

Risk Factors Comparison 2024-09-27 to 2023-09-22 Form: 10-K

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The Company's (we, our or us) business is subject to various risks and uncertainties. The following discussion outlines what we believe to be the risk factors that could materially and adversely affect our business, reputation, financial condition and results of operations. These risk factors should be considered with the Company's cautionary comments related to forward- looking statements when evaluating information provided in this Annual Report. Risks not currently known to the Company, or which the Company currently believes are immaterial, may also impair the Company's business, reputation, financial condition and results of operations. The Company periodically reviews its strategies, processes and controls with respect to risk identification, assessment and mitigation with the audit committee of the Company's board of directors. Macroeconomic and Geopolitical Risks Global Operations- we have a broad footprint and global operations may present challenges. We have operations throughout the world. Our stability, growth and profitability are subject to a number of risks of doing business globally including the following: • political and military events, including the rise of nationalism and support for protectionist policies; • tariffs, trade barriers and other trade restrictions; • legal and regulatory requirements, including import, export, defense regulations, anti- corruption laws and foreign exchange controls; • potential difficulties in staffing and managing local operations; • credit risk of local customers and distributors; • deterioration in economic conditions, including the effect of inflation on our customers and suppliers; • difficulties in protecting our intellectual property; and • local economic, political and social conditions. Due to the global reach of our operations, our business is subject to a complex system of commercial and trade laws, regulations and policies, including those related to data privacy, trade compliance, anti- corruption and anti- bribery. We experience exposure to and costs of complying with, these laws and regulations. Our global subsidiaries, joint venture partners and affiliates are governed by laws, rules and business practices that differ from those of the U. S. Our compliance programs may not adequately prevent or deter our employees, agents, distributors, suppliers and other third parties with whom we do business from violating laws, regulations or standards. We may incur defense costs, fines, penalties, damage to our reputation and business disruptions, which could result in an adverse effect on our results of operations, financial condition and cash flows. Business Disruption- unexpected events, including natural disasters, may increase our cost of doing business or disrupt our operations. There could be an occurrence of one or more unexpected events, including a terrorist attack, war or civil unrest, a weather event, a natural disaster, a climate- related event, a pandemic or other ~~catastrophe~~ catastrophes in countries in which we operate or in which our suppliers are located. Such an event could result in physical damage to and complete or partial closure ~~of one or more~~ of our headquarters, manufacturing facilities or distribution centers, temporary or long- term disruption in the supply of component products from some local and international suppliers, disruption in the transport of our products to customers and disruption of information systems. Existing insurance coverage may not provide protection for all costs that may arise from any such event. Any disruption in our operations could have an adverse impact on our ability to meet our customer needs or may require us to incur additional expense in order to produce sufficient inventory. Certain unexpected events could adversely impact our business, results of operations, financial condition and cash flows. Operational Risks Supply Chain- unavailable raw materials, significant demand fluctuations and material cost changes ~~inflation have and~~ ~~continue to~~ have an impact on our sales and cost of sales. We obtain raw materials, including steel, filter media, petroleum- based products and other components from third- party suppliers. We often concentrate our sourcing of some materials from one supplier or a few suppliers. We rely, in part, on our suppliers to ensure they meet required quality and delivery standards. An unanticipated delay in delivery by our suppliers could result in the inability to deliver our products on time and to meet the expectations of our customers. We ~~have experienced~~ ~~and could continue to~~ experience an increase in the costs of doing business, including increasing raw material prices and transportation costs, which ~~have and~~ ~~continue to~~ have an adverse impact on our business, results of operations, financial condition and cash flows. Personnel- our success has been and could in the future be affected, if we are not able to attract, engage, train and retain qualified personnel. Our success depends in large part on our ability to identify, recruit, engage, train and retain highly skilled, qualified and diverse personnel globally and successfully execute management transitions at leadership levels of the Company. There is competition for talent with market- leading skills and capabilities in new technologies. Additionally, in some locations we have experienced labor shortages causing significant wage inflation and workplace availability. We may not be able to attract and retain qualified personnel and it may be difficult for us to compete effectively, which could adversely impact our business, results of operations, financial condition and cash flows. Operations- complexity of manufacturing could cause inability to meet demand and result in the loss of customers. Our ability to fulfill customer orders is dependent on our manufacturing and distribution operations. Although we forecast demand, additional plant capacity takes significant time to bring online and thus, unexpected or extreme changes in demand could result in longer lead times. We cannot guarantee we will be able to adjust manufacturing capacity, in the short- term, to meet higher customer demand. Efficient operations require streamlining processes to maintain or reduce lead times, which we may not be capable of achieving. Unacceptable levels of service for key customers may result if we are not able to fulfill orders on a timely basis or if product quality, warranty or safety issues result from compromised production. We may not be able to adjust our production schedules to reflect changes in customer demand on a timely basis. Due to the complexity of our manufacturing operations, we may be unable to timely respond to fluctuations in demand, which could adversely impact our business, results of operations, financial condition and cash flows. Products- maintaining a competitive advantage requires consistent investment with uncertain returns. We operate in highly competitive markets and have numerous competitors that are already ~~be~~- well- established in those markets. We expect our competitors to continue to improve the design and performance of their products and to introduce new products

that could be competitive in both price and performance. We believe we have certain technological advantages over our competitors, but maintaining these advantages requires us to consistently invest in research and development, sales and marketing and customer service and support. There is no guarantee we will be successful in maintaining these advantages and we could encounter the commoditization of our key products. We make investments in new technologies that address increased performance and regulatory requirements around the globe. There is no guarantee we will be successful in completing development or achieving sales of these products or that the margins on such products will be acceptable. A competitor's successful product innovation could reach the market before ours or gain broader market acceptance, which could adversely impact our business, results of operations, financial condition and cash flows. Evolving Customer Needs- disruptive technologies may threaten our growth in certain industries. Certain industry market trends guide decisions we make in operating the Company and our growth could be threatened by disruptive technologies. We may be adversely impacted by changes in technology that could reduce or eliminate the demand for our products. These risks include wider adoption of technologies providing alternatives to diesel engines such as electrification of equipment or other alternative power solutions. Such disruptive innovation could create new markets and displace existing companies and products, resulting in significantly negative consequences for the Company. If we do not properly address future customer needs, we may be slower to adapt to such disruption, which could adversely impact our business, results of operations, financial condition and cash flows. Competition- we participate in highly competitive markets with pricing pressure. The businesses and product lines in which we participate are very competitive and we risk losing business based on a wide range of factors, including price, technology, performance, reliability and availability, geographic coverage and customer service. Our customers continue to seek technological innovation, productivity gains, competitive prices, reliability and availability from us and their other suppliers. Additionally, we sell through a variety of channels (e. g., OEM, dealer, distributor and eCommerce) in a diverse set of highly competitive filtration markets. The variability complicates the supply chain, affects working capital needs, requires balance between relationships and drives a more targeted sales force. As a result of these and other factors, we may not be able to compete effectively, which could adversely impact our business, results of operations, financial condition and cash flows. Customer Concentration and Retention- a number of our customers operate in similar cyclical industries. Changes in economic conditions in these industries could impact our sales. No customer accounted for 10 % or more of our net sales in fiscal 2024, 2023, or 2022 or 2021. However, a number of our customers are concentrated in similar cyclical industries (e. g., construction, agriculture, mining, oil and gas, transportation, power generation and disk drive), resulting in additional risk based on their respective economic conditions. Our success is also dependent on retaining key customers, which requires us to successfully manage relationships and anticipate the needs of our customers in the channels in which we sell our products. Changes in economic conditions could materially and adversely impact our business, results of operations, financial condition and cash flows. Productivity Improvements- if we do not successfully manage productivity improvements, we may not realize the expected benefits. Our financial projections assume certain ongoing productivity improvements as a key component of our business strategy to, among other things, contain operating expenses, maintain competitiveness, increase operating efficiencies and align manufacturing capacity to demand. We may not be able to realize the expected benefits and cost savings if we do not successfully execute these plans while continuing to invest in business growth. Such cost savings may not otherwise be realized or other difficulties could be encountered, which could adversely impact our business, results of operations, financial condition and cash flows. Environmental, Social and Governance (ESG)- achieving commitments could result in additional costs and our inability to achieve them could have an adverse impact on our reputation and performance. We periodically communicate our strategies, commitments and targets related to ESG matters, including greenhouse gas (GHG) emissions and diversity, equity and inclusion through the issuance of our ESG report. Although we intend to meet these strategies, commitments and targets, we may be unable to achieve them due to impacts on resources, operational costs and technological advancements. In addition, standards and processes for measuring and reporting GHG emissions and other sustainability metrics may change over time, result in inconsistent data or result in significant revisions to our strategies, commitments and targets, or our ability to achieve them. Any scrutiny of our carbon emissions or other sustainability disclosures, our failure to achieve related strategies, commitments and targets or failure to meet sustainability requirements could negatively impact our reputation as well as the demand for our products and adversely affect our business, results of operations, financial condition and cash flow. Acquisitions, Divestitures and Other Strategic Transactions- the execution of our acquisitions, divestitures and other strategic transactions may not provide the desired return on investment. We have made and continue to pursue acquisitions and divestitures and may pursue joint ventures, strategic investments and other similar strategic transactions. Acquisitions, joint ventures and strategic investments could negatively impact our profitability and financial condition due to operating and integration inefficiencies, the incurrence of debt, contingent liabilities and amortization of expenses related to intangible assets. There are also a number of other risks involved in acquisitions including the potential loss of key customers or employees, difficulties in assimilating the acquired operations and the diversion of management's time and attention away from other business matters. Further, during the pendency of a proposed transaction, we may be subject to risks related to a decline in the business and the risk the transaction may not close. Divestitures may involve significant challenges and risks, such as difficulty separating out portions of our business or the potential loss of revenue or negative impacts on margins. The divestitures may also result in ongoing financial or legal proceedings, such as retained liabilities, which could have an adverse impact on our business, results of operations, financial condition and cash flows. Cybersecurity Risks- vulnerability of our information technology systems and security. We have many information technology systems that are important to the operation of our business, some of which are managed by third parties. These systems are used to process, transmit and store electronic information and to manage or support a variety of business processes and activities, which are critical to our operations. We could encounter difficulties in developing new systems, maintaining and upgrading our existing systems, managing access to these systems and preventing information security breaches. Additionally, we collect and store sensitive data, including intellectual property and proprietary business

information, in data centers and on information technology networks. Our data is subject to a variety of U. S. and international laws and regulations that pertain to the collection and handling of personal information. The laws require us to notify governmental authorities and affected individuals of data breaches involving certain personal information. These laws include the European GDPR and the CCPA. Regulatory litigation or actions that could impose significant penalties may be brought against us in the event of a breach of data or alleged non-compliance with such laws and regulations. Information technology security threats are increasing in frequency and sophistication; to date, none of the threats faced by the Company have been material. We have invested in protection to prevent these threats; however, there can be no assurance our efforts will prevent all potential failures, cybersecurity attacks or breaches of our systems. These threats pose a risk to the security of our systems and networks and the confidentiality, availability and integrity of our data. Should such an attack succeed, it could lead to the compromise of confidential information, manipulation and destruction of data, defective products, production downtimes and operation disruptions. The occurrence of any of these events could adversely affect our reputation and could result in litigation, regulatory action, potential liability, increased costs and operational consequences of implementing further data protection matters. The Company maintains insurance coverage for various cybersecurity and business continuity risks, however, there can be no guarantee all costs or losses incurred will be fully insured. Vulnerabilities could lead to significant additional expenses and an adverse effect on our reputation, business, results of operations, financial condition and cash flows. Legal and Regulatory Risks Intellectual Property- demand for our products may be affected by new entrants that copy our products and / or infringe on our intellectual property. The ability to protect and enforce intellectual property rights varies across jurisdictions. Where possible, we seek to preserve our intellectual property rights through patents. These patents have a limited life and, in some cases, have expired or will expire in the near future. Competitors and others may also initiate litigation to challenge the validity of our intellectual property rights or allege that we infringe their intellectual property rights. We may be required to pay substantial damages if it is determined our products infringe on their intellectual property rights. We may also be required to develop an alternative, non-infringing product that could be costly and time-consuming, or acquire a license on terms that are unfavorable to us. Protecting or defending against such claims could significantly increase our costs and divert management's time and attention away from other business matters, which could adversely impact our business, results of operations, financial condition and cash flows. Legal and Regulatory- costs associated with lawsuits, investigations or complying with laws and regulations. We are subject to many laws and regulations in the jurisdictions in which we operate. We routinely incur costs in order to comply with these laws and regulations. We may be adversely impacted by new or changing laws and regulations that affect both our operations and our ability to develop and sell products that meet our customers' requirements. We are involved in various product liability, product warranty, intellectual property, environmental claims and other legal proceedings that arise in and outside of the ordinary course of our business. We are subject to increasingly stringent laws and regulations in the countries in which we operate, including those governing the environment (e. g., emissions to air; discharges to water; and the generation, handling, storage, transportation, treatment and disposal of waste materials; and the use of raw materials and goods such as iron, steel aluminum, electricity, natural gas and hydrogen) and data protection and privacy. It is not possible to predict the outcome of investigations and lawsuits and we could incur judgments, fines or penalties or enter into settlements of lawsuits and claims that could have an adverse effect on our reputation, business, results of operations, financial condition and cash flows in any particular period. In addition, we may not be able to maintain our insurance at a reasonable cost or in sufficient amounts to protect us against any losses. Financial Risks Currency- an unfavorable fluctuation in foreign currency exchange rates could impact our results of operations. We have operations in many countries, with a substantial portion of our annual revenue earned in currencies other than the U. S. dollar. We face transactional and translational risks associated with the fluctuations in foreign currency exchange rates. Transactional risk arises from changes in the value of cash flows denominated in different currencies. This can be caused by supply chains that cross borders resulting in revenues and costs being in different currencies. Translational risk arises from the remeasurement of our financial statements. In addition, decreased value of local currency may make it difficult for some of our customers, distributors and end users to purchase our products. Each of our subsidiaries reports its results of operations and financial position in its relevant functional currency, which is then translated into U. S. dollars. This translated financial information is included in our Consolidated Financial Statements. Significant fluctuations of the U. S. dollar in comparison to the foreign currencies of our subsidiaries during discrete periods may have a negative impact on our business, results of operations, financial condition and cash flows. Liquidity- changes in the capital and credit markets may negatively affect our ability to access financing to support strategic initiatives. Disruption of the global financial and credit markets may have an effect on our long-term liquidity and financial condition. There can be no assurance the cost or availability of future borrowings will not be impacted by future capital market disruptions. Some of our existing borrowings contain covenants to maintain certain financial ratios that, under certain circumstances, could restrict our ability to incur additional indebtedness, make investments and other restricted payments, create liens and sell assets.