuring and other items, net                       | —                  | 1.1             | —                 | 1.1             |
| Income from operations                                   | 35.6               | 60.6            | 171.2             | 183.1           |
| Interest expense, net                                    | (11.0)             | (9.2)           | (31.2)            | (28.2)          |
| Debt extinguishment expenses                             | (6.9)              | —               | (6.9)             | —               |
| Non-cash pension settlement charge                       | (0.2)              | (0.8)           | (1.7)             | (3.0)           |
| Other non-operating income (deductions), net             | (0.4)              | (0.1)           | (2.0)             | 0.3             |
| Total non-operating deductions, net                      | (18.5)             | (10.1)          | (41.8)            | (30.9)          |
| Income before tax and equity in earnings                 | 17.1               | 50.5            | 129.4             | 152.2           |
| Provision for taxes on income                            | 3.2                | 8.9             | 25.8              | 27.6            |
| Equity in earnings of affiliates, net of tax             | 0.7                | 0.8             | 1.4               | 1.8             |
| Consolidated net income                                  | 14.6               | 42.4            | 105.0             | 126.4           |
| Less:  |                    |                 |                   |                 |
| Net income attributable to non-controlling interests     | 1.2                | 1.0             | 2.6               | 3.2             |
| Net income attributable to Minerals Technologies Inc.    | \$ 13.4            | \$ 41.4         | \$ 102.4          | \$ 123.2        |
| <b>Earnings per share:</b>                               |                    |                 |                   |                 |
| Basic:   |                    |                 |                   |                 |
| Income attributable to Minerals Technologies Inc.        | \$ 0.41            | \$ 1.24         | \$ 3.12           | \$ 3.66         |
| Diluted:   |                    |                 |                   |                 |
| Income attributable to Minerals Technologies Inc.        | \$ 0.41            | \$ 1.22         | \$ 3.11           | \$ 3.63         |
| Cash dividends declared per common share                 | \$ 0.05            | \$ 0.05         | \$ 0.15           | \$ 0.15         |
| <b>Shares used in computation of earnings per share:</b> |                    |                 |                   |                 |
| Basic  | 32.5               | 33.5            | 32.8              | 33.7            |
| Diluted  | 32.6               | 33.8            | 32.9              | 33.9            |

See accompanying Notes to Condensed Consolidated Financial Statements.

**MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**  
(Unaudited)

| (millions of dollars)  | Three Months Ended |                 | Nine Months Ended |                 |
|--|--------------------|-----------------|-------------------|-----------------|
|  | Oct. 2,<br>2022    | Oct. 3,<br>2021 | Oct. 2,<br>2022   | Oct. 3,<br>2021 |
| Consolidated net income  | \$ 14.6            | \$ 42.4         | \$ 105.0          | \$ 126.4        |
| Other comprehensive loss, net of tax:                                  |                    |                 |                   |                 |
| Foreign currency translation adjustments                               | (52.0)             | (14.9)          | (111.5)           | (41.8)          |
| Pension and postretirement plan adjustments                            | 0.9                | 2.2             | 4.3               | 9.0             |
| Unrealized gains (losses) on derivative instruments                    | 7.1                | 2.6             | 16.4              | 6.5             |
| Total other comprehensive loss, net of tax                             | (44.0)             | (10.1)          | (90.8)            | (26.3)          |
| Total comprehensive income (loss) including non-controlling interests  | (29.4)             | 32.3            | 14.2              | 100.1           |
| Comprehensive (income) loss attributable to non-controlling interests  | (0.1)              | (1.1)           | 0.3               | (3.0)           |
| Comprehensive income (loss) attributable to Minerals Technologies Inc. | \$ (29.5)          | \$ 31.2         | \$ 14.5           | \$ 97.1         |

See accompanying Notes to Condensed Consolidated Financial Statements.

**MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

| (millions of dollars)  | ASSETS | <u>Oct. 2,<br/>2022*</u> | <u>Dec. 31,<br/>2021**</u> |
|--|--------|--------------------------|----------------------------|
| Current assets:  |        |                          |                            |
| Cash and cash equivalents  |        | \$ 224.1                 | \$ 299.5                   |
| Short-term investments   |        | 2.3                      | 4.9                        |
| Accounts receivable, net   |        | 430.6                    | 367.8                      |
| Inventories  |        | 344.6                    | 297.7                      |
| Prepaid expenses and other current assets                                |        | 71.9                     | 58.6                       |
| Total current assets   |        | <u>1,073.5</u>           | <u>1,028.5</u>             |
| Property, plant and equipment  |        | 2,251.7                  | 2,296.4                    |
| Less accumulated depreciation and depletion                              |        | <u>(1,213.4)</u>         | <u>(1,247.3)</u>           |
| Property, plant and equipment, net                                       |        | 1,038.3                  | 1,049.1                    |
| Goodwill   |        | 912.2                    | 907.5                      |
| Intangible assets  |        | 243.5                    | 251.6                      |
| Deferred income taxes  |        | 22.2                     | 23.0                       |
| Other assets and deferred charges  |        | 97.6                     | 114.5                      |
| Total assets   |        | <u>\$ 3,387.3</u>        | <u>\$ 3,374.2</u>          |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>                              |        |                          |                            |
| Current liabilities:   |        |                          |                            |
| Short-term debt  |        | \$ 118.5                 | \$ 80.0                    |
| Current maturities of long-term debt                                     |        | 0.7                      | 0.8                        |
| Accounts payable   |        | 210.1                    | 196.1                      |
| Other current liabilities  |        | <u>164.2</u>             | <u>142.9</u>               |
| Total current liabilities  |        | 493.5                    | 419.8                      |
| Long-term debt, net of unamortized discount and deferred financing costs |        | 944.9                    | 936.2                      |
| Deferred income taxes  |        | 194.5                    | 188.1                      |
| Accrued pension and post-retirement benefits                             |        | 102.2                    | 114.3                      |
| Other non-current liabilities  |        | <u>116.6</u>             | <u>136.3</u>               |
| Total liabilities  |        | <u>1,851.7</u>           | <u>1,794.7</u>             |
| Shareholders' equity:  |        |                          |                            |
| Common stock   |        | 4.9                      | 4.9                        |
| Additional paid-in capital   |        | 483.3                    | 474.2                      |
| Retained earnings  |        | 2,266.3                  | 2,168.9                    |
| Accumulated other comprehensive loss                                     |        | (421.4)                  | (333.6)                    |
| Less common stock held in treasury                                       |        | <u>(831.1)</u>           | <u>(775.1)</u>             |
| Total Minerals Technologies Inc. shareholders' equity                    |        | 1,502.0                  | 1,539.3                    |
| Non-controlling interests  |        | <u>33.6</u>              | <u>40.2</u>                |
| Total shareholders' equity   |        | <u>1,535.6</u>           | <u>1,579.5</u>             |
| Total liabilities and shareholders' equity                               |        | <u>\$ 3,387.3</u>        | <u>\$ 3,374.2</u>          |

\* Unaudited

\*\* Condensed from audited financial statements

See accompanying Notes to Condensed Consolidated Financial Statements.

**MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)

| (millions of dollars)   | Nine Months Ended |                 |
|---|-------------------|-----------------|
|   | Oct. 2,<br>2022   | Oct. 3,<br>2021 |
| <b>Operating Activities:</b>  |                   |                 |
| Consolidated net income   | \$ 105.0          | \$ 126.4        |
| Adjustments to reconcile net income to net cash provided by operating activities: |                   |                 |
| Depreciation, depletion and amortization  | 71.2              | 71.0            |
| Non-cash pension settlement charge  | 1.7               | 3.0             |
| Reduction of right of use asset   | 9.5               | 9.2             |
| Non-cash debt extinguishment expenses   | 6.9               | —               |
| Asset impairment charges  | —                 | 0.7             |
| Pension plan funding  | (5.3)             | (7.6)           |
| Other non-cash items  | 15.1              | 10.2            |
| Net changes in operating assets and liabilities                                   | (140.5)           | (49.8)          |
| Net cash provided by operating activities   | 63.6              | 163.1           |
| <b>Investing Activities:</b>  |                   |                 |
| Purchases of property, plant and equipment, net                                   | (59.4)            | (63.0)          |
| Cash paid for acquisitions, net of cash acquired                                  | (22.4)            | (186.9)         |
| Proceeds from sale of assets  | 1.0               | 0.4             |
| Proceeds from sale of short-term investments                                      | 6.1               | 7.8             |
| Purchases of short-term investments   | (2.8)             | (5.2)           |
| Other investing activities  | 1.6               | 2.2             |
| Net cash used in investing activities   | (75.9)            | (244.7)         |
| <b>Financing Activities:</b>  |                   |                 |
| Long-term debt issuance   | 550.0             | —               |
| Deferred financing costs  | (3.2)             | —               |
| Repayment of long-term debt   | (548.7)           | (1.0)           |
| Proceeds from issuance of short-term debt   | 38.5              | 100.5           |
| Purchase of common stock for treasury   | (56.0)            | (62.9)          |
| Proceeds from issuance of stock under option plan                                 | 3.5               | 10.6            |
| Excess tax benefits related to stock incentive programs                           | (3.3)             | (2.8)           |
| Dividends paid to non-controlling interests                                       | (6.3)             | (1.6)           |
| Cash dividends paid   | (4.9)             | (5.1)           |
| Net cash provided by (used in) financing activities                               | (30.4)            | 37.7            |
| Effect of exchange rate changes on cash and cash equivalents                      | (32.7)            | (13.9)          |
| Net decrease in cash and cash equivalents   | (75.4)            | (57.8)          |
| Cash and cash equivalents at beginning of period                                  | 299.5             | 367.7           |
| Cash and cash equivalents at end of period  | \$ 224.1          | \$ 309.9        |
| <b>Supplemental disclosure of cash flow information:</b>                          |                   |                 |
| Interest paid   | \$ 35.1           | \$ 32.4         |
| Income taxes paid   | \$ 28.9           | \$ 34.0         |
| <b>Non-cash financing activities:</b>   |                   |                 |
| Treasury stock purchases settled after period end                                 | \$ —              | \$ 0.6          |

See accompanying Notes to Condensed Consolidated Financial Statements.

**MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
(Unaudited)

| (millions of dollars)  | Equity Attributable to Minerals Technologies Inc. |                                  |                      |   |                   |                                  | Total      |
|--|---|----------------------------------|----------------------|---|-------------------|----------------------------------|------------|
|  | Common<br>Stock                                   | Additional<br>Paid-in<br>Capital | Retained<br>Earnings | Accumulated<br>Other<br>Comprehensive<br>Loss | Treasury<br>Stock | Non-<br>controlling<br>Interests |            |
| <i>Balance as of December 31, 2021</i>                           | \$ 4.9  | \$ 474.2                         | \$ 2,168.9           | \$ (333.6)                                    | \$ (775.1)        | \$ 40.2                          | \$ 1,579.5 |
| Net income   | —   | —                                | 44.1                 | —   | —                 | 0.8                              | 44.9       |
| Other comprehensive income (loss)                                | —   | —                                | —                    | (4.0)   | —                 | 0.1                              | (3.9)      |
| Dividends declared   | —   | —                                | (1.6)                | —   | —                 | —                                | (1.6)      |
| Dividends paid to non-controlling interests                      | —   | —                                | —                    | —   | —                 | (0.1)                            | (0.1)      |
| Issuance of shares pursuant to employee stock compensation plans | —   | 0.9                              | —                    | —   | —                 | —                                | 0.9        |
| Purchase of common stock for treasury                            | —   | —                                | —                    | —   | (16.7)            | —                                | (16.7)     |
| Stock-based compensation   | —   | 2.8                              | —                    | —   | —                 | —                                | 2.8        |
| Conversion of RSU's for tax withholding                          | —   | (2.8)                            | —                    | —   | —                 | —                                | (2.8)      |
| <i>Balance as of April 3, 2022</i>                               | \$ 4.9  | \$ 475.1                         | \$ 2,211.4           | \$ (337.6)                                    | \$ (791.8)        | \$ 41.0                          | \$ 1,603.0 |
| Net income   | —   | —                                | 44.9                 | —   | —                 | 0.6                              | 45.5       |
| Other comprehensive loss   | —   | —                                | —                    | (40.9)  | —                 | (1.9)                            | (42.8)     |
| Dividends declared   | —   | —                                | (1.6)                | —   | —                 | —                                | (1.6)      |
| Dividends paid to non-controlling interests                      | —   | —                                | —                    | —   | —                 | (6.2)                            | (6.2)      |
| Issuance of shares pursuant to employee stock compensation plans | —   | 0.2                              | —                    | —   | —                 | —                                | 0.2        |
| Purchase of common stock for treasury                            | —   | —                                | —                    | —   | (24.0)            | —                                | (24.0)     |
| Stock-based compensation   | —   | 2.8                              | —                    | —   | —                 | —                                | 2.8        |
| <i>Balance as of July 3, 2022</i>                                | \$ 4.9  | \$ 478.1                         | \$ 2,254.7           | \$ (378.5)                                    | \$ (815.8)        | \$ 33.5                          | \$ 1,576.9 |
| Net income   | —   | —                                | 13.4                 | —   | —                 | 1.2                              | 14.6       |
| Other comprehensive loss   | —   | —                                | —                    | (42.9)  | —                 | (1.1)                            | (44.0)     |
| Dividends declared   | —   | —                                | (1.8)                | —   | —                 | —                                | (1.8)      |
| Issuance of shares pursuant to employee stock compensation plans | —   | 2.4                              | —                    | —   | —                 | —                                | 2.4        |
| Purchase of common stock for treasury                            | —   | —                                | —                    | —   | (15.3)            | —                                | (15.3)     |
| Stock-based compensation   | —   | 2.8                              | —                    | —   | —                 | —                                | 2.8        |
| <i>Balance as of October 2, 2022</i>                             | \$ 4.9  | \$ 483.3                         | \$ 2,266.3           | \$ (421.4)                                    | \$ (831.1)        | \$ 33.6                          | \$ 1,535.6 |

See accompanying Notes to Condensed Consolidated Financial Statements.

**MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
(Unaudited)

| (millions of dollars)  | Equity Attributable to Minerals Technologies Inc. |                                  |                      |   |                   |                                  | Total      |
|--|---|----------------------------------|----------------------|---|-------------------|----------------------------------|------------|
|  | Common<br>Stock                                   | Additional<br>Paid-in<br>Capital | Retained<br>Earnings | Accumulated<br>Other<br>Comprehensive<br>Loss | Treasury<br>Stock | Non-<br>controlling<br>Interests |            |
| <i>Balance as of December 31, 2020</i>                           | \$ 4.9  | \$ 453.3                         | \$ 2,011.3           | \$ (308.3)                                    | \$ (700.4)        | \$ 37.9                          | \$ 1,498.7 |
| Net income   | —   | —                                | 39.9                 | —   | —                 | 1.1                              | 41.0       |
| Other comprehensive loss   | —   | —                                | —                    | (21.0)  | —                 | (0.5)                            | (21.5)     |
| Dividends declared   | —   | —                                | (1.7)                | —   | —                 | —                                | (1.7)      |
| Dividends paid to non-controlling interests                      | —   | —                                | —                    | —   | —                 | (0.1)                            | (0.1)      |
| Issuance of shares pursuant to employee stock compensation plans | —   | 5.8                              | —                    | —   | —                 | —                                | 5.8        |
| Purchase of common stock for treasury                            | —   | —                                | —                    | —   | (20.0)            | —                                | (20.0)     |
| Stock-based compensation   | —   | 2.8                              | —                    | —   | —                 | —                                | 2.8        |
| Conversion of RSU's for tax withholding                          | —   | (2.6)                            | —                    | —   | —                 | —                                | (2.6)      |
| <i>Balance as of April 4, 2021</i>                               | \$ 4.9  | \$ 459.3                         | \$ 2,049.5           | \$ (329.3)                                    | \$ (720.4)        | \$ 38.4                          | \$ 1,502.4 |
| Net income   | —   | —                                | 41.9                 | —   | —                 | 1.1                              | 43.0       |
| Other comprehensive income                                       | —   | —                                | —                    | 5.0   | —                 | 0.3                              | 5.3        |
| Dividends declared   | —   | —                                | (1.7)                | —   | —                 | —                                | (1.7)      |
| Dividends paid to non-controlling interests                      | —   | —                                | —                    | —   | —                 | (0.6)                            | (0.6)      |
| Issuance of shares pursuant to employee stock compensation plans | —   | 4.6                              | —                    | —   | —                 | —                                | 4.6        |
| Purchase of common stock for treasury                            | —   | —                                | —                    | —   | (16.9)            | —                                | (16.9)     |
| Stock-based compensation   | —   | 2.8                              | —                    | —   | —                 | —                                | 2.8        |
| <i>Balance as of July 4, 2021</i>                                | \$ 4.9  | \$ 466.7                         | \$ 2,089.7           | \$ (324.3)                                    | \$ (737.3)        | \$ 39.2                          | \$ 1,538.9 |
| Net income   | —   | —                                | 41.4                 | —   | —                 | 1.0                              | 42.4       |
| Other comprehensive loss   | —   | —                                | —                    | (10.1)  | —                 | —                                | (10.1)     |
| Dividends declared   | —   | —                                | (1.6)                | —   | —                 | —                                | (1.6)      |
| Dividends paid to non-controlling interests                      | —   | —                                | —                    | —   | —                 | (0.9)                            | (0.9)      |
| Issuance of shares pursuant to employee stock compensation plans | —   | 0.1                              | —                    | —   | —                 | —                                | 0.1        |
| Purchase of common stock for treasury                            | —   | —                                | —                    | —   | (26.0)            | —                                | (26.0)     |
| Stock-based compensation   | —   | 2.8                              | —                    | —   | —                 | —                                | 2.8        |
| <i>Balance as of October 3, 2021</i>                             | \$ 4.9  | \$ 469.6                         | \$ 2,129.5           | \$ (334.4)                                    | \$ (763.3)        | \$ 39.3                          | \$ 1,545.6 |

See accompanying Notes to Condensed Consolidated Financial Statements.



**MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**Note 1. Basis of Presentation and Summary of Significant Accounting Policies**

The accompanying unaudited condensed consolidated financial statements have been prepared by management of Minerals Technologies Inc. (the “Company”, “MTI”, “we”, or “us”) in accordance with the rules and regulations of the United States Securities and Exchange Commission. Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles have been condensed or omitted. Therefore, these financial statements should be read in conjunction with the consolidated financial statements and notes thereto contained in the Company’s Annual Report on Form 10-K for the year ended December 31, 2021. In the opinion of management, all adjustments, consisting solely of normal recurring adjustments necessary for a fair presentation of the financial information for the periods indicated, have been included. The results for the three-month and nine-month periods ended October 2, 2022 are not necessarily indicative of the results that may be expected for the year ending December 31, 2022.

**Company Operations**

The Company is a resource- and technology-based company that develops, produces and markets worldwide a broad range of specialty minerals, mineral-based and synthetic mineral products and supporting systems and services.

The Company has three reportable segments: Performance Materials, Specialty Minerals and Refractories.

- The Performance Materials segment is a leading global supplier of bentonite and bentonite-related products and leonardite. This segment also provides products for non-residential construction, environmental and infrastructure projects worldwide, serving customers engaged in a broad range of construction and remediation projects as well as offers a range of patented and unpatented technologies, products and services to the upstream and downstream oil and gas sector throughout the world.
- The Specialty Minerals segment produces and sells the synthetic mineral product precipitated calcium carbonate (“PCC”) and processed mineral product quicklime (“lime”), and mines mineral ores then processes and sells natural mineral products, primarily limestone and talc.
- The Refractories segment produces and markets monolithic and shaped refractory materials and specialty products, services and application and measurement equipment, and calcium metal and metallurgical wire products.

*Use of Estimates*

The Company employs accounting policies that are in accordance with U.S. generally accepted accounting principles and require management to make estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reported period. Significant estimates include those related to revenue recognition, valuation of long-lived assets, goodwill and other intangible assets, income taxes, including valuation allowances, and pension plan assumptions. Actual results could differ from those estimates.

*Recently Issued Accounting Standards*

Changes to accounting principles generally accepted in the United States of America (U.S. GAAP) are established by the Financial Accounting Standards Board (FASB) in the form of accounting standards updates (ASUs) to the FASB’s Accounting Standards Codification. The Company considers the applicability and impact of all ASUs. All recently issued ASUs were assessed and determined to be either not applicable or are expected to have minimal impact on our consolidated financial position and results of operations.

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**Note 2. Revenue from Contracts with Customers**

The following table disaggregates our revenue by major source (product line) for the three and nine-month periods ended October 2, 2022 and October 3, 2021:

| (millions of dollars)                         | Three Months Ended |                 | Nine Months Ended |                   |
|---|--------------------|-----------------|-------------------|-------------------|
|   | Oct. 2,<br>2022    | Oct. 3,<br>2021 | Oct. 2,<br>2022   | Oct. 3,<br>2021   |
| <b>Net Sales</b>                              |                    |                 |                   |                   |
| Household, Personal Care & Specialty Products | \$ 141.5           | \$ 121.8        | \$ 424.1          | \$ 333.9          |
| Metalcasting                                  | 85.4               | 72.9            | 254.4             | 235.0             |
| Environmental Products                        | 47.7               | 39.8            | 138.0             | 105.8             |
| Building Materials                            | 15.8               | 15.9            | 45.6              | 45.0              |
| <b>Performance Materials</b>                  | <b>290.4</b>       | <b>250.4</b>    | <b>862.1</b>      | <b>719.7</b>      |
| Paper PCC                                     | 97.7               | 89.5            | 286.4             | 264.9             |
| Specialty PCC                                 | 25.5               | 18.2            | 77.7              | 57.1              |
| Ground Calcium Carbonate                      | 28.6               | 25.0            | 84.0              | 74.5              |
| Talc  | 14.2               | 14.2            | 45.2              | 40.9              |
| <b>Specialty Minerals</b>                     | <b>166.0</b>       | <b>146.9</b>    | <b>493.3</b>      | <b>437.4</b>      |
| Refractory Products                           | 68.9               | 58.3            | 203.9             | 175.1             |
| Metallurgical Products                        | 16.6               | 17.6            | 58.6              | 49.2              |
| <b>Refractories</b>                           | <b>85.5</b>        | <b>75.9</b>     | <b>262.5</b>      | <b>224.3</b>      |
| <b>Total</b>                                  | <b>\$ 541.9</b>    | <b>\$ 473.2</b> | <b>\$ 1,617.9</b> | <b>\$ 1,381.4</b> |

**Note 3. Acquisitions**

*Normerica Inc.*

On July 26, 2021, the Company completed the acquisition of Normerica Inc., a leading North American supplier of premium pet care products. Normerica has production facilities in Canada, the U.S. and Thailand. As a leader in the pet product industry, Normerica provides premium products, both branded and private label to world-class retailers. Its product portfolio consists primarily of bentonite-based cat litter products which are supplied from a network of strategically located manufacturing facilities in Canada and the United States. The results of Normerica are included within our Household, Personal Care & Specialty Products product line in our Performance Materials segment. The fair value of the total consideration transferred, net of cash acquired, was \$187.5 million.

The acquisition has been accounted for using the acquisition method of accounting, which requires, among other things, that we recognize the assets acquired and liabilities assumed at their respective fair values as of the acquisition date. As of October 2, 2022, the purchase price allocation has been finalized.

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The following table summarizes the Company's final amounts recognized for assets acquired and liabilities assumed for the Normerica acquisition, which did not change from the amounts previously reported on the Company's Form 10-K for the year ended December 31, 2021.

| (millions of dollars)            | <u>Final<br/>Allocation</u> |
|----------------------------------|-----------------------------|
| Accounts receivable              | \$ 8.4                      |
| Inventories                      | 5.1                         |
| Other current assets             | 1.4                         |
| Property, plant and equipment    | 21.2                        |
| Goodwill                         | 104.5                       |
| Intangible assets                | 68.1                        |
| <b>Total assets acquired</b>     | <u>208.7</u>                |
| Accounts payable                 | 12.8                        |
| Accrued expenses                 | 8.4                         |
| <b>Total liabilities assumed</b> | <u>21.2</u>                 |
| <b>Net assets acquired</b>       | <u>\$ 187.5</u>             |

The Company used the income, market, or cost approach (or a combination thereof) for the valuation and used valuation inputs and analyses that were based on market participant assumptions. Market participants are considered to be buyers and sellers unrelated to the Company in the principal or most advantageous market for the asset or liability. For certain items, the carrying value was determined to be a reasonable approximation of fair value based on the information available.

Goodwill was calculated as the excess of the consideration transferred over the assets acquired and represents the estimated future economic benefits arising from other assets acquired that could not be individually identified and separately recognized. The goodwill is primarily attributable to fair value of expected synergies from combining the MTI and Normerica businesses and is allocated to the Performance Materials segment.

Intangible assets acquired mainly include tradenames and customer relationships. Tradenames have an estimated useful life of approximately 15 years and customer relationships have an estimated useful life of approximately 20 years.

The Company incurred \$0.5 million and \$4.7 million of acquisition related transaction and integration costs during the three and nine-month periods ended October 2, 2022, respectively and \$1.5 million and \$1.9 million in the three and nine-months period ended October 3, 2021, respectively, which are reflected within the acquisition-related expense line of the Condensed Consolidated Statements of Income.

*Concept Pet Heimtierprodukte GmbH*

On April 29, 2022, the Company completed the acquisition of Concept Pet Heimtierprodukte GmbH ("Concept Pet"), a European supplier of pet litter products. The purchase of Concept Pet supports the expansion of our European pet care business, as well as provides additional mineral reserves. The purchase price was \$28.0 million and acquisition was financed through cash on hand. The fair value of the total consideration transferred, net of cash acquired, was \$22.4 million. The results of Concept Pet are included within our Household, Personal Care & Specialty Products product line in our Performance Materials segment. The acquisition has been accounted for using the acquisition method of accounting, which requires, among other things, that we recognize the assets acquired and liabilities assumed at their respective fair values as of the acquisition date. The Company has recorded goodwill of \$9.2 million and intangible assets of \$4.3 million relating to this acquisition.

**MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES**  
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**Note 4. Earnings per Share (EPS)**

Basic earnings per share are based upon the weighted average number of common shares outstanding during the period. Diluted earnings per share are based upon the weighted average number of common shares outstanding during the period assuming the issuance of common shares for all potentially dilutive common shares outstanding.

The following table sets forth the computation of basic and diluted earnings per share:

| (in millions, except per share data)   | Three Months Ended |                 | Nine Months Ended |                 |
|--|--------------------|-----------------|-------------------|-----------------|
|  | Oct. 2,<br>2022    | Oct. 3,<br>2021 | Oct. 2,<br>2022   | Oct. 3,<br>2021 |
| <b>Net income attributable to Minerals Technologies Inc.</b>                 | \$ 13.4            | \$ 41.4         | \$ 102.4          | \$ 123.2        |
| Weighted average shares outstanding  | 32.5               | 33.5            | 32.8              | 33.7            |
| Dilutive effect of stock options and stock units                             | 0.1                | 0.3             | 0.1               | 0.2             |
| Weighted average shares outstanding, adjusted                                | 32.6               | 33.8            | 32.9              | 33.9            |
| <b>Basic earnings per share attributable to Minerals Technologies Inc.</b>   | \$ 0.41            | \$ 1.24         | \$ 3.12           | \$ 3.66         |
| <b>Diluted earnings per share attributable to Minerals Technologies Inc.</b> | \$ 0.41            | \$ 1.22         | \$ 3.11           | \$ 3.63         |

Of the options outstanding of 1,460,734 and 1,409,110 for the three-month and nine-month periods ended October 2, 2022 and October 3, 2021, respectively, options to purchase 1,106,596 shares and 526,956 shares of common stock for the three-month and nine-month periods ending October 2, 2022 and October 3, 2021, respectively, were not included in the computation of diluted earnings per share because they were anti-dilutive, as the exercise prices of the options were greater than the average market price of the common shares.

**Note 5. Restructuring and Other Items, net**

In the third quarter of 2021, PCA Corporation discontinued the use of PCC at their mill in Jackson, Alabama. As a result, the Company recorded a non-cash asset write-down of \$0.7 million and \$0.4 million in severance related and other closure costs for its Paper PCC satellite facility at this mill.

At October 2, 2022, the Company had \$1.9 million included within accrued liabilities in the Condensed Consolidated Balance Sheet for cash expenditures needed to satisfy remaining obligations under workforce reduction initiatives. The Company expects to pay these amounts by the end of 2022.

The following table is a reconciliation of our restructuring liability balance as of October 2, 2022:

| (millions of dollars)                      |        |
|--|--------|
| Restructuring liability, December 31, 2021 | \$ 2.2 |
| Additional provision                       | —      |
| Cash payments                              | (0.3)  |
| Restructuring liability, October 2, 2022   | \$ 1.9 |

**Note 6. Income Taxes**

Provision for taxes was \$3.2 million and \$25.8 million during the three-month and nine-month periods ended October 2, 2022. Provision for taxes was \$8.9 million and \$27.6 million for the three-month and nine-month periods ended October 3, 2021. The effective tax rate was 18.7% for the three months ended October 2, 2022 as compared with 17.6% for the three months ended October 3, 2021. The effective tax rate was 19.9% for the nine months ended October 2, 2022, as compared with 18.1% for the nine months ended October 3, 2021. The higher tax rate was primarily due to a change in the mix of earnings and a reduced depletion benefit.

As of October 2, 2022, the Company had approximately \$5.1 million of total unrecognized income tax benefits. Included in this amount were a total of \$3.5 million of unrecognized income tax benefits that, if recognized, would affect the Company's effective tax rate. While it is expected that the amount of unrecognized tax benefits will change in the next 12 months, the Company does not expect the change to have a significant impact on the results of operations or the financial position of the Company.

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The Company's accounting policy is to recognize interest and penalties accrued relating to unrecognized income tax benefits as part of its provision for income taxes. The Company had a net increase of approximately \$0.1 million during the three-month period ended October 2, 2022 and an accrued balance of \$1.2 million of interest and penalties as of October 2, 2022.

The Company operates in multiple taxing jurisdictions, both within and outside the U.S. In certain situations, a taxing authority may challenge positions that the Company has adopted in its income tax filings. The Company, with a few exceptions (none of which are material), is no longer subject to income tax examinations by tax authorities for years prior to 2015.

**Note 7. Inventories**

The following is a summary of inventories by major category:

| (millions of dollars)  | <u>Oct. 2,<br/>2022</u> | <u>Dec. 31,<br/>2021</u> |
|------------------------|-------------------------|--------------------------|
| Raw materials          | \$ 172.5                | \$ 136.6                 |
| Work-in-process        | 14.8                    | 10.7                     |
| Finished goods         | 103.9                   | 99.4                     |
| Packaging and supplies | 53.4                    | 51.0                     |
| Total inventories      | <u>\$ 344.6</u>         | <u>\$ 297.7</u>          |

**Note 8. Goodwill and Other Intangible Assets**

Goodwill and other intangible assets with indefinite lives are not amortized, but instead are assessed for impairment, at least annually. The carrying amount of goodwill was \$912.2 million and \$907.5 million as of October 2, 2022 and December 31, 2021, respectively. The net change in goodwill from December 31, 2021 to October 2, 2022 is attributable to the purchase of Concept Pet (see Note 3 to the Condensed Consolidated Financial Statements) and effects of foreign exchange.

Intangible assets subject to amortization as of October 2, 2022 and December 31, 2021 were as follows:

| (millions of dollars)  | Weighted<br>Average<br>Useful Life<br>(Years) | <u>Oct. 2, 2022</u>         |                             | <u>Dec. 31, 2021</u>        |                             |
|------------------------|---|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
|                        |   | Gross<br>Carrying<br>Amount | Accumulated<br>Amortization | Gross<br>Carrying<br>Amount | Accumulated<br>Amortization |
| Tradenames             | 34  | \$ 221.0                    | \$ 50.4                     | \$ 221.6                    | \$ 44.9                     |
| Technology             | 13  | 18.8                        | 12.2                        | 18.8                        | 11.2                        |
| Patents and trademarks | 19  | 6.4                         | 6.4                         | 6.4                         | 6.4                         |
| Customer relationships | 21  | 76.6                        | 10.3                        | 75.2                        | 7.9                         |
|                        | <u>29</u>                                     | <u>\$ 322.8</u>             | <u>\$ 79.3</u>              | <u>\$ 322.0</u>             | <u>\$ 70.4</u>              |

The weighted average amortization period for acquired intangible assets subject to amortization is approximately 29 years. Estimated amortization expense is \$3.0 million for the remainder of 2022, \$51.2 million for 2023–2026 and \$189.3 million thereafter.

**Note 9. Derivative Financial Instruments**

As a multinational corporation with operations throughout the world, the Company is exposed to certain market risks. The Company uses a variety of practices to manage these market risks, including, when considered appropriate, derivative financial instruments. The Company's objective is to offset gains and losses resulting from interest rates and foreign currency exposures with gains and losses on the derivative contracts used to hedge them. The Company uses derivative financial instruments only for risk management and not for trading or speculative purposes.

By using derivative financial instruments to hedge exposures to changes in interest rates and foreign currencies, the Company exposes itself to credit risk and market risk. Credit risk is the risk that the counterparty will fail to perform under the terms of the derivative contract. When the fair value of a derivative contract is positive, the counterparty owes the Company, which creates credit risk for the Company. When the fair value of a derivative contract is negative, the Company owes the counterparty, and therefore, it does not face any credit risk. The Company minimizes the credit risk in derivative instruments by entering into transactions with major financial institutions.

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Market risk is the adverse effect on the value of a financial instrument that results from a change in interest rates, currency exchange rates, or commodity prices. The market risk associated with interest rate and forward exchange contracts is managed by establishing and monitoring parameters that limit the types and degree of market risk that may be undertaken.

*Cash Flow Hedges*

For derivative instruments that are designated and qualify as cash flow hedges, the Company records the effective portion of the gain or loss in accumulated other comprehensive income (loss) as a separate component of shareholders' equity. The Company subsequently reclassifies the effective portion of gain or loss into earnings in the period during which the hedged transaction is recognized in earnings.

The Company utilizes interest rate swaps to limit exposure to market fluctuations on floating-rate debt. In the second quarter of 2018, the Company entered into a floating to fixed interest rate swap for a notional amount of \$150 million. The fair value of this swap is an asset of \$1.2 million at October 2, 2022 and is recorded in prepaid expenses and other current assets on the Condensed Consolidated Balance Sheet. This interest rate swap is designated as a cash flow hedge. As a result, the gains and losses associated with this interest rate swap is recorded in accumulated other comprehensive income (loss).

*Net Investment Hedges*

For derivative instruments that are designated and qualify as net investment hedges, the Company records the effective portion of the gain or loss in accumulated other comprehensive income (loss) as a separate component of shareholders' equity.

To protect the value of our investments in our foreign operations against adverse changes in foreign currency exchange rates, the Company from time to time hedges a portion of our net investment in one or more of our foreign subsidiaries. During the second quarter of 2018, the Company entered into a cross currency rate swap with a total notional value of \$150 million to exchange monthly fixed-rate interest payments in U.S. dollars for monthly fixed-rate interest rate payments in Euros. This contract matures in May 2023 and requires the exchange of Euros and U.S. dollar principal payments upon maturity. The fair value of this swap is an asset of \$25.3 million at October 2, 2022 and is recorded in prepaid expenses and other current assets on the Condensed Consolidated Balance Sheet. Changes in the fair value of this financial instrument are recognized in accumulated other comprehensive income (loss) to offset the change in the carrying amount of the net investment being hedged. Amounts are reclassified out of accumulated other comprehensive income (loss) into earnings when the hedged net investment is either sold or substantially liquidated.

Assets and liabilities measured at fair value are based on one or more of three valuation techniques. The three valuation techniques are as follows:

- Market approach - prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.
- Cost approach - amount that would be required to replace the service capacity of an asset or replacement cost.
- Income approach - techniques to convert future amounts to a single present amount based on market expectations, including present value techniques, option-pricing and other models.

The Company primarily applies the income approach for interest rate derivatives for recurring fair value measurements and attempts to utilize valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs.

The fair value of our interest rate and cross currency rate swap contracts are determined based on inputs that are readily available in public markets or can be derived from information available in publicly quoted markets and are categorized as Level 2.

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**Note 10. Long-Term Debt and Commitments**

The following is a summary of long-term debt:

| (millions of dollars)   | Oct. 2,<br>2022 | Dec. 31,<br>2021 |
|---|-----------------|------------------|
| <b>Secured Credit Agreement:</b>  |                 |                  |
| Term Loan due 2027, net of unamortized deferred financing costs of \$3.1 million and \$0 million              | \$ 546.9        | \$ 0             |
| <b>Previous Secured Credit Agreement:</b>   |                 |                  |
| Term Loan due 2024, net of unamortized discount and deferred financing costs of \$0 million and \$8.8 million | 0               | 539.2            |
| <b>Senior Notes:</b>  |                 |                  |
| 5.00% due 2028, net of unamortized deferred financing costs of \$5.1 million and \$5.4 million                | 395.1           | 394.6            |
| Other debt  | 3.6             | 3.2              |
| Total   | 945.6           | 937.0            |
| Less: Current maturities  | 0.7             | 0.8              |
| Total long-term debt  | \$ 944.9        | \$ 936.2         |

On August 11, 2022, the Company entered into a Refinancing Facility Agreement (the "Amendment") to amend the Company's previous credit agreement (the "Previous Credit Agreement"; the previous credit agreement, as amended by the Amendment, being the "Amended Credit Agreement"). The Amendment provides for, among other things, a new senior secured revolving credit facility with aggregate commitments of \$300 million (the "Revolving Facility"), a portion of which may be used for the issuance of letters of credit and swingline loans, and a new senior secured term loan facility with aggregate commitments of \$550 million (the "Term Loan Facility" and, together with the Revolving Facility, the "Senior Secured Credit Facilities"). The Revolving Facility and the Term Loan Facility replace the facilities under the Previous Credit Agreement, which provided for, among other things, a \$788 million senior secured floating rate term loan facility and a \$300 million senior secured revolving credit facility. The maturity date for loans under the Senior Secured Credit Facilities is August 11, 2027.

In the third quarter of 2022, the Company recorded \$6.9 million in non-cash debt extinguishment expenses related to the refinancing of our credit facilities, which represents the difference between the redemption payment and the carrying value of the debt at the refinancing date. All lenders under the previous facility were repaid in full.

Loans under the Senior Secured Credit Facilities will bear interest at a rate equal to, at the election of the Company, Term SOFR plus a credit spread adjustment equal to 0.100% plus an applicable margin equal to 1.500% per annum or a base rate plus an applicable margin equal to 0.500% per annum, subject in each case to (a) an increase of 25 basis points in the event that, and for so long as, the net leverage ratio (as defined in the Amended Credit Agreement) is greater than or equal to 3.00 to 1.00 as of the last day of the preceding fiscal quarter, (b) a decrease of 12.5 basis points in the event that, and for so long as, the net leverage ratio is less than 2.00 to 1.00 and greater than or equal to 1.00 to 1.00 as of the last day of the preceding fiscal quarter and (c) an decrease of 25 basis points in the event that, and for so long as, the net leverage ratio is less than 1.00 to 1.00 as of the last day of the preceding fiscal quarter. The Company will pay certain fees under the Amended Credit Agreement, including (a) a commitment fee of 0.250% per annum on the undrawn portion of the Revolving Facility (subject to a step-up to 0.300% and step-downs to 0.175% and 0.150% at the same levels described above), (b) a fronting fee of 0.125% per annum on the average daily undrawn amount of, plus unreimbursed amounts in respect of disbursements under, letters of credit issued under the Revolving Facility and (c) customary annual administration fees. The obligations of the Company under the Senior Secured Credit Facilities are unconditionally guaranteed jointly and severally by, subject to certain exceptions, all material domestic subsidiaries of the Company (the "Guarantors") and secured, subject to certain exceptions, by a security interest in substantially all of the tangible and intangible assets of the Company and the Guarantors.

As of October 2, 2022, there were \$115.0 million in loans and \$10.3 million in letters of credit outstanding under the Revolving Facility.

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On June 30, 2020, the Company issued \$400 million aggregate principal amount of 5.0% Senior Notes due 2028 (the “Notes”). The Notes were issued pursuant to an indenture, dated as of June 30, 2020, between the Company and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Indenture”). The Notes bear an interest rate of 5.0% per annum payable semi-annually on January 1 and July 1 of each year, beginning on January 1, 2021. The Notes are unconditionally guaranteed on a senior unsecured basis by each of the Company’s existing and future wholly owned domestic restricted subsidiaries that is a borrower under or that guarantees the Company’s obligations under its Senior Secured Credit Facilities or that guarantees the Company’s or any of the Company’s wholly owned domestic subsidiaries’ long-term indebtedness in an aggregate amount in excess of \$50 million.

At any time and from time to time prior to July 1, 2023, the Company may redeem some or all of the Notes for cash at a redemption price equal to 100% of their principal amount, plus the “make-whole” premium described in the Indenture and accrued and unpaid interest, if any, to, but excluding, the applicable redemption date. Beginning on July 1, 2023, the Company may redeem some or all of the Notes at any time and from time to time at the applicable redemption prices listed in the Indenture, plus accrued and unpaid interest, if any, to, but excluding, the applicable redemption date. In addition, at any time and from time to time prior to July 1, 2023, the Company may redeem up to 40% of the aggregate principal amount of the Notes with funds from one or more equity offerings at a redemption price equal to 105% of the principal amount thereof, plus accrued and unpaid interest, if any, to, but excluding, the applicable redemption date.

If the Company experiences a change of control (as defined in the indenture), the Company is required to offer to repurchase the Notes at 101% of the principal amount of such Notes, plus accrued and unpaid interest, if any, to, but excluding, the date of repurchase.

The Amended Credit Agreement and the Indenture both contain certain customary affirmative and negative covenants that limit or restrict the ability of the Company and its restricted subsidiaries to enter into certain transactions or take certain actions, as well as customary events of default. In addition, the Amended Credit Agreement contains financial covenants that require the Company to maintain, as of the last day of any fiscal quarter, (x) a maximum net leverage ratio (as defined in the Amended Credit Agreement) of 4.00 to 1.00 for the four fiscal quarter period preceding such day (subject to an increase to 5.00 to 1.00 for four quarters in connection with certain significant acquisitions) and (y) a minimum interest coverage ratio (as defined in the Amended Credit Agreement) of 3.00 to 1.00. The Company is in compliance with all the covenants contained in the Amended Credit Agreement throughout the period covered by this report.

As part of the Sivomatic acquisition, the Company assumed \$10.7 million in long-term debt, recorded at fair value, consisting of two term loans, one of which matured in the third quarter of 2020 and the other of which matured in the first quarter of 2022. During the first quarter of 2022, the Company repaid the remaining \$0.2 million on this loan.

The Company has a committed loan facility in Japan. As of October 2, 2022, \$2.0 million was outstanding under this loan facility. Principal will be repaid in accordance with the payment schedule ending in 2026. The Company repaid \$0.4 million on this facility during the first nine months of 2022.

As part of the Concept Pet acquisition, the Company assumed \$1.9 million in long-term debt, recorded at fair value, consisting of two terms loans, one that matures in 2025 and one that matures in 2027. Both loans have annual payments and carry a variable interest rate.

As of October 2, 2022, the Company had \$24.6 million in uncommitted short-term bank credit lines, of which \$3.5 million were in use.

**Note 11. Benefit Plans**

The Company and its subsidiaries have pension plans covering eligible employees on a contributory or non-contributory basis. The Company also provides postretirement health care and life insurance benefits for eligible U.S. retired employees. Disclosures for the U.S. plans have been combined with those outside of the U.S. as the international plans do not have significantly different assumptions, and together represent less than 22% of our total benefit obligation.



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**Components of Net Periodic Benefit Cost**

| (millions of dollars)          | <b>Pension Benefits</b>   |                         |                          |                         |
|--------------------------------|---------------------------|-------------------------|--------------------------|-------------------------|
|                                | <b>Three Months Ended</b> |                         | <b>Nine Months Ended</b> |                         |
|                                | <b>Oct. 2,<br/>2022</b>   | <b>Oct. 3,<br/>2021</b> | <b>Oct. 2,<br/>2022</b>  | <b>Oct. 3,<br/>2021</b> |
| Service cost                   | \$ 1.6                    | \$ 1.8                  | \$ 5.2                   | \$ 5.9                  |
| Interest cost                  | 3.1                       | 1.9                     | 7.8                      | 5.9                     |
| Expected return on plan assets | (5.1)                     | (5.6)                   | (16.5)                   | (16.4)                  |
| Amortization:                  |                           |                         |                          |                         |
| Prior service cost             | —                         | —                       | 0.1                      | 0.2                     |
| Recognized net actuarial loss  | 1.0                       | 2.2                     | 4.1                      | 9.3                     |
| Settlement loss                | 0.2                       | 0.9                     | 1.7                      | 3.0                     |
| Net periodic benefit cost      | <u>\$ 0.8</u>             | <u>\$ 1.2</u>           | <u>\$ 2.4</u>            | <u>\$ 7.9</u>           |

| (millions of dollars)                | <b>Post-Retirement Benefits</b> |                         |                          |                         |
|--------------------------------------|---------------------------------|-------------------------|--------------------------|-------------------------|
|                                      | <b>Three Months Ended</b>       |                         | <b>Nine Months Ended</b> |                         |
|                                      | <b>Oct. 2,<br/>2022</b>         | <b>Oct. 3,<br/>2021</b> | <b>Oct. 2,<br/>2022</b>  | <b>Oct. 3,<br/>2021</b> |
| Service cost                         | \$ —                            | \$ —                    | \$ —                     | \$ 0.1                  |
| Interest cost                        | —                               | 0.1                     | —                        | 0.1                     |
| Amortization:                        |                                 |                         |                          |                         |
| Recognized net actuarial (gain) loss | (0.1)                           | (0.2)                   | (0.3)                    | (0.6)                   |
| Net periodic benefit cost            | <u>\$ (0.1)</u>                 | <u>\$ (0.1)</u>         | <u>\$ (0.3)</u>          | <u>\$ (0.4)</u>         |

Amortization amounts of prior service costs and recognized net actuarial losses are recorded, net of tax, as increases to accumulated other comprehensive income.

The Company expects to contribute approximately \$10.1 million to its pension plans and \$0.5 million to its other postretirement benefit plans in 2022. As of October 2, 2022, \$5.3 million has been contributed to the pension plans and approximately \$0.1 million has been contributed to the other postretirement benefit plans.

**Note 12. Comprehensive Income**

The following table summarizes the amounts reclassified out of accumulated other comprehensive loss attributable to the Company:

| (millions of dollars) | <b>Three Months Ended</b>      |                         | <b>Nine Months Ended</b> |                         |
|-----------------------|--------------------------------|-------------------------|--------------------------|-------------------------|
|                       | <b>Oct. 2,<br/>2022</b>        | <b>Oct. 3,<br/>2021</b> | <b>Oct. 2,<br/>2022</b>  | <b>Oct. 3,<br/>2021</b> |
|                       | Amortization of pension items: |                         |                          |                         |
| Pre-tax amount        | \$ 1.1                         | \$ 2.9                  | \$ 5.6                   | \$ 11.9                 |
| Tax                   | (0.2)                          | (0.7)                   | (1.3)                    | (2.9)                   |
| Net of tax            | <u>\$ 0.9</u>                  | <u>\$ 2.2</u>           | <u>\$ 4.3</u>            | <u>\$ 9.0</u>           |

The pre-tax amounts in the table above are included within the components of net periodic pension benefit cost (see Note 11 to the Condensed Consolidated Financial Statements) and the tax amounts are included within the provision for taxes on income line within the Condensed Consolidated Statements of Income.

**MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited)

The major components of accumulated other comprehensive loss, net of related tax, attributable to MTI are as follows:

| (millions of dollars)                                      | Foreign<br>Currency<br>Translation<br>Adjustment | Unrecognized<br>Pension Costs | Net Gain<br>(Loss)<br>on Derivative<br>Instruments | Total             |
|--|--|-------------------------------|--|-------------------|
| Balance as of December 31, 2021                            | \$ (269.8)                                       | \$ (69.6)                     | \$ 5.8   | \$ (333.6)        |
| Other comprehensive income (loss) before reclassifications | (108.5)  | —                             | 16.4   | (92.1)            |
| Amounts reclassified from AOCI                             | —  | 4.3                           | —  | 4.3               |
| Net current period other comprehensive income (loss)       | (108.5)  | 4.3                           | 16.4   | (87.8)            |
| Balance as of October 2, 2022                              | <u>\$ (378.3)</u>                                | <u>\$ (65.3)</u>              | <u>\$ 22.2</u>                                     | <u>\$ (421.4)</u> |

**Note 13. Contingencies**

The Company is party to a number of lawsuits arising in the normal course of our business. The Company and certain of the Company's subsidiaries are among numerous defendants in a number of cases seeking damages for alleged exposure to asbestos-containing materials related to talc products sold by the Company's subsidiary Barretts Minerals Inc. As of October 2, 2022, we had 451 open asbestos cases related to certain talc products previously sold by Barretts Minerals Inc., which is an increase in volume from previous years. These claims typically allege various theories of liability, including negligence, gross negligence and strict liability and seek compensatory and, in some cases, punitive damages, but most of these claims do not provide adequate information to assess their merits, the likelihood that the Company will be found liable, or the magnitude of such liability, if any. We are unable to state an amount or range of amounts claimed in any of these lawsuits because state court pleading practices do not require the plaintiff to identify the amount of the claimed damage. The Company's position, as stated publicly, is that the talc products sold by Barretts Minerals Inc. are safe and do not cause cancer.

The Company records accruals for loss contingencies associated with legal matters, including talc-related litigation, when it is probable that a liability will be incurred and the amount of the loss can be reasonably estimated. Amounts accrued for legal contingencies often result from a complex series of judgments about future events and uncertainties that rely heavily on estimates and assumptions including timing of related payments. The ability to make such estimates and judgments can be affected by various factors, including whether damages sought in the proceedings are unsubstantiated or indeterminate, the stage of the litigation, the factual and legal matters in dispute, the ability to achieve comprehensive settlements, the availability of co-defendants with substantial resources and assets participating in the litigation, and our evaluation of the unique attributes of each claim.

While costs relating to the defense of talc-related cases has increased concurrently with the volume, the majority of these costs have historically been borne by Pfizer Inc. pursuant to the terms of certain agreements entered into in connection with the Company's initial public offering in 1992. The Company is entitled to indemnification, pursuant to agreement, for liabilities related to sales prior to the initial public offering. The Company continues to receive information with respect to potential costs associated with the defense and/or settlement of talc-related cases not subject to indemnification from Pfizer. Although the Company believes that the talc products are safe and that claims to the contrary are without merit, Barretts Minerals Inc. opportunistically settled certain talc-related cases in the third quarter and fourth quarter of 2022. As a result of these settlements and defense costs incurred to date, the Company reviewed its estimates of the probability and amount of losses in connection with its talc-related cases and recorded \$31 million for litigation costs in the third quarter of 2022 to defend against, opportunistically settle, and establish a reserve for claims associated with certain talc products from Barretts Minerals Inc.

**MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited)

**Note 14. Segment and Related Information**

The Company has three reportable segments: Performance Materials, Specialty Minerals and Refractories. See Note 1 to the Condensed Consolidated Financial Statements. Segment information for the three and nine-month periods ended October 2, 2022 and October 3, 2021 is as follows:

| (millions of dollars)                | Three Months Ended |                 | Nine Months Ended |                 |
|--------------------------------------|--------------------|-----------------|-------------------|-----------------|
|                                      | Oct. 2,<br>2022    | Oct. 3,<br>2021 | Oct. 2,<br>2022   | Oct. 3,<br>2021 |
| <b>Net Sales</b>                     |                    |                 |                   |                 |
| Performance Materials                | \$ 290.4           | \$ 250.4        | \$ 862.1          | \$ 719.7        |
| Specialty Minerals                   | 166.0              | 146.9           | 493.3             | 437.4           |
| Refractories                         | 85.5               | 75.9            | 262.5             | 224.3           |
| Total                                | \$ 541.9           | \$ 473.2        | \$ 1,617.9        | \$ 1,381.4      |
| <b>Income (loss) from Operations</b> |                    |                 |                   |                 |
| Performance Materials                | \$ 37.9            | \$ 32.0         | \$ 108.5          | \$ 96.5         |
| Specialty Minerals                   | (14.2)             | 17.3            | 24.4              | 58.4            |
| Refractories                         | 12.4               | 13.2            | 45.1              | 36.9            |
| Total                                | \$ 36.1            | \$ 62.5         | \$ 178.0          | \$ 191.8        |

A reconciliation of the totals reported for the operating segments to the applicable line items in the condensed consolidated financial statements is as follows:

| (millions of dollars)                                 | Three Months Ended |                 | Nine Months Ended |                 |
|---|--------------------|-----------------|-------------------|-----------------|
|   | Oct. 2,<br>2022    | Oct. 3,<br>2021 | Oct. 2,<br>2022   | Oct. 3,<br>2021 |
| Income from operations for reportable segments        | \$ 36.1            | \$ 62.5         | \$ 178.0          | \$ 191.8        |
| Acquisition related transaction and integration costs | (0.5)              | (0.9)           | (4.7)             | (1.3)           |
| Litigation costs                                      | —                  | —               | (1.5)             | —               |
| Unallocated and other corporate expenses              | —                  | (1.0)           | (0.6)             | (7.4)           |
| Consolidated income from operations                   | 35.6               | 60.6            | 171.2             | 183.1           |
| Non-operating deductions, net                         | (18.5)             | (10.1)          | (41.8)            | (30.9)          |
| Income before tax and equity in earnings              | \$ 17.1            | \$ 50.5         | \$ 129.4          | \$ 152.2        |

The Company's sales by product category are as follows:

| (millions of dollars)                         | Three Months Ended |                 | Nine Months Ended |                 |
|---|--------------------|-----------------|-------------------|-----------------|
|   | Oct. 2,<br>2022    | Oct. 3,<br>2021 | Oct. 2,<br>2022   | Oct. 3,<br>2021 |
| Household, Personal Care & Specialty Products | \$ 141.5           | \$ 121.8        | \$ 424.1          | \$ 333.9        |
| Metalcasting                                  | 85.4               | 72.9            | 254.4             | 235.0           |
| Environmental Products                        | 47.7               | 39.8            | 138.0             | 105.8           |
| Building Materials                            | 15.8               | 15.9            | 45.6              | 45.0            |
| Paper PCC                                     | 97.7               | 89.5            | 286.4             | 264.9           |
| Specialty PCC                                 | 25.5               | 18.2            | 77.7              | 57.1            |
| Ground Calcium Carbonate                      | 28.6               | 25.0            | 84.0              | 74.5            |
| Talc  | 14.2               | 14.2            | 45.2              | 40.9            |
| Refractory Products                           | 68.9               | 58.3            | 203.9             | 175.1           |
| Metallurgical Products                        | 16.6               | 17.6            | 58.6              | 49.2            |
| <b>Total</b>                                  | \$ 541.9           | \$ 473.2        | \$ 1,617.9        | \$ 1,381.4      |

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors  
Minerals Technologies Inc.:

### *Results of Review of Interim Financial Information*

We have reviewed the condensed consolidated balance sheet of Minerals Technologies Inc. and subsidiaries (the Company) as of October 2, 2022, the related condensed consolidated statements of income and comprehensive income (loss) for the three-month and nine-month periods ended October 2, 2022 and October 3, 2021, the related condensed consolidated statements of cash flows for the nine-month periods ended October 2, 2022 and October 3, 2021, the related condensed consolidated statements of changes in shareholders' equity for the three-month periods ended October 2, 2022, July 3, 2022 and April 3, 2022 and October 3, 2021, July 4, 2021 and April 4, 2021, and the related notes (collectively, the consolidated interim financial information). Based on our reviews, we are not aware of any material modifications that should be made to the consolidated interim financial information for it to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheet of the Company as of December 31, 2021, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated February 18, 2022, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2021, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

### *Basis for Review Results*

This consolidated interim financial information is the responsibility of the Company's management. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our reviews in accordance with the standards of the PCAOB. A review of consolidated interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the PCAOB, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

/s/ KPMG LLP

New York, New York  
October 28, 2022

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

### Executive Summary

Our consolidated sales for the third quarter of 2022 were \$541.9 million, an increase of 15% as compared with \$473.2 million in the prior year. Included in sales for the third quarter of 2022 were \$4.9 million in sales related to our acquisition of Concept Pet in the second quarter of 2022. Foreign exchange had an unfavorable impact on sales of approximately \$33 million, or 7 percentage points as compared with prior year. Income from operations was \$35.6 million and represented 6.6% of sales, as compared with \$60.6 million and 12.8% of sales in the prior year. Included in income from operations for the third quarter of 2022, were \$0.5 million of acquisition related transaction and integration costs and \$31.1 million recorded for litigation costs to defend against, opportunistically settle, and establish a reserve for claims associated with certain talc products from the Company's Barretts Minerals Inc. subsidiary. Net income was \$13.4 million, as compared to \$41.4 million in the third quarter of 2021. Diluted earnings in the third quarter ended October 2, 2022 were \$0.41 per share, as compared with \$1.22 per share in the third quarter of 2021.

Third quarter 2022 results were strong as the Company continued to deliver on its strategic growth initiatives driven by multi-year advancements in new product development, geographic penetration and growth from acquisitions.

The Company refinanced its revolving credit facility and term loan in the third quarter of 2022. In connection, the Company incurred \$6.9 million of debt extinguishment expenses.

Our balance sheet continues to be strong. Cash, cash equivalents and short-term investments were \$226.4 million as of October 2, 2022 and the Company had more than \$400 million of available liquidity, including cash on hand as well as availability under its revolving credit facility. We believe that these factors will allow us to meet our anticipated funding requirements.

### Outlook

The Company will also continue to focus on innovation and new product development and other opportunities for sales growth from our existing businesses in 2022, as follows:

- Increase our presence and gain penetration of our bentonite-based foundry customers for the Metalcasting industry in emerging markets, such as China and India.
- Increase our presence and market share in global pet care products, particularly in emerging markets.
- Deploy new products in pet care such as lightweight litter.
- Increase our presence and market share in Asia and in the global powdered detergent market.
- Continue the development of our FLUORO-SORB<sup>®</sup> products which remediate contamination of Per- and polyfluoroalkyl substances (PFAS) and Perfluorooctane sulfonate (PFOS).
- Pursue opportunities for our products in environmental and building and construction markets in the Middle East, Asia Pacific and South America regions.
- Increase our presence and market share for geosynthetic clay liners within the Environmental Products product line.
- Continue the development of our proprietary products for agricultural applications worldwide.
- Develop multiple high-filler technologies under the FulFill<sup>®</sup> platform of products, to increase the fill rate in freesheet paper and continue to progress with commercial discussions and full-scale paper machine trials.
- Develop products and processes for waste management and recycling opportunities to reduce the environmental impact of the paper mill, reduce energy consumption and improve the sustainability of the papermaking process, including our NewYield<sup>®</sup> and ENVIROFIL<sup>®</sup> products.
- Further penetration into the packaging segment of the paper industry.
- Increase our sales of PCC for paper by further penetration of the markets for paper filling at both freesheet and groundwood mills, particularly in emerging markets.
- Expand the Company's PCC coating product line using the satellite model.
- Promote the Company's expertise in crystal engineering, especially in helping papermakers customize PCC morphologies for specific paper applications.
- Expand PCC produced for paper filling applications by working with industry partners to develop new methods to increase the ratio of PCC for fiber substitutions.
- Develop unique calcium carbonate and talc products used in the manufacture of novel biopolymers, a new market opportunity.
- Deploy new talc and GCC products in paint, coating and packaging applications.
- Deploy value-added formulations of refractory materials that not only reduce costs but improve performance.
- Deploy our laser measurement technologies into new applications.
- Expand our refractory maintenance model to other steel makers globally.
- Deploy operational excellence principles into all aspects of the organization, including system infrastructure and lean principles.
- Continue to explore selective acquisitions to fit our core competencies in minerals and fine particle technology.

However, there can be no assurance that we will achieve success in implementing any one or more of these opportunities.

## Results of Operations

Three months ended October 2, 2022 as compared with three months ended October 3, 2021

### Consolidated Income Statement Review

| (millions of dollars)                                 | Three Months Ended |              | % Change |
|---|--------------------|--------------|----------|
|   | Oct. 2, 2022       | Oct. 3, 2021 |          |
| Net sales   | \$ 541.9           | \$ 473.2     | 15%      |
| Cost of sales   | 423.6              | 359.9        | 18%      |
| Production margin                                     | 118.3              | 113.3        | 4%       |
| Production margin %                                   | 21.8%              | 23.9%        |          |
| Marketing and administrative expenses                 | 46.0               | 45.5         | 1%       |
| Research and development expenses                     | 5.1                | 4.6          | 11%      |
| Acquisition related transaction and integration costs | 0.5                | 1.5          | (67)%    |
| Litigation costs                                      | 31.1               | —            | *        |
| Restructuring and other items, net                    | —                  | 1.1          | *        |
| Income from operations                                | 35.6               | 60.6         | (41)%    |
| Operating margin %                                    | 6.6%               | 12.8%        |          |
| Interest expense, net                                 | (11.0)             | (9.2)        | 20%      |
| Debt extinguishment expenses                          | (6.9)              | —            | *        |
| Non-cash pension settlement charge                    | (0.2)              | (0.8)        | (75)%    |
| Other non-operating deductions, net                   | (0.4)              | (0.1)        | *        |
| Total non-operating deductions, net                   | (18.5)             | (10.1)       | 83%      |
| Income before tax and equity in earnings              | 17.1               | 50.5         | (66)%    |
| Provision for taxes on income                         | 3.2                | 8.9          | (64)%    |
| Effective tax rate                                    | 18.7%              | 17.6%        |          |
| Equity in earnings of affiliates, net of tax          | 0.7                | 0.8          | (13)%    |
| Consolidated net income                               | 14.6               | 42.4         | (66)%    |
| Net income attributable to non-controlling interests  | 1.2                | 1.0          | 20%      |
| Net income attributable to Minerals Technologies Inc. | \$ 13.4            | \$ 41.4      | (68)%    |

\* Not meaningful

## Net Sales

| (millions of dollars)         | Three Months Ended<br>Oct. 2, 2022 |                  | % Change | Three Months Ended<br>Oct. 3, 2021 |                  |
|-------------------------------|------------------------------------|------------------|----------|------------------------------------|------------------|
|                               | Net Sales                          | % of Total Sales |          | Net Sales                          | % of Total Sales |
| U.S.                          | \$ 279.9                           | 51.7%            | 14%      | \$ 245.5                           | 51.9%            |
| International                 | 262.0                              | 48.3%            | 15%      | 227.7                              | 48.1%            |
| Total sales                   | \$ 541.9                           | 100.0%           | 15%      | \$ 473.2                           | 100.0%           |
| Performance Materials Segment | \$ 290.4                           | 53.6%            | 16%      | \$ 250.4                           | 53.0%            |
| Specialty Minerals Segment    | 166.0                              | 30.6%            | 13%      | 146.9                              | 31.0%            |
| Refractories Segment          | 85.5                               | 15.8%            | 13%      | 75.9                               | 16.0%            |
| Total sales                   | \$ 541.9                           | 100.0%           | 15%      | \$ 473.2                           | 100.0%           |

Worldwide net sales increased 15% to \$541.9 million in the third quarter from \$473.2 million in the prior year. Included in the net sales in the quarter are \$4.9 million of net sales for Concept Pet. Foreign exchange had an unfavorable impact on sales of \$33 million or 7 percentage points.

Net sales in the United States were \$279.9 million in the third quarter of 2022, as compared to \$245.5 million in the prior year, an increase of 14%. International sales increased 15% to \$262.0 million from \$227.7 million in the prior year.

### **Operating Costs and Expenses**

Cost of sales was \$423.6 million and represented 78.2% of sales for the three month period ended October 2, 2022, as compared with \$359.9 million and 76.1% of sales in the prior year. The increase in cost of sales was primarily due to higher raw material, energy, and other manufacturing costs. Production margin decreased from 23.9% of sales in the prior year to 21.8% of sales in the third quarter of 2022. Margin was impacted by the timing of pricing actions relative to cost increases.

Marketing and administrative costs were \$46.0 million and 8.5% of sales for the three months ended October 2, 2022, as compared to \$45.5 million and 9.6% of sales in the prior year.

Research and development expenses were \$5.1 million and represented 0.9% of sales for the three months ended October 2, 2022, as compared with \$4.6 million and 1.0% of sales in the prior year.

The Company recorded \$0.5 million of acquisition related transaction and integration costs during the three months ended October 2, 2022. In addition, the Company recorded \$31.1 million of litigation costs during the three months ended October 2, 2022 relating to costs incurred to defend against, opportunistically settle, and establish a reserve for claims associated with certain talc products from the Company's Barretts Minerals Inc. subsidiary.

The Company recorded \$1.5 million of acquisition related transaction and integration costs during the three months ended October 3, 2021. In addition, the Company recorded \$1.1 million of restructuring and other items, net during the three months ended October 3, 2021.

### **Income from Operations**

The Company recorded income from operations of \$35.6 million as compared to \$60.6 million in the prior year. Operating income during the three months ended October 2, 2022 includes \$0.5 million of acquisition related transaction and integration costs and \$31.1 million of litigation costs. Operating income during the three months ended October 3, 2021 includes \$1.5 million of acquisition related transaction and integration costs and \$1.1 million of restructuring and other items, net.

### **Other Non-Operating Income (Deductions), net**

In the third quarter of 2022, non-operating deductions were \$18.5 million, as compared with \$10.1 million in the prior year. Included in other non-operating deductions in the third quarter of 2022 was net interest expense of \$11.0 million, as compared to \$9.2 million in the prior year. The Company recorded debt extinguishment expenses of \$6.9 million during the three month period ended October 2, 2022 related to the refinancing of our credit facilities. In addition, the Company recorded a non-cash pension settlement charge of \$0.2 million and \$0.8 million for the three month periods ended October 2, 2022 and October 3, 2021, respectively.

### **Provision for Taxes on Income**

Provision for taxes on income was \$3.2 million and \$8.9 million for the three months ended October 2, 2022 and October 3, 2021, respectively. The effective tax rate was 18.7% and 17.6% for the three months ended October 2, 2022 and October 3, 2021, respectively.

### **Consolidated Net Income Attributable to MTI Shareholders**

Consolidated net income was \$13.4 million for the three months ended October 2, 2022, as compared with \$41.4 million in the prior year.

## Segment Review

The following discussions highlight the operating results for each of our three segments.

|   | <b>Three Months Ended</b>    |                         | <b>%<br/>Change</b> |
|---|------------------------------|-------------------------|---------------------|
|   | <b>Oct. 2,<br/>2022</b>      | <b>Oct. 3,<br/>2021</b> |                     |
| <b>Performance Materials Segment</b>          | <b>(millions of dollars)</b> |                         |                     |
| <b>Net Sales</b>                              |                              |                         |                     |
| Household, Personal Care & Specialty Products | \$ 141.5                     | \$ 121.8                | 16%                 |
| Metalcasting                                  | 85.4                         | 72.9                    | 17%                 |
| Environmental Products                        | 47.7                         | 39.8                    | 20%                 |
| Building Materials                            | 15.8                         | 15.9                    | (1)%                |
| Total net sales                               | <u>\$ 290.4</u>              | <u>\$ 250.4</u>         | <u>16%</u>          |
| <b>Income from operations</b>                 | \$ 37.9                      | \$ 32.0                 | 18%                 |
| % of net sales                                | 13.1%                        | 12.8%                   |                     |

Net sales in the Performance Materials segment increased 16% to \$290.4 million from \$250.4 million in the prior year. Foreign exchange had an unfavorable impact on sales of \$20 million or 8 percentage points. Household, Personal Care & Specialty Products sales increased 16% to \$141.5 million, as compared with \$121.8 million in the prior year on continued strong demand for consumer-oriented products and as a result of the Concept Pet acquisition. Included in the net sales in the quarter are \$4.9 million of net sales of Concept Pet. Sales in Metalcasting increased 17% as stronger sales in North America and the rest of the world offset a slower than expected rebound in China following COVID-19 restrictions. Environmental Products sales increased 20% as compared with prior year on strength in remediation, wastewater, and filtration activities. Building Materials sales decreased 1%, as higher levels of project activity in North America offset slower activity levels in Europe.

Income from operations was \$37.9 million and 13.1% of sales, as compared to \$32.0 million and 12.8% of sales in the prior year. Included in income from operations for the three months ended October 2, 2022 were \$0.3 million of acquisition related transaction and integration costs. Margin was impacted by the timing of pricing actions relative to cost increases and operational efficiencies.

|                                      | <b>Three Months Ended</b>    |                         | <b>%<br/>Change</b> |
|--------------------------------------|------------------------------|-------------------------|---------------------|
|                                      | <b>Oct. 2,<br/>2022</b>      | <b>Oct. 3,<br/>2021</b> |                     |
| <b>Specialty Minerals Segment</b>    | <b>(millions of dollars)</b> |                         |                     |
| <b>Net Sales</b>                     |                              |                         |                     |
| Paper PCC                            | \$ 97.7                      | \$ 89.5                 | 9%                  |
| Specialty PCC                        | 25.5                         | 18.2                    | 40%                 |
| PCC Products                         | <u>\$ 123.2</u>              | <u>\$ 107.7</u>         | <u>14%</u>          |
| Ground Calcium Carbonate             | \$ 28.6                      | \$ 25.0                 | 14%                 |
| Talc                                 | 14.2                         | 14.2                    | 0%                  |
| Processed Minerals Products          | <u>\$ 42.8</u>               | <u>\$ 39.2</u>          | <u>9%</u>           |
| Total net sales                      | <u>\$ 166.0</u>              | <u>\$ 146.9</u>         | <u>13%</u>          |
| <b>Income (loss) from operations</b> | \$ (14.2)                    | \$ 17.3                 | *                   |
| % of net sales                       | *                            | 11.8%                   |                     |



Worldwide sales in the Specialty Minerals segment were \$166.0 million, as compared with \$146.9 million in the prior year, an increase of 13%. Foreign exchange had an unfavorable impact on sales of \$7 million or 5 percentage points.

Worldwide net sales of PCC, which is primarily used in the manufacturing process of the paper industry, increased 14% to \$123.2 million from \$107.7 million in the prior year on continued strong demand for Specialty PCC in consumer, automotive, and residential construction applications, and higher pricing across all product lines. Paper PCC sales increased 9% to \$97.7 million from \$89.5 million in the prior year. Sales of Specialty PCC increased 40% to \$25.5 million from \$18.2 million in the prior year.

Net sales of Processed Minerals products increased 9% to \$42.8 million driven primarily by strong demand for Ground Calcium Carbonate products. Ground Calcium Carbonate sales increased 14% to \$28.6 million for the three month period ending October 2, 2022 as compared to \$25.0 million in the prior year. Talc sales increased were flat at \$14.2 million as compared with the prior year.

Specialty Minerals had a loss from operations of \$14.2 million as compared with income of \$17.3 million in the prior year. Included in the loss from operations for the current year are litigation costs of \$31.1 million relating to costs incurred to defend against, opportunistically settle, and establish a reserve for claims associated with certain talc products from the Company's Barretts Minerals Inc. subsidiary. Operating margins were impacted by the timing of contractual and negotiated price increases relative to continued inflationary cost increases.

|                               | <b>Three Months Ended</b>    |                         | <b>%<br/>Change</b> |
|-------------------------------|------------------------------|-------------------------|---------------------|
|                               | <b>Oct. 2,<br/>2022</b>      | <b>Oct. 3,<br/>2021</b> |                     |
| <b>Refractories Segment</b>   | <b>(millions of dollars)</b> |                         |                     |
| <b>Net Sales</b>              |                              |                         |                     |
| Refractory Products           | \$ 68.9                      | \$ 58.3                 | 18%                 |
| Metallurgical Products        | 16.6                         | 17.6                    | (6)%                |
| Total net sales               | <u>\$ 85.5</u>               | <u>\$ 75.9</u>          | <u>13%</u>          |
| <b>Income from operations</b> | \$ 12.4                      | \$ 13.2                 | (6)%                |
| % of net sales                | 14.5%                        | 17.4%                   |                     |

Net sales in the Refractories segment increased 13% to \$85.5 million from \$75.9 million in the prior year. Foreign exchange had an unfavorable impact on sales of \$6 million or 7 percentage points. The increase in sales was driven by the ramp up of new business and higher pricing to cover inflationary cost increases. Sales of refractory products and systems to steel and other industrial applications increased 18% to \$68.9 million and sales of metallurgical products decreased 6% to \$16.6 million.

Income from operations was \$12.4 million and 14.5% of sales as compared with \$13.2 million and 17.4% of sales in the prior year.

Nine months ended October 2, 2022 as compared with nine months ended October 3, 2021

**Consolidated Income Statement Review**

| (millions of dollars)                                 | Nine Months Ended |              | % Change |
|---|-------------------|--------------|----------|
|   | Oct. 2, 2022      | Oct. 3, 2021 |          |
| Net sales   | \$ 1,617.9        | \$ 1,381.4   | 17%      |
| Cost of sales   | 1,250.6           | 1,040.9      | 20%      |
| Production margin                                     | 367.3             | 340.5        | 8%       |
| Production margin %                                   | 22.7%             | 24.6%        |          |
| Marketing and administrative expenses                 | 143.6             | 139.9        | 3%       |
| Research and development expenses                     | 15.2              | 14.5         | 5%       |
| Acquisition related transaction and integration costs | 4.7               | 1.9          | 147%     |
| Litigation costs                                      | 32.6              | —            | *        |
| Restructuring and other items, net                    | —                 | 1.1          | *        |
| Income from operations                                | 171.2             | 183.1        | (6)%     |
| Operating margin %                                    | 10.6%             | 13.3%        |          |
| Interest expense, net                                 | (31.2)            | (28.2)       | 11%      |
| Debt extinguishment expenses                          | (6.9)             | —            | *        |
| Non-cash pension settlement charge                    | (1.7)             | (3.0)        | (43)%    |
| Other non-operating income (deductions), net          | (2.0)             | 0.3          | *        |
| Total non-operating deductions, net                   | (41.8)            | (30.9)       | 35%      |
| Income before tax and equity in earnings              | 129.4             | 152.2        | (15)%    |
| Provision for taxes on income                         | 25.8              | 27.6         | (7)%     |
| Effective tax rate                                    | 19.9%             | 18.1%        |          |
| Equity in earnings of affiliates, net of tax          | 1.4               | 1.8          | (22)%    |
| Consolidated net income                               | 105.0             | 126.4        | (17)%    |
| Net income attributable to non-controlling interests  | 2.6               | 3.2          | (19)%    |
| Net income attributable to Minerals Technologies Inc. | \$ 102.4          | \$ 123.2     | (17)%    |

\* Not meaningful

**Net Sales**

| (millions of dollars)         | Nine Months Ended<br>Oct. 2, 2022 |                  |          | Nine Months Ended<br>Oct. 3, 2021 |                  |  |
|-------------------------------|-----------------------------------|------------------|----------|-----------------------------------|------------------|--|
|                               | Net Sales                         | % of Total Sales | % Growth | Net Sales                         | % of Total Sales |  |
| U.S.                          | \$ 852.6                          | 52.7%            | 20%      | \$ 712.9                          | 51.6%            |  |
| International                 | 765.3                             | 47.3%            | 14%      | 668.5                             | 48.4%            |  |
| Total sales                   | \$ 1,617.9                        | 100.0%           | 17%      | \$ 1,381.4                        | 100.0%           |  |
| Performance Materials Segment | \$ 862.1                          | 53.3%            | 20%      | \$ 719.7                          | 52.1%            |  |
| Specialty Minerals Segment    | 493.3                             | 30.5%            | 13%      | 437.4                             | 31.7%            |  |
| Refractories Segment          | 262.5                             | 16.2%            | 17%      | 224.3                             | 16.2%            |  |
| Total sales                   | \$ 1,617.9                        | 100.0%           | 17%      | \$ 1,381.4                        | 100.0%           |  |

Total sales increased 17% from the previous year to \$1,617.9 million. Included in the net sales for the year are \$89.0 million of net sales of Normerica and \$9.1 million of net sales of Concept Pet. Foreign exchange had an unfavorable impact on sales of approximately \$70 million or 5%.

Net sales in the United States increased to \$852.6 million from \$712.9 million in the prior year, an increase of 20%. International sales increased by 14% to \$765.3 million from \$668.5 million in the prior year.

### **Operating Costs and Expenses**

Cost of sales increased 20% from the prior year and was 77.3% of sales, as compared with 75.4% in the prior year. The increase in cost of sales was primarily due to higher raw material, energy, and other manufacturing costs. Gross margin decreased to 22.7% of sales as compared with 24.6% of sales in the prior year. Margin was impacted by the timing of pricing actions relative to cost increases.

Marketing and administrative costs were \$143.6 million and 8.9% of sales compared to \$139.9 million and 10.1% of sales in the prior year.

Research and development expenses were \$15.2 million and represented 0.9% of sales for the nine months ended October 2, 2022 as compared with \$14.5 million and 1.0% of sales in the prior year.

The Company recorded \$4.7 million of acquisition related transaction and integration costs during the nine months ended October 2, 2022. In addition, the Company recorded \$32.6 million of litigation costs during the nine months ended October 2, 2022 relating to costs incurred to defend against, opportunistically settle, and establish a reserve for claims associated with certain talc products from the Company's Barretts Minerals Inc. subsidiary.

The Company recorded \$1.9 million of acquisition related transaction and integration costs for the nine months ended October 3, 2021. In addition, the Company recorded \$1.1 million of restructuring and other items, net for the nine months ended October 3, 2021.

### **Income from Operations**

The Company recorded income from operations of \$171.2 million, as compared to \$183.1 million in the prior year. Operating income was 10.6% and 13.3% of sales for the nine months ended October 2, 2022 and October 3, 2021, respectively. Operating income during the nine months ended October 2, 2022 and October 3, 2021 includes \$4.7 million and \$1.9 million of acquisition related transaction and integration costs, respectively. In addition, operating income during the nine months ended October 2, 2022 includes \$32.6 million of litigation costs. Operating income also includes \$1.1 million of restructuring and other items, net during the nine months ended October 3, 2021.

### **Other Non-Operating Income (Deductions), net**

The Company recorded non-operating deductions of \$41.8 million for the nine months ended October 2, 2022, as compared with \$30.9 million in the prior year. Included in non-operating deductions for the nine months ended October 2, 2022 is \$31.2 million of net interest expense, \$6.9 million for debt extinguishment expenses related to the refinancing of our credit facilities and a \$1.7 million non-cash pension settlement charge. Included in non-operating deductions for the nine months ended October 3, 2021 was \$28.2 million of net interest expense and a \$3.0 million non-cash pension settlement charge.

### **Provision for Taxes on Income**

Provision for taxes was \$25.8 million as compared to \$27.6 million in the prior year. The effective tax rate was 19.9% as compared to 18.1% in the prior year. The higher tax rate was primarily due to a change in the mix of earnings and a reduced depletion benefit.

### **Consolidated Net Income Attributable to MTI Shareholders**

Consolidated net income was \$102.4 million during the nine months ended October 2, 2022, as compared with \$123.2 million in the prior year.

## Segment Review

The following discussions highlight the operating results for each of our three segments.

|   | <b>Nine Months Ended</b> |                         | <b>%<br/>Change</b> |
|---|--------------------------|-------------------------|---------------------|
|   | <b>Oct. 2,<br/>2022</b>  | <b>Oct. 3,<br/>2021</b> |                     |
| <b>Performance Materials Segment</b>          |                          |                         |                     |
| <b>Net Sales</b>                              |                          |                         |                     |
| Household, Personal Care & Specialty Products | \$ 424.1                 | \$ 333.9                | 27%                 |
| Metalcasting                                  | 254.4                    | 235.0                   | 8%                  |
| Environmental Products                        | 138.0                    | 105.8                   | 30%                 |
| Building Materials                            | 45.6                     | 45.0                    | 1%                  |
| Total net sales                               | <u>\$ 862.1</u>          | <u>\$ 719.7</u>         | <u>20%</u>          |
| <b>Income from operations</b>                 | <b>\$ 108.5</b>          | <b>\$ 96.5</b>          | <b>12%</b>          |
| % of net sales                                | 12.6%                    | 13.4%                   |                     |

Net sales in the Performance Materials segment increased 20% to \$862.1 million from \$719.7 million in the prior year. Foreign exchange had an unfavorable impact on sales of approximately \$43 million or 6%. Household, Personal Care & Specialty Products increased 27% to \$424.1 as compared to \$333.9 million in the prior year as a result of continued strong demand for consumer-oriented products and the acquisitions of Normerica and Concept Pet. Included in the net sales for the year are \$89.0 million of net sales of Normerica and \$9.1 million of net sales of Concept Pet. Sales in Metalcasting increased 8% to \$254.4 million as strong foundry demand in North America and the rest of world offset a slower than expected rebound in China following COVID-19 restrictions. Environmental Products sales increased 30% on strength in remediation, wastewater, and filtration activities. Building Materials increased 1% as higher levels of project activity in North America offset slower activity levels in Europe.

Income from operations was \$108.5 million and 12.6% of sales as compared to \$96.5 million and 13.4% of sales in the prior year due higher volume from increased demand. Included in income from operations for the nine months ended October 2, 2022 were \$3.3 million of acquisition related transaction and integration costs.

|                                   | <b>Nine Months Ended</b> |                         | <b>%<br/>Change</b> |
|-----------------------------------|--------------------------|-------------------------|---------------------|
|                                   | <b>Oct. 2,<br/>2022</b>  | <b>Oct. 3,<br/>2021</b> |                     |
| <b>Specialty Minerals Segment</b> |                          |                         |                     |
| <b>Net Sales</b>                  |                          |                         |                     |
| Paper PCC                         | \$ 286.4                 | \$ 264.9                | 8%                  |
| Specialty PCC                     | 77.7                     | 57.1                    | 36%                 |
| PCC Products                      | <u>\$ 364.1</u>          | <u>\$ 322.0</u>         | <u>13%</u>          |
| Ground Calcium Carbonate          | \$ 84.0                  | \$ 74.5                 | 13%                 |
| Talc                              | 45.2                     | 40.9                    | 11%                 |
| Processed Minerals Products       | <u>\$ 129.2</u>          | <u>\$ 115.4</u>         | <u>12%</u>          |
| Total net sales                   | <u>\$ 493.3</u>          | <u>\$ 437.4</u>         | <u>13%</u>          |
| <b>Income from operations</b>     | <b>\$ 24.4</b>           | <b>\$ 58.4</b>          | <b>(58)%</b>        |
| % of net sales                    | 4.9%                     | 13.4%                   |                     |

Worldwide sales in the Specialty Minerals segment were \$493.3 million, as compared with \$437.4 million in the prior year, an increase of 13%. Foreign exchange had an unfavorable impact on sales of approximately \$14 million or 3%.

Worldwide net sales of PCC products, which are primarily used in the manufacturing process of the paper industry, increased 13% to \$364.1 million from \$322.0 million in the prior year on continued strong demand and higher pricing for paper, packaging, and specialty PCC applications. Paper PCC sales increased 8% to \$286.4 million from \$264.9 million in the prior year. Sales of Specialty PCC products increased 36% to \$77.7 million from \$57.1 million in the prior year.

Net sales of Processed Minerals products increased 12% to \$129.2 million from \$115.4 million in the prior year due to strength in residential construction and automotive markets. Ground Calcium Carbonate sales increased 13% to \$84.0 million from \$74.5 million in the prior year. Talc sales increased 11% to \$45.2 million from \$40.9 million.

Income from operations was \$24.4 million and 4.9% of net sales as compared to \$58.4 million and 13.4% of sales in the prior year. Included in income from operations for the current year are litigation costs of \$31.1 million incurred to defend against, opportunistically settle, and establish a reserve for claims associated with certain talc products from the Company's Barretts Minerals Inc. subsidiary.

Operating margins were impacted by the timing of contractual and negotiated price increases relative to continued inflationary cost increases.

| Refractories Segment          | Nine Months Ended     |                 | % Change   |
|-------------------------------|-----------------------|-----------------|------------|
|                               | Oct. 2, 2022          | Oct. 3, 2021    |            |
|                               | (millions of dollars) |                 |            |
| <b>Net Sales</b>              |                       |                 |            |
| Refractory Products           | \$ 203.9              | \$ 175.1        | 16%        |
| Metallurgical Products        | 58.6                  | 49.2            | 19%        |
| Total net sales               | <u>\$ 262.5</u>       | <u>\$ 224.3</u> | <u>17%</u> |
| <b>Income from operations</b> | <b>\$ 45.1</b>        | <b>\$ 36.9</b>  | <b>22%</b> |
| % of net sales                | 17.2%                 | 16.5%           |            |

Net sales in the Refractories segment increased 17% to \$262.5 million from \$224.3 million in the prior year. Foreign exchange had an unfavorable impact on sales of approximately \$13 million or 6%. The growth in sales was driven by the ramp up of new business and higher pricing to cover inflationary cost increases. Sales of refractory products and systems to steel and other industrial applications increased 16% to \$203.9 million from \$175.1 million and sales of metallurgical products increased 19% to \$58.6 million from \$49.2 million in the prior year.

Income from operations was \$45.1 million and 17.2% of sales as compared with \$36.9 million and 16.5% of sales in the prior year. Operating margins were strong, primarily driven by pricing actions and operational efficiencies.

### Liquidity and Capital Resources

Cash provided from operations during the nine months ended October 2, 2022, was approximately \$63.6 million. Cash from operations in the first nine months of 2022 was significantly lower than prior year driven by a deliberate, strategic inventory build and the impact of higher pricing on accounts receivable. Cash flows provided from operations during the first nine months of 2022 were principally used to fund acquisitions and capital expenditures, repurchase shares and to pay the Company's dividend to common shareholders. The aggregate maturities of long-term debt are as follows: remainder of 2022 - \$3.8 million; 2023 - \$14.6 million; 2024 - \$18.0 million; 2025 - \$31.8 million; 2026 - \$41.8 million; thereafter - \$843.6 million.

On August 11, 2022, the Company entered into a Refinancing Facility Agreement (the "Amendment") to amend the Company's previous credit agreement (the "Previous Credit Agreement"; the previous credit agreement, as amended by the Amendment, being the "Amended Credit Agreement"). The Amendment provides for, among other things, a new senior secured revolving credit facility with aggregate commitments of \$300 million (the "Revolving Facility"), a portion of which may be used for the issuance of letters of credit and swingline loans, and a new senior secured term loan facility with aggregate commitments of \$550 million (the "Term Loan Facility" and, together with the Revolving Facility, the "Senior Secured Credit Facilities"). The Revolving Facility and the Term Loan Facility replace the facilities under the Previous Credit Agreement, which provided for, among other things, a \$788 million senior secured floating rate term loan facility and a \$300 million senior secured revolving credit facility. The maturity date for loans under the Senior Secured Credit Facilities is August 11, 2027.

Loans under the Senior Secured Credit Facilities will bear interest at a rate equal to, at the election of the Company, Term SOFR plus a credit spread adjustment equal to 0.100% plus an applicable margin equal to 1.500% per annum or a base rate plus an applicable margin equal to 0.500% per annum, subject in each case to (a) an increase of 25 basis points in the event that, and for so long as, the net leverage ratio (as defined in the Amended Credit Agreement) is greater than or equal to 3.00 to 1.00 as of the last day of the preceding fiscal quarter, (b) a decrease of 12.5 basis points in the event that, and for so long as, the net leverage ratio is less than 2.00 to 1.00 and greater than or equal to 1.00 to 1.00 as of the last day of the preceding fiscal quarter and (c) an decrease of 25 basis points in the event that, and for so long as, the net leverage ratio is less than 1.00 to 1.00 as of the last day of the preceding fiscal quarter. The Company will pay certain fees under the Amended Credit Agreement, including (a) a commitment fee of 0.250% per annum on the undrawn portion of the Revolving Facility (subject to a step-up to 0.300% and step-downs to 0.175% and 0.150% at the same levels described above), (b) a fronting fee of 0.125% per annum on the average daily undrawn amount of, plus unreimbursed amounts in respect of disbursements under, letters of credit issued under the Revolving Facility and (c) customary annual administration fees. The obligations of the Company under the Senior Secured Credit Facilities are unconditionally guaranteed jointly and severally by, subject to certain exceptions, all material domestic subsidiaries of the Company (the "Guarantors") and secured, subject to certain exceptions, by a security interest in substantially all of the tangible and intangible assets of the Company and the Guarantors.

As of October 2, 2022, there were \$115.0 million in loans and \$10.3 million in letters of credit outstanding under the Revolving Facility.

On June 30, 2020, the Company issued \$400 million aggregate principal amount of 5.0% Senior Notes due 2028 (the “Notes”). The Notes were issued pursuant to an indenture, dated as of June 30, 2020, between the Company and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Indenture”). The Notes bear an interest rate of 5.0% per annum payable semi-annually on January 1 and July 1 of each year, beginning on January 1, 2021. The Notes are unconditionally guaranteed on a senior unsecured basis by each of the Company’s existing and future wholly owned domestic restricted subsidiaries that is a borrower under or that guarantees the Company’s obligations under its Senior Secured Credit Facilities or that guarantees the Company’s or any of the Company’s wholly owned domestic subsidiaries’ long-term indebtedness in an aggregate amount in excess of \$50 million.

At any time and from time to time prior to July 1, 2023, the Company may redeem some or all of the Notes for cash at a redemption price equal to 100% of their principal amount, plus the “make-whole” premium described in the Indenture and accrued and unpaid interest, if any, to, but excluding, the applicable redemption date. Beginning on July 1, 2023, the Company may redeem some or all of the Notes at any time and from time to time at the applicable redemption prices listed in the Indenture, plus accrued and unpaid interest, if any, to, but excluding, the applicable redemption date. In addition, at any time and from time to time prior to July 1, 2023, the Company may redeem up to 40% of the aggregate principal amount of the Notes with funds from one or more equity offerings at a redemption price equal to 105% of the principal amount thereof, plus accrued and unpaid interest, if any, to, but excluding, the applicable redemption date.

If the Company experiences a change of control (as defined in the indenture), the Company is required to offer to repurchase the Notes at 101% of the principal amount of such Notes, plus accrued and unpaid interest, if any, to, but excluding, the date of repurchase.

The Amended Credit Agreement and the Indenture both contain certain customary affirmative and negative covenants that limit or restrict the ability of the Company and its restricted subsidiaries to enter into certain transactions or take certain actions, as well as customary events of default. In addition, the Amended Credit Agreement contains financial covenants that require the Company to maintain, as of the last day of any fiscal quarter, (x) a maximum net leverage ratio (as defined in the Amended Credit Agreement) of 4.00 to 1.00 for the four fiscal quarter period preceding such day (subject to an increase to 5.00 to 1.00 for four quarters in connection with certain significant acquisitions) and (y) a minimum interest coverage ratio (as defined in the Amended Credit Agreement) of 3.00 to 1.00. The Company is in compliance with all the covenants contained in the Amended Credit Agreement throughout the period covered by this report.

As part of the Sivomatic acquisition, the Company assumed \$10.7 million in long-term debt, recorded at fair value, consisting of two term loans, one of which matured in the third quarter of 2020 and the other of which matured in the first quarter of 2022. During the first quarter of 2022, the Company repaid the remaining \$0.2 million on this loan.

The Company has a committed loan facility in Japan. As of October 2, 2022, \$2.0 million was outstanding under this loan facility. Principal will be repaid in accordance with the payment schedule ending in 2026. The Company repaid \$0.4 million on this facility during the first nine months of 2022.

As part of the Concept Pet acquisition, the Company assumed \$1.9 million in long-term debt, recorded at fair value, consisting of two terms loans, one that matures in 2025 and one that matures in 2027. Both loans have annual payments and carry a variable interest rate.

As of October 2, 2022, the Company had \$24.6 million in uncommitted short-term bank credit lines, of which \$3.5 million were in use. The credit lines are primarily outside the U.S. and are generally one year in term at competitive market rates at large, well-established institutions. The Company typically uses its available credit lines to fund working capital requirements or local capital spending needs. We anticipate that capital expenditures for 2022 should be between \$80 million and \$85 million, principally related to the construction of PCC plants and other opportunities that meet our strategic growth objectives.

During the second quarter of 2018, the Company entered into a floating to fixed interest rate swap for a notional amount of \$150 million. The fair value of this instrument at October 2, 2022 is an asset of \$1.2 million. Additionally, the Company entered into a cross currency rate swap with a total notional value of \$150 million to exchange monthly fixed-rate interest payments in U.S. dollars for monthly fixed-rate interest rate payments in Euros. The fair value of this instrument at October 2, 2022 is an asset of \$25.3 million. These swaps mature in May 2023. As a result of these swaps, the Company’s effective fixed interest rate on the notional floating rate indebtedness will be 2.5%.

On October 20, 2021, the Company's Board of Directors authorized the Company's management to repurchase, at its discretion, up to \$75 million of the Company's shares over a one-year period. As of October 2, 2022, 1,027,768 shares have been repurchased under this program for \$67.8 million, or an average price of approximately \$65.99 per share. This program is now complete.

The Company is required to make future payments under various contracts, including debt agreements and lease agreements. The Company also has commitments to fund its pension plans and provide payments for other postretirement benefit plans. During the nine months ended October 2, 2022, there were no material changes in the Company's contractual obligations.

The Company and certain of the Company's subsidiaries are among numerous defendants in over four hundred cases seeking damages for alleged exposure to asbestos-containing materials related to talc products sold by the Company's subsidiary Barretts Minerals Inc. Based on its evaluation of available information, the Company accrued \$31 million for litigation costs during the three months ended October 2, 2022. The litigation costs were incurred to defend against, opportunistically settle, and establish a reserve for such cases. The Company's position is that these cases are meritless and all talc products sold by Barretts Minerals Inc. are safe. However, we cannot predict the ultimate outcome of pending litigation. The Company could in the future be required to pay significant amounts as a result of settlements or judgments in these matters, potentially in excess of liabilities accrued to date. See Note 13 to the condensed consolidated financial statements included in this report for more information.

At the current time, we are operating without any material impacts from the COVID-19 pandemic, and the pandemic is not having a materially negative impact to our consolidated results. However, as we cannot predict the duration or scope of the COVID-19 pandemic and its impact on our customers and suppliers, we cannot reasonably estimate any negative financial impact to our results in future periods. We continue to generate operating cash flows to meet our short-term liquidity needs and continue to maintain access to capital markets. See "Item 1A — Risk Factors" in the Company's Annual Report on Form 10-K for the year ended December 31, 2021, and in Exhibit 99 to this Quarterly Report on Form 10-Q, for additional risks to the Company related to the COVID-19 pandemic.

### **Cautionary Statement for "Safe Harbor" Purposes under the Private Securities Litigation Reform Act of 1995**

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements made by or on behalf of the Company. This report contains statements that the Company believes may be "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934, particularly statements relating to the Company's objectives, plans or goals, future actions, future performance or results of current and anticipated products, sales efforts, expenditures, and financial results. From time to time, the Company also provides forward-looking statements in other publicly-released materials, both written and oral. Forward-looking statements provide current expectations and forecasts of future events such as new products, revenues and financial performance, and are not limited to describing historical or current facts. They can be identified by the use of words such as "believes," "expects," "plans," "intends," "anticipates," and other words and phrases of similar meaning.

Forward-looking statements are necessarily based on assumptions, estimates and limited information available at the time they are made. A broad variety of risks and uncertainties, both known and unknown, as well as the inaccuracy of assumptions and estimates, can affect the realization of the expectations or forecasts in these statements. Many of these risks and uncertainties are difficult to predict or are beyond the Company's control. Consequently, no forward-looking statement can be guaranteed. Actual future results may vary materially. Significant factors that could affect the expectations and forecasts include the duration and scope of the COVID-19 pandemic, and government and other third-party responses to it; worldwide general economic, business, and industry conditions, including the effects of the COVID-19 pandemic on the global economy; the cyclicity of our customers' businesses and their changing demands; the dependence of certain of our product lines on the commercial construction and infrastructure markets, the domestic building and construction markets, and the automotive market; our ability to compete in very competitive industries; consolidation in customer industries, principally paper, foundry and steel; our ability to renew or extend long term sales contracts for our PCC satellite operations; our ability to service our debt; our ability to comply with the covenants in the agreements governing our debt; our ability to effectively achieve and implement our growth initiatives; our ability to successfully develop new products; our ability to defend our intellectual property; the increased risks of doing business abroad; the availability of raw materials and access to ore reserves at our mining operations; increases in costs of raw materials, energy, or shipping; compliance with or changes to regulation in the areas of environmental, health and safety, and tax; claims for legal, environmental and tax matters or product stewardship issues; operating risks and capacity limitations affecting our production facilities; seasonality of some of our segments; cybersecurity and other threats relating to our information technology systems; and other risks set forth under "Item 1A — Risk Factors" in the Company's Annual Report on Form 10-K for the year ended December 31, 2021, and in Exhibit 99 to this Quarterly Report on Form 10-Q.

The Company undertakes no obligation to update any forward-looking statements to reflect events or circumstances that arise after the date hereof. Investors should refer to the Company's subsequent filings under the Securities Exchange Act of 1934 for further disclosures.

### **Recently Issued Accounting Standards**

Changes to accounting principles generally accepted in the United States of America (U.S. GAAP) are established by the Financial Accounting Standards Board (FASB) in the form of accounting standards updates (ASUs) to the FASB's Accounting Standards Codification. The Company considers the applicability and impact of all ASUs. All recently issued ASUs were assessed and determined to be either not applicable or are expected to have minimal impact on our consolidated financial position and results of operations.

### **Critical Accounting Policies and Estimates**

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities.

On an ongoing basis, we evaluate our estimates and assumptions, including those related to revenue recognition, valuation of long-lived assets, goodwill and other intangible assets, income taxes, including valuation allowances and pension plan assumptions. We base our estimates on historical experience and on other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that cannot readily be determined from other sources. There can be no assurance that actual results will not differ from those estimates.

There have been no material changes to the critical accounting estimates that our accounting policies require us to make in the preparation of our consolidated financial statements, as described in the 2021 Annual Report on Form 10-K.

### **ITEM 3. Quantitative and Qualitative Disclosures about Market Risk**

Market risk represents the risk of loss that may impact our financial position, results of operations or cash flows due to adverse changes in market prices and foreign currency and interest rates. We are exposed to market risk because of changes in foreign currency exchange rates as measured against the U.S. dollar. We do not anticipate that near-term changes in exchange rates will have a material impact on our future earnings or cash flows. However, there can be no assurance that a sudden and significant decline in the value of foreign currencies would not have a material adverse effect on our financial condition and results of operations. A portion of our long-term bank debt bears interest at variable rates; therefore, our results of operations would be affected by interest rate changes to the extent of such outstanding bank debt. An immediate 10 percent change in interest rates would have a material effect on our results of operations over the next fiscal year. A one-percent change in interest rates, inclusive of the impact of our interest rate derivatives, would result in \$1.3 million in incremental interest charges on an annual basis.

We do not enter into derivatives or other financial instruments for trading or speculative purposes. When appropriate, we enter into derivative financial instruments, such as forward exchange contracts, hedges and interest rate swaps, to mitigate the impact of foreign exchange rate movements and interest rate movements on our operating results. The counterparties are major financial institutions. Such forward exchange contracts, hedges and interest rate swaps would not subject us to additional risk from exchange rate or interest rate movements because gains and losses on these contracts would offset losses and gains on the assets, liabilities, and transactions being hedged.

During the second quarter of 2018, the Company entered into a floating to fixed interest rate swap for a notional amount of \$150 million. The fair value of this instrument at October 2, 2022 is an asset of \$1.2 million. Additionally, the Company entered into a cross currency rate swap with a total notional value of \$150 million to exchange monthly fixed-rate interest payments in U.S. dollars for monthly fixed-rate interest rate payments in Euros. The fair value of this instrument at October 2, 2022 is an asset of \$25.3 million. These swaps mature in May 2023. As a result of these swaps, the Company's effective fixed interest rate on the notional floating rate indebtedness will be 2.5%.



## ITEM 4. Controls and Procedures

### Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this report, and under the supervision and with participation of the Company's management, including the Chief Executive Officer and the Chief Financial Officer, the Company carried out an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures, pursuant to Exchange Act Rule 13a-15(b). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that as of the end of the period covered by this report the Company's disclosure controls and procedures were effective.

### Changes in Internal Control Over Financial Reporting

During 2021, we closed on the acquisition of Normerica and we excluded Normerica from the scope of management's report on internal control over financial reporting for the year ended December 31, 2021. We are in the process of integrating Normerica to our overall internal control over financial reporting and will include them in scope for the year ending December 31, 2022. This process may result in additions or changes to our internal control over financial reporting.

There were no other changes in the Company's internal controls over financial reporting during the quarter ended October 2, 2022 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

## PART II – OTHER INFORMATION

### Item 1. Legal Proceedings

The Company and its subsidiaries are involved in the legal and environmental proceedings described in Note 13 to the condensed consolidated financial statements included elsewhere in this report, which disclosure is incorporated herein by reference. From time to time, the Company and its subsidiaries are also the subject of various routine legal actions and claims arising in the ordinary course of their businesses. The Company does not anticipate that the individual or aggregate liability arising out of litigation pending or claims known to be threatened against the Company and its subsidiaries will have a material adverse effect on the Company's results of operations, cash flows or financial condition.

### ITEM 1A. Risk Factors

For a description of Risk Factors, see Exhibit 99 attached to this report. There have been no material changes to our risk factors from those disclosed in our 2021 Annual Report on Form 10-K.

### ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds

| Period                | Total Number<br>of<br>Shares<br>Purchased | Average Price<br>Paid Per<br>Share | Total Number<br>of<br>Shares<br>Purchased as<br>Part of the<br>Publicly<br>Announced<br>Program | Dollar Value<br>of<br>Shares that<br>May<br>Yet be<br>Purchased<br>Under the<br>Program |
|-----------------------|---|------------------------------------|---|---|
| July 4 - July 31      | 99,965                                    | \$ 62.26                           | 882,562   | \$ 16,271,526   |
| August 1 - August 28  | 104,451                                   | \$ 64.21                           | 987,013   | \$ 9,564,212  |
| August 29 - October 2 | 40,755                                    | \$ 58.50                           | 1,027,768   | \$ 7,180,053  |
| Total                 | <u>245,171</u>                            | <u>\$ 62.47</u>                    |   |   |

On October 20, 2021, the Company's Board of Directors authorized the Company's management to repurchase, at its discretion, up to \$75 million of the Company's shares over a one-year period. As of October 2, 2022, 1,027,768 shares have been repurchased under this program for \$67.8 million, or an average price of approximately \$65.99 per share. This program is now complete.

### ITEM 3. Default Upon Senior Securities

Not applicable.

### ITEM 4. Mine Safety Disclosures

The information concerning mine safety violations or other regulatory matters required by Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K is included in Exhibit 95 to this Quarterly Report on Form 10-Q.

**ITEM 5. Other Information**

None

**ITEM 6. Exhibits**

| <u>Exhibit No.</u>   | <u>Exhibit Title</u>  |
|----------------------|---|
| <a href="#">10.1</a> | Refinancing Facility Agreement dated as of August 11, 2022, among Minerals Technologies Inc., certain subsidiaries party thereto, the lenders party thereto, and JPMorgan Chase Bank, N.A., as Administrative Agent (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on August 11, 2022). |
| <a href="#">15</a>   | Letter Regarding Unaudited Interim Financial Information.   |
| <a href="#">31.1</a> | Rule 13a-14(a)/15d-14(a) Certification executed by the Company's principal executive officer.   |
| <a href="#">31.2</a> | Rule 13a-14(a)/15d-14(a) Certification executed by the Company's principal financial officer.   |
| <a href="#">32</a>   | Section 1350 Certifications.  |
| <a href="#">95</a>   | Information concerning Mine Safety Violations   |
| <a href="#">99</a>   | Risk Factors  |
| 101.INS              | XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document).   |
| 101.SCH              | Inline XBRL Taxonomy Extension Schema   |
| 101.CAL              | Inline XBRL Taxonomy Extension Calculation Linkbase   |
| 101.DEF              | Inline XBRL Taxonomy Extension Definition Linkbase  |
| 101.LAB              | Inline XBRL Taxonomy Extension Label Linkbase   |
| 101.PRE              | Inline XBRL Taxonomy Extension Presentation Linkbase  |
| 104                  | Cover Page Interactive Data File (formatted as inline XBRL and contain in Exhibit 101).   |

**SIGNATURE**

Pursuant to the requirements 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.

Minerals Technologies Inc.

By: **/s/ Matthew E. Garth**

Matthew E. Garth

Senior Vice President, Finance and Treasury,  
Chief Financial Officer

October 28, 2022

ACCOUNTANTS' ACKNOWLEDGEMENT

October 28, 2022

Minerals Technologies Inc.  
New York, New York

Re: Registration Statement Nos. 333-160002, 333-59080, 333-62739, 333-138245, 333-206244 and 333-249761

With respect to the subject registration statements, we acknowledge our awareness of the use therein of our report dated October 28, 2022 related to our review of interim financial information.

Pursuant to Rule 436 under the Securities Act of 1933 (the Act), such report is not considered part of a registration statement prepared or certified by an independent registered public accounting firm, or a report prepared or certified by an independent registered public accounting firm within the meaning of Sections 7 and 11 of the Act.

/s/ KPMG LLP

New York, New York

**RULE 13a-14(a)/15d-14(a) CERTIFICATION**

I, Douglas T. Dietrich, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Minerals Technologies Inc.;
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:
  - (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: October 28, 2022

By: /s/Douglas T. Dietrich  
Douglas T. Dietrich  
Chairman of the Board and Chief Executive Officer

**RULE 13a-14(a)/15d-14(a) CERTIFICATION**

I, Matthew E. Garth, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Minerals Technologies Inc.;
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:
  - (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: October 28, 2022

By: **/s/Matthew E. Garth**  
Matthew E. Garth  
Senior Vice President, Finance and Treasury,  
Chief Financial Officer

**SECTION 1350 CERTIFICATIONS**

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350 of Chapter 63 of Title 18, United States Code), each of the undersigned officers of Minerals Technologies Inc., a Delaware corporation (the "Company"), does hereby certify that:

The Quarterly Report on Form 10-Q for the quarter ended October 2, 2022 (the "Form 10-Q") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 28, 2022

By: /s/Douglas T. Dietrich  
Douglas T. Dietrich  
Chairman of the Board and Chief Executive Officer

Date: October 28, 2022

By: /s/Matthew E. Garth  
Matthew E. Garth  
Senior Vice President, Finance and Treasury,  
Chief Financial Officer

The foregoing certification is being furnished solely pursuant to Exchange Act Rule 13a-14(b); is not deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of that section; and is not deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Exchange Act of 1934.

Section 1503 of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K contain certain reporting requirements regarding coal or other mine safety. The Company, through its subsidiaries Specialty Minerals Inc., Barretts Minerals Inc., and American Colloid Company, operates fourteen mines in the United States. The operation of our mines is subject to regulation by the federal Mine Safety and Health Administration ("MSHA") under the Federal Mine Safety and Health Act of 1977 (the "Mine Act"). MSHA inspects our mines on a regular basis and issues various citations and orders when it believes a violation has occurred under the Mine Act.

The following table sets forth the required information with respect to each mine for which we are the operator for the period July 4, 2022 to October 2, 2022:

| Mine                                  | Section 104(a) S&S | Section 104(b) | Section 104(d) | Section 110(b)(2) | Section 107(a) | Proposed Assessments | Fatalities |
|---------------------------------------|--------------------|----------------|----------------|-------------------|----------------|----------------------|------------|
|                                       | (A)                | (B)            | (C)            | (D)               | (E)            | (F)                  | (G)        |
| Lucerne Valley, CA<br>04-00219        | 0                  | 0              | 0              | 0                 | 0              | \$ 1,071             | 0          |
| Canaan, CT<br>06-00019                | 0                  | 0              | 0              | 0                 | 0              | \$ 8,826             | 0          |
| Adams, MA<br>19-00035                 | 0                  | 0              | 0              | 0                 | 0              | \$ 6,645             | 0          |
| Barretts Mill, Dillon, MT<br>24-00157 | 0                  | 0              | 0              | 0                 | 0              | \$ 2,070             | 0          |
| Regal Mine, Dillon, MT<br>24-01994    | 0                  | 0              | 0              | 0                 | 0              | \$ 133               | 0          |
| Treasure Mine, Dillon, MT<br>24-00160 | 0                  | 0              | 0              | 0                 | 0              | \$ 0                 | 0          |
| Belle/Colony Mine, WY<br>48-00888     | 2                  | 0              | 0              | 0                 | 0              | \$ 0                 | 0          |
| Belle Fourche Mill, SD<br>39-00049    | 0                  | 0              | 0              | 0                 | 0              | \$ 0                 | 0          |
| Colony East, WY<br>48-00594           | 0                  | 0              | 0              | 0                 | 0              | \$ 442               | 0          |
| Colony West, WY<br>48-00245           | 0                  | 0              | 0              | 0                 | 0              | \$ 266               | 0          |
| Gascoyne, ND<br>32-00459              | 0                  | 0              | 0              | 0                 | 0              | \$ 0                 | 0          |
| Lovell, WY<br>48-00057                | 0                  | 0              | 0              | 0                 | 0              | \$ 0                 | 0          |
| Sandy Ridge, AL<br>01-00093           | 0                  | 0              | 0              | 0                 | 0              | \$ 0                 | 0          |
| Yellowtail, WY<br>48-00607            | 0                  | 0              | 0              | 0                 | 0              | \$ 0                 | 0          |
| Ste. Genevieve, MO<br>23-02564        | 0                  | 0              | 0              | 0                 | 0              | \$ 0                 | 0          |

- (A) The total number of violations of mandatory health or safety standards that could significantly and substantially contribute to the cause and effect of a mine safety or health hazard under section 104 of the Mine Act for which we received a citation from MSHA.
- (B) The total number of orders issued under section 104(b) of the Mine Act.
- (C) The total number of citations and orders for unwarrantable failure of the Company to comply with mandatory health or safety standards under section 104(d) of the Mine Act.
- (D) The total number of flagrant violations under section 110(b)(2) of the Mine Act.
- (E) The total number of imminent danger orders issued under section 107(a) of the Mine Act.
- (F) The total dollar value of proposed assessments from MSHA under the Mine Act.
- (G) The total number of mining-related fatalities, other than fatalities determined by MSHA to be unrelated to mining activity.

During the period July 4, 2022 to October 2, 2022, we did not receive any written notice from MSHA, with respect to any mine for which we are the operator, of (A) a pattern of violations of mandatory health or safety standards that are of such nature as could have significantly and substantially contributed to the cause and effect of mine health and safety hazards under section 104(e) of the Mine Act or (B) the potential to have such a pattern.



The following table sets forth the required information with respect to legal actions before the Federal Mine Safety and Health Review Commission involving each mine for which we are the operator for the period July 4, 2022 to October 2, 2022:

| Mine                      | Legal Actions Pending<br>as of Last Day of Period | Legal Actions Initiated<br>During Period | Legal Actions Resolved<br>During Period |
|---------------------------|---|--|---|
| Lucerne Valley, CA        | 0   | 0  | 0                                       |
| Canaan, CT                | 0   | 0  | 0                                       |
| Adams, MA                 | 0   | 0  | 0                                       |
| Barretts Mill, Dillon, MT | 0   | 0  | 0                                       |
| Regal Mine, Dillon, MT    | 0   | 0  | 0                                       |
| Treasure Mine, Dillon, MT | 0   | 0  | 0                                       |
| Belle/Colony Mine, WY     | 0   | 0  | 0                                       |
| Belle Fourche Mill, SD    | 0   | 0  | 0                                       |
| Colony East, WY           | 0   | 0  | 0                                       |
| Colony West, WY           | 0   | 0  | 0                                       |
| Gascoyne, ND              | 0   | 0  | 0                                       |
| Lovell, WY                | 0   | 0  | 1                                       |
| Sandy Ridge, AL           | 0   | 0  | 0                                       |
| Yellowtail, WY            | 0   | 0  | 0                                       |
| Ste. Genevieve, MO        | 1   | 1  | 0                                       |

## RISK FACTORS

Our business faces significant risks. Set forth below are all risks that we believe are material at this time. Our business, financial condition and results of operations could be materially adversely affected by any of these risks. These risks should be read in conjunction with the other information in the Company's Annual Report on Form 10-K for the year ended December 31, 2021, and this Quarterly Report on Form 10-Q.

### **COVID-19 Pandemic Risk**

*We have been and expect to continue to be adversely affected by the COVID-19 pandemic.*

The COVID-19 pandemic continues to affect nearly all regions around the world. Governments around the world have taken preventative measures to contain or mitigate the COVID-19 outbreak, including travel restrictions, border closings, restrictions on public gatherings, shelter-in-place restrictions and limitations on business. This has affected, and is continuing to affect, the global economy, the United States economy and the global financial markets. The outbreak and resulting preventative measures have disrupted our operations and affected our business, and we expect this to continue. The impacts include, but are not limited to, the following:

- We have experienced, and may experience in the future, temporary facility closures in response to government mandates in certain jurisdictions in which we operate. We may also be required to close certain of our facilities for the safety of our employees in response to positive diagnoses for COVID-19. Even in facilities that are not closed, we could be affected by reductions in employee availability and effectiveness, changes in operating procedures, and increased costs.
- Our customers have been, and may continue to be, affected by COVID-19 and the business slowdown caused by preventative measures, resulting in decreased demand for our products and services, delayed payments from customers and uncollectable accounts.
- We have experienced, and may experience in the future, disruptions to our supply chain, logistics, and service providers. If we are unable to secure raw materials and supplies for our facilities, our operations could be materially adversely affected.
- Significant disruption of global financial markets could have a negative impact on our ability to access capital in the future.

We cannot predict the degree to which, or the time period that, global economic conditions and our business, sales, liquidity, financial condition and results of operations will continue to be affected by the COVID-19 pandemic and the resulting preventative measures. The extent to which we are affected will depend on future developments, including the duration of the outbreak and the significance of new variants of COVID-19, travel restrictions, business and workforce disruptions, and the effectiveness of vaccination and other actions taken to contain and treat the disease. The effects on our business, sales, liquidity, financial condition and results of operations could be material.

### **Industry and Market Risks**

*Worldwide general economic, business, and industry conditions may have an adverse effect on the Company's results.*

The global economic instability caused by the COVID-19 pandemic has caused and may continue to cause, among other things, declining consumer and business confidence, volatile raw material prices, instability in credit markets, high unemployment, fluctuating interest and exchange rates, and other challenges in the countries in which we operate. The Company's business and operating results could be adversely affected by these global economic conditions. The Company's customers and potential customers may experience deterioration of their businesses, cash flow shortages, and difficulty obtaining financing. As discussed below, the industries we serve have in the past been adversely affected by the uncertain global economic climate due to the cyclical nature of their businesses. As a result, existing or potential customers may reduce or delay their growth and investments and their plans to purchase products and may not be able to fulfill their obligations in a timely fashion. Further, suppliers could experience similar conditions, which could affect their ability to fulfill their obligations to the Company. Adversity within capital markets may also impact the Company's results of operations by negatively affecting the amount of expense the Company records for its pension and other postretirement benefit plans. Actuarial valuations used to calculate income or expense for the plans reflect assumptions about financial market and other economic conditions – the most significant of which are the discount rate and the expected long-term rate of return on plan assets. Such actuarial valuations may change based on changes in key economic indicators. Global economic markets remain uncertain, and there can be no assurance that market conditions will improve in the near future. Future weakness in the global economy could materially and adversely affect our business and operating results.

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***Our customers' businesses are cyclical or have changing regional demands. Our operations are subject to these trends and we may not be able to mitigate these risks.***

A significant portion of our Performance Materials segment's sales are derived from the metalcasting market. The metalcasting market is dependent upon the demand for castings for automobile components, farm and construction equipment, oil and gas production equipment, power generation turbine castings, and rail car components. Many of these types of equipment are sensitive to fluctuations in demand during periods of recession or difficult economic conditions, including the current conditions resulting from the COVID-19 pandemic, which has affected and may continue to affect the demand for our Performance Materials segment's products and services.

In the paper industry, which is served by our Paper PCC product line, production levels for uncoated freesheet within North America and Europe, our two largest markets are projected to continue to decrease. The reduced demand for premium writing paper products has resulted in closures and conversions of mill in both North America and Europe. We expect paper consumption to remain similar to prior year levels in both regions.

Our Refractories segment primarily serves the steel industry. Global steel production has seen volatility in the market due to COVID-19. We expect steel consumption to be similar or slightly better than 2021 levels.

***Our Environmental Products and Building Materials products sales are predominantly derived from the commercial construction and infrastructure markets. In addition, our Processed Minerals and Specialty PCC product lines are affected by the domestic building and construction markets, as well as the automotive market.***

Demand for our products is subject to trends in these markets. During periods of economic slowdown, our customers often reduce their capital expenditures and defer or cancel pending projects. Such developments occur even amongst customers that are not experiencing financial difficulties. In addition, these trends could cause our customers to face liquidity issues or bankruptcy, which could deteriorate the aging of our accounts receivable, increase our bad debt exposure and possibly trigger impairment of assets or realignment of our businesses. The Company has taken steps to reduce its exposure to variations in its customers' businesses, including by diversifying its portfolio of products and services; through geographic expansion, and by structuring most of its long-term satellite PCC contracts to provide a degree of protection against declines in the quantity of product purchased, since the price per ton of PCC generally rises as the number of tons purchased declines. In addition, many of the Company's product lines lower its customers' costs of production or increase their productivity, which should encourage them to use its products. However, there can be no assurance that these efforts will mitigate the risks of our dependence on these industries. Continued weakness in the industries we serve has had, and may in the future have, an adverse effect on sales of our products and our results of operations. A continued or renewed economic downturn in one or more of the industries or geographic regions that the Company serves, or in the worldwide economy, could cause actual results of operations to differ materially from historical and expected results.

***The Company operates in very competitive industries, which could adversely affect our profitability.***

The Company has many competitors. Some of our principal competitors have greater financial and other resources than we have. Accordingly, these competitors may be better able to withstand economic downturns and changes in conditions within the industries in which we operate and may have significantly greater operating and financial flexibility than we do. We also face competition for some of our products from alternative products, and some of the competition we face comes from competitors in lower-cost production countries like China and India. As a result of the competitive environment in the markets in which we operate, we currently face and will continue to face pressure on the sales prices of our products from competitors, which could reduce profit margins.

***The Company's sales could be adversely affected by consolidation in customer industries, principally paper, foundry and steel.***

Several consolidations in the paper industry have taken place in recent years and such consolidation could continue in the future. These consolidations could result in partial or total closure of some paper mills where the Company operates PCC satellites. Such closures would reduce the Company's sales of PCC, except to the extent that they resulted in shifting paper production and associated purchases of PCC to another location served by the Company. Similarly, consolidations have occurred in the foundry and steel industries. Such consolidations in the major industries we serve concentrate purchasing power in the hands of a smaller number of manufacturers, enabling them to increase pressure on suppliers, such as the Company. This increased pressure could have an adverse effect on the Company's results of operations in the future.

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***The Company's sales of PCC could be adversely affected by our failure to renew or extend long term sales contracts for our satellite operations.***

The Company's sales of PCC to paper customers are typically pursuant to long-term evergreen agreements, initially ten years in length, with paper mills where the Company operates satellite PCC plants. Sales pursuant to these contracts represent a significant portion of our worldwide Paper PCC sales, which were \$349.7 million in 2021, or approximately 19% of the Company's net sales. The terms of many of these agreements have been extended or renewed in the past, often in connection with an expansion of the satellite plant. However, failure of a number of the Company's customers to renew or extend existing agreements on terms as favorable to the Company as those currently in effect, or at all, could have a substantial adverse effect on the Company's results of operations, and could also result in impairment of the assets associated with the PCC plant.

### **Financial Risks**

***Servicing the Company's debt will require a significant amount of cash. This could reduce the Company's flexibility to respond to changing business and economic conditions or fund capital expenditures or working capital needs. Our ability to generate cash depends on many factors beyond our control.***

At October 2, 2022, the Company had \$1,072.1 million aggregate principal amount of total indebtedness (consisting primarily of \$550.0 million aggregate principal amount of loans under our term facility, \$400.0 million aggregate principal amount of notes and \$115.0 million outstanding under our revolving credit facility) and an additional \$175 million of borrowing capacity under the revolving credit facility (after giving effect to \$10.3 million of outstanding letters of credit). Our outstanding indebtedness will require a significant amount of cash to make interest payments. Further, the interest rate on a significant portion of our borrowings under our senior secured credit facility is based on SOFR interest rates, which has resulted in and could continue to result in higher interest expense in the event of continued increases in interest rates. Our ability to pay interest on our debt and to satisfy our other debt obligations will depend in part upon our future financial and operating performance and upon our ability to renew or refinance borrowings. Prevailing economic conditions and financial, business, competitive, regulatory and other factors, many of which are beyond our control, will affect our ability to make these payments. We cannot guarantee that our business will generate sufficient cash flow from operations or that future borrowings will be available to us in an amount sufficient to enable us to fund our liquidity needs. If we are unable to generate sufficient cash flow to meet our debt service obligations, we will have to pursue one or more alternatives, such as reducing or delaying capital or other expenditures, refinancing debt, selling assets, or raising equity capital. Further, the requirement to make significant interest payments may reduce the Company's flexibility to respond to changing business and economic conditions or fund capital expenditure or working capital needs and may increase the Company's vulnerability to adverse economic conditions.

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***The agreements and instruments governing our debt contain various covenants that could significantly impact our ability to operate our business.***

The agreement governing our senior secured credit facility and the indenture that governs our 5.0% Senior Notes due 2028 contain a number of significant covenants that, among other things, limit our ability to: incur or guarantee additional indebtedness, pay dividends or make other distributions or repurchase or redeem capital stock, prepay, redeem or repurchase certain debt, issue certain preferred stock or similar equity securities, make loans and investments, sell or otherwise dispose of assets, incur liens, enter into transactions with affiliates, enter into agreements restricting our subsidiaries' ability to pay dividends and consolidate, merge or sell all or substantially all of our assets. In addition, we are required to comply with specific financial ratios, including a maximum net leverage ratio and a minimum interest coverage ratio, under which we are required to achieve specific financial results. Our ability to comply with these provisions may be affected by events beyond our control. A breach of any of these covenants would result in a default under the applicable agreements. In the event of any default under our senior secured credit facility, our lenders could elect to declare all amounts borrowed under the credit agreement, together with accrued interest thereon, to be due and payable. In such an event, we cannot assure you that we would have sufficient assets to pay debt then outstanding under the credit agreement, the indenture governing our notes, and any other agreements governing our debt. Any future refinancing of the senior secured credit facility is likely to contain similar restrictive covenants. We may also incur future debt obligations that might subject us to additional restrictive covenants that could affect our financial and operational flexibility. We cannot assure you that we will be granted waivers or amendments to these agreements if for any reason we are unable to comply with these agreements or that we will be able to refinance our debt on terms acceptable to us, or at all.

### **Technology, Development and Growth Risks**

***The Company's results could be adversely affected if it is unable to effectively achieve and implement its growth initiatives.***

Sales and income growth of the Company depends upon a number of uncertain events, including the outcome of the Company's strategies of increasing its penetration into geographic markets such as Brazil, India and China as well as other Asian and Eastern European countries; increasing its penetration into product markets such as the market for papercoating pigments and the market for groundwood paper pigments; increasing sales to existing PCC customers by increasing the amount of PCC used per ton of paper produced; developing, introducing and selling new products for the paper industry. Difficulties, delays or failure of any of these strategies could affect the future growth rate of the Company. Our strategy also anticipates growth through future acquisitions. However, our ability to identify and consummate any future acquisitions on terms that are favorable to us may be limited by the number of attractive acquisition targets, internal demands on our resources and our ability to obtain financing. Our success in integrating newly acquired businesses will depend upon our ability to retain key personnel, avoid diversion of management's attention from operational matters, and integrate general and administrative services. In addition, future acquisitions could result in the incurrence of additional debt, costs and contingent liabilities. Integration of acquired operations may take longer, or be more costly or disruptive to our business, than originally anticipated, and it is also possible that expected synergies from future acquisitions may not materialize. We also may incur costs and divert management attention with regard to potential acquisitions that are never consummated.

***Delays or failures in new product development could adversely affect the Company's operations.***

The Company's future business success will depend in part upon its ability to maintain and enhance its technological capabilities, to respond to changing customer needs, and to successfully anticipate or respond to technological changes on a cost-effective and timely basis. The Company is engaged in a continuous effort to develop new products and processes in all of its product lines. Difficulties, delays or failures in the development, testing, production, marketing or sale of such new products could cause actual results of operations to differ materially from our expected results.

***The Company's ability to compete is dependent upon its ability to defend its intellectual property against inappropriate disclosure, theft and infringement.***

The Company's ability to compete is based in part upon proprietary knowledge, both patented and unpatented. The Company's ability to achieve anticipated results depends in part on its ability to defend its intellectual property against inappropriate disclosure and theft as well as against infringement. In addition, development by the Company's competitors of new products or technologies that are more effective or less expensive than those the Company offers could have a material adverse effect on the Company's financial condition or results of operations.

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***The Company's operations could be impacted by the increased risks of doing business abroad.***

The Company does business in many areas internationally. Approximately 48% of our sales in 2021 were derived from outside the United States and we have significant production facilities which are located outside of the United States. We have in recent years expanded our operations in emerging markets, and we plan to continue to do so in the future, particularly in China, India, Brazil, the Middle East, and Eastern Europe. Some of our operations are located in areas that have experienced political or economic instability, including Indonesia, Malaysia, Nigeria, Egypt, Saudi Arabia, Turkey, Brazil, Thailand, China and South Africa. As the Company expands its operations overseas, it faces increased risks of doing business abroad, including inflation, fluctuation in interest rates, changes in applicable laws and regulatory requirements, export and import restrictions, tariffs, nationalization, expropriation, limits on repatriation of funds, civil unrest, terrorism, war, unstable governments and legal systems, and other factors. In late February 2022, Russian military forces launched significant military action against Ukraine, which has continued through the date of this report. We have ceased our sales to Russia. Our sales in Russia and Ukraine have not been significant historically. Nevertheless, the outbreak of war between Russia and Ukraine and the resulting sanctions by U.S. and European governments, together with any additional future sanctions by them, could have an impact that expands into other geographies where we do business, including our supply chain, business partners, and customers in those markets. Any increased trade barriers or restrictions on global trade or retaliatory trade measures taken by Russia or other countries in response could affect our operating results. We are also subject to increased risks of natural disasters, public health crises, including the occurrence of a contagious disease or illness, such as COVID-19, and other catastrophic events in such countries. Many of these risks are beyond our control and can lead to sudden, and potentially prolonged, changes in demand for our products, difficulty in enforcing agreements, and losses in the realizability of our assets. Adverse developments in any of the areas in which we do business could cause actual results to differ materially from historical and expected results. In addition, a significant portion of our raw material purchases and sales outside the United States are denominated in foreign currencies, and liabilities for non-U.S. operating expenses and income taxes are denominated in local currencies. Accordingly, reported sales, net earnings, cash flows and fair values have been and, in the future, will be affected by changes in foreign currency exchange rates. Our overall success as a global business depends, in part, upon our ability to succeed in differing legal, regulatory, economic, social and political conditions. We cannot assure you that we will implement policies and strategies that will be effective in each location where we do business.

***The Company's operations are dependent on the availability of raw materials and access to ore reserves at its mining operations. Increases in costs of raw materials, energy, or shipping could adversely affect our financial results.***

The Company depends in part on having an adequate supply of raw materials for its manufacturing operations, particularly lime and carbon dioxide for the PCC product line, and magnesia and alumina for its Refractory operations. Purchase prices and availability of these critical raw materials are subject to volatility. At any given time, we may be unable to obtain an adequate supply of these critical raw materials on a timely basis, on price and other terms, or at all. While most such raw materials are readily available, the Company has purchased approximately 46% of its magnesia requirements from sources in China over the past five years. The price and availability of magnesia have fluctuated in the past and they may fluctuate in the future. Price increases for certain other of our raw materials, including petrochemical products, as well as increases in energy prices, have also affected our business. Our production processes consume a significant amount of energy, primarily electricity, diesel fuel, natural gas and coal. We use diesel fuel to operate our mining and processing equipment and our freight costs are heavily dependent upon fuel prices and surcharges. Energy costs also affect the cost of raw materials. On a combined basis, these factors represent a large exposure to petrochemical and energy products which may be subject to significant price fluctuations. The contracts pursuant to which we construct and operate our satellite PCC plants generally adjust pricing to reflect the pass-through of increases in costs resulting from inflation, including energy. However, there is a time lag before such price adjustments can be implemented. The Company and its customers will typically negotiate reasonable price adjustments in order to recover these escalating costs, but there can be no assurance that we will be able to recover increasing costs through such negotiations.

The Company also depends on having adequate access to ore reserves of appropriate quality at its mining operations. There are numerous uncertainties inherent in estimating ore reserves including subjective judgments and determinations that are based on available geological, technical, contract and economic information. In addition, mining permits, leases and other rights are, or may be, required for certain of the Company's mining operations. Such permits, leases and other rights are subject to modification, renewal and revocation. Our ability to maintain such mining permits, leases and other rights has been, and may continue to be, affected by changes in laws, regulations and governmental actions, particularly in emerging markets such as Turkey and China. We cannot assure you that we will be able to maintain such mining permits, leases and other rights to the extent we currently maintain them or at all.

The Company relies on shipping bulk cargos of bentonite from the United States, Turkey and China to customers, as well as our own subsidiaries, and we are sensitive to our ability to recover these shipping costs. In the last few years, bulk cargo shipping rates have been very volatile, and, to a lesser extent, the availability of bulk cargo containers have been suspect. If we cannot secure our container requirements or offset additional shipping costs with price increases to customers, our profitability could be impacted. We are also subject to other shipping risks. In particular, rail service interruptions have affected our ability to ship, and the availability of rail service, and our ability to recover increased rail costs, may be beyond our control. During the COVID-19 pandemic, our ability to ship our products has been, and may in the future be, affected by government mandates in certain jurisdictions in which we operate.

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## **Operational Risks**

***The Company is subject to stringent regulation in the areas of environmental, health and safety, and tax, and may incur unanticipated costs or liabilities arising out of claims for various legal, environmental and tax matters or product stewardship issues that could materially harm the Company's results of operations, cash flows and financial condition.***

The Company's operations are subject to international, federal, state and local governmental environmental, health and safety, tax and other laws and regulations. We have expended, and may be required to expend in the future, substantial funds for compliance with such laws and regulations. In addition, future events, such as changes to or modifications of interpretations of existing laws and regulations, or enforcement policies, or further investigation or evaluation of the potential environmental impacts of operations or health hazards of certain products, may affect our mining rights or give rise to additional compliance and other costs that could have a material adverse effect on the Company. Government action taken in response to the COVID-19 pandemic, including government-imposed restrictions on the movement of people and goods, and other new legal rights and obligations, could also have an adverse effect on the Company. Further, certain of our customers are subject to various federal and international laws and regulations relating to environmental and health and safety matters, especially customers of our Energy Services business within the Environmental Products product line, who are subject to drilling permits, waste water disposal and other regulations. To the extent that these laws and regulations affecting our customers change, demand for our products and services could also change and thereby affect our results of operations, cash flows and financial condition. State, national, and international governments and agencies have been evaluating climate-related legislation and regulations that would restrict emissions of greenhouse gases in areas in which we conduct business, and some such legislation and regulations have already been enacted or adopted. Enactment of climate-related legislation or adoption of regulations that restrict emissions of greenhouse gases in areas in which we conduct business could have an adverse effect on our operations or demand for our products. Our manufacturing processes, particularly the manufacturing process for PCC, use a significant amount of energy, and, should energy prices increase as a result of such legislation or regulations, we may not be able to pass these increased costs on to purchasers of our products. We cannot predict if or when currently proposed or additional laws and regulations regarding climate change or other environmental or health and safety concerns will be enacted or adopted.

The Company is also subject to income tax laws and regulations in the United States and various foreign jurisdictions. Significant judgment is required in evaluating and estimating our provision and accruals for these taxes. Our income tax liabilities are dependent upon the location of earnings among these different jurisdictions. Our income tax provision and income tax liabilities could be adversely affected by the jurisdictional mix of earnings, changes in valuation of deferred tax assets and liabilities and changes in tax treaties, laws and regulations.

The Company is currently a party in various litigation matters and tax and environmental proceedings and faces risks arising from various unasserted litigation matters, including product liability, patent infringement, antitrust claims, and claims for third-party property damage or personal injury stemming from alleged torts. Litigation can be expensive and disruptive. For example, as described in Note 13 to the condensed consolidated financial statements included in this report, the Company and certain of the Company's subsidiaries are among numerous defendants in a number of cases seeking damages for alleged exposure to asbestos-containing materials related to talc products sold by the Company's subsidiary Barretts Minerals Inc. Depending on the ultimate outcome of these matters, the Company could in the future be required to pay significant amounts as a result of settlements or judgments in these matters, potentially in excess of liabilities accrued to date in respect of such matters. The resolution of, or recognition of additional liabilities in connection with, pending litigation could have a material adverse effect on the Company's results of operations, cash flows and financial condition. More generally, any failure to appropriately manage safety, human health, product liability and environmental risks associated with the Company's products and production processes could adversely impact the Company's employees and other stakeholders, the Company's reputation, and its results of operations, cash flows and financial condition. Public perception of the risks associated with the Company's products and production processes could impact product acceptance and influence the regulatory environment in which the Company operates. Any unanticipated liability arising out of a current matter or proceeding, or from the other risks described above, could have a material adverse effect on the Company's results of operations, cash flows and financial condition.

***Production facilities are subject to operating risks and capacity limitations that may adversely affect the Company's financial condition or results of operations.***

The Company is dependent on the continued operation of its production facilities. During the COVID-19 pandemic, our facilities have been, and may in the future be, temporarily closed in response to government mandates in certain jurisdictions in which we operate or for the safety of our employees in response to positive diagnoses for COVID-19. Production facilities are subject to hazards associated with the manufacturing, handling, storage, and transportation of chemical materials and products, including pipeline leaks and ruptures, explosions, fires, inclement weather and natural disasters, mechanical failure, unscheduled downtime, labor difficulties, transportation interruptions, and environmental risks. We maintain property, business interruption and casualty insurance but such insurance may not cover all risks associated with the hazards of our business and is subject to limitations, including deductibles and maximum liabilities covered. We may incur losses beyond the limits, or outside the coverage, of our insurance policies. Further, from time to time, we may experience capacity limitations in our manufacturing operations. In addition, if we are unable to effectively forecast our customers' demand, it could affect our ability to successfully manage operating capacity limitations. These hazards, limitations, disruptions in supply and capacity constraints could adversely affect financial results.

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***Operating results for some of our segments are seasonal.***

Certain product lines within our Performance Materials segment are affected by seasonal weather patterns. A majority of revenues from our Energy Services business within the Environmental Products product line is derived from the Gulf of Mexico and surrounding states, which are susceptible to hurricanes that typically occur June 1<sup>st</sup> through November 30<sup>th</sup>. Actual or threatened hurricanes can result in volatile demand for services provided by our Energy Services business. Our other Environmental Products businesses and our Building Materials product line within our Performance Materials segment are affected by weather patterns which determine the feasibility of construction activities. Typically, less construction activity occurs in winter months and thus this segment's revenues tend to be greatest in the second and third quarters when weather patterns in our geographic markets are more conducive to construction activities. Our Processed Minerals product line is subject to similar seasonal patterns.

***Our operations have been and will continue to be subject to cyber-attacks that could have a material adverse impact on our business, consolidated results of operations, and consolidated financial condition.***

Our operations are becoming increasingly dependent on digital technologies and services. We use these technologies for internal purposes, including data storage, processing, and transmissions, as well as in our manufacturing operations and in our interactions with customers and suppliers. Increased use of remote working arrangements has only increased our reliance on these technologies. Digital technologies are subject to the risk of cyber-attacks. If our systems for protecting against cybersecurity risks prove not to be sufficient, we could be adversely affected by, among other things: loss of or damage to intellectual property, proprietary or confidential information, or customer, supplier, or employee data; interruption of our business operations; and increased costs required to prevent, respond to, or mitigate cybersecurity attacks.

In October 2020, we detected a ransomware attack impacting certain of our information technology systems. The risks associated with the October 2020 incident or future incidents could harm our reputation and our relationships with customers, suppliers, employees, and other third parties, and may result in claims against us. In addition, although the October 2020 incident has not had a material impact on us, there can be no assurance that this incident or future incidents will not have a material adverse effect on our business, consolidated results of operations, and consolidated financial condition.