

Risk Factors Comparison 2025-02-25 to 2024-02-27 Form: 10-K

Legend: New Text ~~Removed Text~~ Unchanged Text Moved Text Section

Our business, results of operations and financial condition, and an investment in our securities, are subject to a number of risks. The risks and uncertainties described below are those that we have identified as material, but are not the only risks and uncertainties we face. Our business is also subject to general risks and uncertainties that affect many other companies, including overall economic and industry conditions. Additional risks and uncertainties not currently known to us or that we currently believe are not material may also impair our business, consolidated financial condition and results of operations. Risks Related to our Business and Industry Adverse changes in global and local economic conditions may negatively affect our industry, business and results of operations. We sell products worldwide to global process industries and a significant portion of our revenue is from customers based in North America, Europe and China. Uncertainties in global and regional economic outlooks have negatively affected, and may in the future negatively affect, demand for our customers' products and, as a consequence, our products and services, especially our capital equipment systems and products, and our operating results. Also, uncertainty regarding economic conditions has caused, and may in the future cause, liquidity and credit issues for many businesses, including our customers and suppliers, and may result in their inability to fund projects, capacity expansion plans, and to some extent, routine operations and capital expenditures. These conditions, as well as other global events such as wars or global health crises, have resulted, and may in the future result, in a number of structural changes in process industries, including decreased spending, mill closures, consolidations, and bankruptcies, all of which negatively affect our business, revenue, and profitability. Financial and economic turmoil affecting the worldwide economy or the banking system and financial markets, in particular due to political or economic developments, have negatively affected, and may in the future negatively affect, our business and cause our results of operations to differ materially from our current expectations. **Kadant Inc.** Revenues from the sale of large capital equipment and systems projects are often difficult to predict accurately, especially in periods of economic uncertainty, and large capital equipment projects require significant investment requiring our customers to secure financing, which may be difficult. We manufacture capital equipment and systems used in process industries, including the paper, fluid handling, wood processing and material handling industries. Approximately ~~38-34~~ **38-34** % of our revenue in ~~2023-2024~~ **2023-2024** was from the sale of capital equipment to be used in process industries. The demand for capital equipment is variable and depends on a number of factors, ~~including Kadant~~ **including Inc.** consumer demand for end products, existing manufacturing capacity, the level of capital spending by our customers and economic conditions. As a consequence, our bookings and revenues for capital projects tend to be variable and hard to predict. It is especially difficult to accurately forecast our operating results during periods of economic uncertainty. Our customers curtail their capital and operating spending during periods of economic uncertainty and are cautious about resuming spending as market conditions improve. Levels of consumer spending on non-durable goods, demand for food and beverage packaging, and demand for new housing and remodeling are all factors that affect paper and wood processing companies' demand for our products. Expansion of bulk material handling capacity and infrastructure spending are factors that affect demand for material handling equipment. Reductions in demand levels in any of these areas can negatively impact our business. As companies in our customers' industries consolidate operations in response to market weakness, they frequently reduce capacity, increase downtime, defer maintenance and upgrades, and postpone or even cancel capacity additions or expansion projects. Capacity growth and investment can be uneven and our customers have delayed, and may in the future delay, additional new capacity start-ups in reaction to softer market conditions. In general, as significant capacity additions come online and the economic growth rate slows, our customers have deferred and could in the future defer further investments or the delivery of previously-ordered equipment until the market absorbs the new production. Large capital equipment projects require a significant investment and may require our customers to secure financing from external sources. Our financial performance will be negatively impacted if there are delays in customers securing financing or our customers become unable to secure such financing due to any number of factors, including a tightening of monetary policy or regime-based sanctions such as those imposed on Russia and China. Financing delays of our customers can cause us to delay booking pending orders as well as the shipment of some orders. The inability of our customers to obtain credit may affect our ability to recognize revenue and income, particularly on large capital equipment orders from new customers for which we may require letters of credit. We may also be unable to issue letters of credit to our customers, which are required in some cases to guarantee performance, during periods of economic uncertainty. This has negatively affected our bookings and revenues in the past, particularly in China, and may negatively affect our operating results in the future. Implementing our acquisition strategy involves risks, and our failure to successfully implement this strategy could have a material adverse effect on our business. We expect that a significant driver of our long-term growth will be the acquisition of businesses and technologies that complement or augment our existing products and services or may involve entry into a new process industry. We continue to actively pursue acquisition opportunities, some of which may be material to our business and financial performance, and involve significant cash expenditures and the incurrence of significant debt. Although we have been successful with this strategy in the past, we may not be able to grow our business in the future through acquisitions for a number of reasons, including: – difficulties identifying and executing acquisitions, including our ability to conduct and complete due diligence, difficulties in negotiations with the counterparty, and inability to obtain regulatory and antitrust approvals; – competition with other prospective buyers resulting in our inability to complete an acquisition or in our paying a substantial premium over the fair value of the net assets of the acquired business; – access to and availability of capital; – difficulty in integrating operations, technologies, products and the key employees of the acquired business; – inability to maintain existing customers of the acquired business or to sell the products and services of the acquired

business to our existing customers; – inability to retain key management of the acquired business; – diversion of management's attention from other business concerns; – inability to improve the revenues and profitability or realize the expected cost savings and synergies; – assumption of significant liabilities, some of which may be unknown at the time of acquisition; and – identification of internal control deficiencies of the acquired business. We are required to record acquisition-related costs in the period incurred. Once completed, acquisitions may involve significant integration costs. These acquisition-related costs could be significant in a reporting period and have an adverse effect on our results of operations. Any acquisition we complete may be made at a substantial premium over the fair value of the net identifiable assets of the acquired business. We are required to assess the realizability of goodwill and indefinite-lived intangible assets annually, and whenever events or changes in circumstances indicate that goodwill and intangible assets, including definite-lived intangible assets, may be impaired. These events or circumstances would generally include operating losses or a significant decline in earnings associated with the acquired business or assets, and our ability to realize the value of goodwill and intangible assets will depend on the future cash flows of these businesses. We may incur impairment charges to write down the value of our goodwill and acquired intangible assets in the future if the assets are not deemed recoverable, which could have a material adverse effect on our operating results. We manufacture equipment used in the production of forest products, including lumber and OSB, and our financial performance may be adversely affected by decreased levels of residential construction activity. We manufacture debarkers, stranders and related equipment used in the production of lumber and OSB. Our customers produce these products principally for new residential construction, home repair and remodeling activities. As such, the operating results for our Industrial Processing segment correlate to a significant degree to the level of this residential construction activity, primarily in North America and, to a lesser extent, in Europe. Residential construction activity is influenced by a number of factors, including the supply of and demand for new and existing homes, new housing starts, unemployment rates, interest rate levels, availability of mortgage financing, mortgage foreclosure rates, availability of construction labor and suitable land, seasonal and unusual weather conditions, general economic conditions and consumer confidence. A significant increase in long-term interest rates, changes in tax policy on the deductibility of mortgage interest, tightened lending standards, high unemployment rates and other factors that reduce the level of residential construction activity could have a negative effect on our financial performance. The OSB market is highly concentrated and the market for building products is highly competitive. The loss of a significant customer or our customers' reductions in capital spending or OSB production could have a material adverse effect on our financial performance. The OSB market is highly concentrated and there are a limited number of OSB manufacturers. As a percentage of our Industrial Processing segment revenues, the two largest OSB customers together accounted for **13 % in 2024**, 10 % in 2023, **and** 13 % in 2022, ~~and 11 % in 2021~~. The loss of one or more of these OSB customers to a competitor could adversely affect our revenues and profitability. In addition, the market for building products is highly competitive. Products that compete with OSB include other wood panel products and substitutes for wood building products, such as nonfiber-based alternatives. For example, plastic, wood / plastic or composite materials may be used by builders as alternatives to OSB products. Changes in component prices, such as energy, chemicals, wood-based fibers, and nonfiber alternatives can change the competitive position of OSB relative to other available alternatives and could increase substitution. Our customers' OSB production can be adversely affected by lower-cost producers of other wood panel products and substitutes for wood building products. Lower demand for OSB products or a decline in the profitability of one or more of our customers could result in a reduction in spending on capital equipment or the shutdown or closure of an OSB mill, which could have a material adverse effect on our financial performance. Our Wood Processing product line can be materially impacted by changes to the global timber supply. Changes in the environment that affect natural resources such as timber may have significant effects on the sales of wood processing equipment by our Industrial Processing segment. Approximately ~~21-25~~ **21-25** % of our revenue in ~~2023-2024~~ **2023-2024** was from our Wood Processing product line. Changes in the environment, like wildfires and damage from pests such as the mountain pine beetle, have affected tracts of land in Western Canada that could have otherwise been logged by the forestry industry. Reduction in availability of timber can result in decreased logging activity, mill closures, and lower operating rates at mills, as well as reduced capital expenditures. A reduction in capital expenditures by mills would likely lead to a decrease in demand for new wood processing equipment, which would in turn affect demand for parts, as our wood processing customers are likely to reduce utilization of equipment, reduce inventories, redistribute parts from closed mills and delay rebuilds and other maintenance during industry downturns. In addition to declining orders for wood processing products, adverse economic conditions for our wood processing customers may make it more difficult for us to collect accounts receivable in a timely manner, or at all, which may adversely affect our working capital. The development and increasing use of digital media has had, and will continue to have, an adverse impact on our Flow Control and Industrial Processing segments. Developments in digital media have adversely affected demand for newsprint and for printing and writing grades of paper, particularly in North America and Europe, a trend which is expected to continue. Approximately 4 % of our revenue in ~~2023-2024~~ **2023-2024** was from customers producing newsprint and printing and writing grades of paper. Significant declines in the production of printing and writing paper grades have also led to a drop in the construction of recycled tissue mills, as those mills use printing and writing grades of waste paper as their fiber source. The increased use of digital media has had, and will continue to have, an adverse effect on demand for our products in those markets. Our Material Handling segment can be materially impacted by cyclical economic conditions affecting the global mining industry. Changes in economic conditions affecting the global mining industry can occur abruptly and unpredictably, which may have significant effects on the sale of equipment by our subsidiary, SMH, which is in our Material Handling segment. Approximately ~~6-5~~ **6-5** % of our consolidated revenue in ~~2023-2024~~ **2023-2024** was from SMH's mining customers. Cyclicity for original equipment sales is driven primarily by price volatility of the commodities that are mined using SMH's equipment, including coal, salt, aggregates, potash, copper, iron ore and trona, or their substitutes, as well as product life cycles, competitive pressures and other economic factors affecting the mining industry, such as company consolidation, increased regulation and competition affecting demand for commodities, and the broader economy, including changes in government monetary or fiscal policies and

from market expectations with respect to such policies. Falling commodity prices have in the past and may in the future lead to reduced capital expenditures by SMH's customers, reductions in the production levels of existing mines, a contraction in the number of existing mines and the closure of less efficient mines. Reduced capital expenditures and decreased mining activity by SMH's customers are likely to lead to a decrease in demand for new mining equipment, and may result in a decrease in demand for parts as SMH's customers are likely to reduce utilization of equipment, reduce inventories, redistribute parts from closed mines and delay rebuilds and other maintenance during industry downturns. In addition to declining orders for SMH's products, adverse economic conditions for SMH's customers may make it more difficult for SMH to collect accounts receivable in a timely manner, or at all, which may adversely affect our working capital. As a result of this cyclicity in the global mining industry, SMH may experience significant fluctuations in its business, results of operations and financial condition, and we expect SMH's business to continue to be subject to these fluctuations in the future. A portion of our Material Handling segment is dependent on continued demand for coal, which is subject to economic and environmental risks. Approximately **2 % and 3 % and 4 %** of our Material Handling segment's **2023-2024** revenue came from its thermal and metallurgical coal- mining customers, respectively, which represented in aggregate less than 2 % of our consolidated revenue. Many of these customers supply coal for the generation of electricity and / or steel production. Demand for electricity and steel is affected by the global level of economic activity and economic growth. The pursuit of the most cost- effective form of electricity generation continues to take place throughout the world and coal- fired electricity generation faces intense price competition from other energy sources, particularly natural gas. In addition, coal combustion typically generates significant greenhouse gas emissions and governmental and private sector goals and mandates to reduce greenhouse gas emissions may increasingly affect the mix of electricity generation sources. Further developments in connection with legislation, regulations, international agreements or other limits on greenhouse gas emissions and other environmental impacts or costs from coal combustion, both in the United States and in other countries, could diminish demand for coal as a fuel for electricity generation. If lower greenhouse gas emitting forms of electricity generation, such as nuclear, solar, natural gas or wind power, become more prevalent or cost effective, or diminished economic activity reduces demand for electricity and steel, demand for coal will decline. Reduced demand for coal could result in reduced demand for SMH's mining equipment and could adversely affect our overall business, financial condition and results of operations. Failure of our information systems ~~or~~, breaches of data security, and ~~cyber theft~~ **cybersecurity incidents** could **have a material adverse** impact **on** our business, **results of operations, and financial condition**. We operate a geographically dispersed business and rely on the electronic storage and transmission of proprietary and confidential information, including technical and financial information, among our operations, customers ~~and~~, suppliers, **and other third- party business partners**. We also rely on information technology (IT), including IT services from third parties, in certain of our solutions, products, and services for customers as well as our enterprise infrastructure. Despite our security measures and internal controls, our **IT information technology and infrastructure** has been **subject to cybersecurity incidents** and may in the future be vulnerable to unauthorized access or attacks by nation states, hackers or cyber criminals; **disruptions or breaches**; **service outages caused by errors in or compromise of software updates provided by third- party IT vendors; unauthorized access** due to employee error ~~or~~ malfeasance; or other disruptions, such as business email compromises, phishing ~~and or~~ other cyber- related **social engineering tactics**, fraud, **or other cybersecurity incidents**. Our systems ~~could have been and may in the future~~ be compromised by malware (including ransomware), **denial- of- service attacks**, cyberattacks, and other events, ranging from widespread, non- targeted, global cyber threats to targeted advanced persistent threats. These **cybersecurity threats and incidents, which also may apply to our third- party business partners**, could be indicators of an increased risk to our products, solutions, services, manufacturing, and IT infrastructure. **The integration of newly acquired businesses may also increase the risk that we are subject to a cybersecurity incident.** Recent global cyberattacks ~~and service outages~~ have been ~~perpetuated- caused~~ by the compromise of software updates to widely used software products, including some products that we use, which increases the risk that vulnerabilities or malicious content could be inserted into, **or unauthorized access gained to**, our products or IT infrastructure. While we ~~continuously~~ seek to improve the security attributes of our products, solutions, services, and IT infrastructure, we cannot eliminate risk or ensure that we will not be harmed by cyberattacks or disruptions. In some global cyberattacks, malware has been spread from one party to another via network connections that the parties had previously authorized. Our business uses IT resources on a dispersed, global basis for a wide variety of functions including development, engineering, manufacturing, sales, accounting, and human resources. Our ~~vendors~~, **third- party business** partners, employees, and customers have access to, and share, information across multiple locations via various digital technologies. In addition, we rely on **third- party business** partners ~~and vendors~~ for a wide range of outsourced activities, including cloud providers, as part of our internal IT infrastructure and our commercial offerings. Secure connectivity is important to these ongoing operations. To a significant extent, the security of systems to which we connect depends on how such systems are designed, installed, protected, configured, updated and monitored, ~~much some~~ of which is typically outside of our control. Also, our **third- party business** partners ~~and vendors~~ frequently have access to our confidential information as well as confidential information about our customers, employees, and others. In addition, ~~if we have been, and may in the future be, prevented from accessing our data or systems in the event of a ransomware attack or other cybersecurity incident involving occurs, either internally or our at IT systems our or vendors those of or our third- party business partners technology service providers, we could be prevented from accessing our or data other third parties in or our systems, which supply chain. A cybersecurity incident~~ may cause interruptions or delays in our business operations, cause us to incur remediation costs, subject us to demands to pay a ransom, or damage our reputation, regardless of whether we pay the ransom amount. We design our security architecture to reduce the risk that a compromise of our **third- party business** partners' infrastructure, for example a cloud platform, could lead to a compromise of our internal systems or customer networks, but this risk cannot be eliminated and vulnerabilities at third parties could result in unknown risk exposure to our business. We monitor and manage various information systems that exist within our global operations and

periodically upgrade or implement new enterprise resource planning software at our business operations as needed. As we implement and add functionality, problems could arise that we have not foreseen. **We have experienced cybersecurity threats and immaterial cybersecurity incidents that have impacted our ability to conduct our business operations. In the future, System-system failures, network disruptions, and breaches of data security-cybersecurity could limit incidents may materially adversely affect our ability to conduct our business operations as usual, including our ability to communicate and transact business with our customers and suppliers; result in the loss or misuse of this information, including credit card numbers or other personal information, the loss of business or customers, or damage to our brand or reputation; or interrupt or delay reporting of our financial results. Such system failures or unauthorized access could be caused by external theft or attack, misconduct or human error by our employees, suppliers-third- party business partners, or competitors, or natural disasters. In addition, the cost and operational consequences of implementing further cybersecurity and data protection measures, such as to comply with local cybersecurity and privacy laws such as the European Union's General Data Protection Regulation, or various similar foreign or U. S. federal and state laws, could be significant. The current cyber threat environment indicates increased risk for all companies. Like other global companies, we have experienced cyber-cybersecurity threats and incidents, although none we do not believe that any such incidents have been material or had a material adverse effect on our business, results of operations or financial condition. Our information security efforts include programs designed to address security-cybersecurity governance, product security, identification and protection of critical assets, insider risk, third- party risk, and cyber defense operations. We believe these measures reduce, but cannot eliminate, the risk of an information security or cybersecurity incident. Any significant security-cybersecurity incidents could have an adverse impact on sales and operations, harm our reputation, subject us to litigation and government investigations, and cause us to incur legal liability and increased costs to address such events and related security-cybersecurity concerns. It may be difficult for us to implement our strategies for improving internal growth. Some of the markets in which we compete are mature and have relatively low growth rates. We pursue a number of strategies to improve our internal growth, including: – strengthening our presence in selected geographic markets, including emerging markets and existing markets where we see opportunities; – focusing on parts and consumables sales; – using low- cost manufacturing bases, such as China, India and Mexico; – allocating research and development funding to products with higher growth prospects; – developing new applications for our technologies; – combining sales and marketing operations in appropriate markets to compete more effectively; – finding new markets for our products and expanding into different verticals or process industries; – continuing to develop cross- selling opportunities for our products and services to take advantage of our depth of product offerings; and – corporate efficiency programs, such as Lean manufacturing and the “80 / 20” rule (the Pareto Principle). We may not be able to successfully implement these strategies, or achieve cost savings or desired efficiencies, and these strategies may not result in the expected growth of our business. We are subject to intense competition in all our markets. We believe that the principal competitive factors affecting the markets for our products include technical expertise and process knowledge, product innovation, automation, product quality, and price. Our competitors include a number of large multinational corporations that may have substantially greater financial, marketing, and other resources than we do. As a result, they may be able to adapt more quickly to new or emerging technologies, such as those related to factory digitalization, the industrial internet of things, smart technology and artificial intelligence, and changes in customer requirements, or to devote greater resources to the promotion and sale of their services and products. Competitors' technologies may prove to be superior to ours. Our current products, those under development, and our ability to develop new technologies may not be sufficient to enable us to compete effectively.**

If we are unable to successfully manage our manufacturing operations, our ability to deliver products to our customers could be disrupted and our business, financial condition and results of operations could be adversely affected. Equipment and operating systems necessary for our manufacturing businesses may break down, perform poorly, or fail. Any such disruption could cause losses in efficiencies, delays in shipments of our products and the loss of sales and customers, and insurance proceeds may not adequately compensate us for our losses. In order to enhance the efficiency and cost effectiveness of our manufacturing operations, and to better serve customers located in various countries, as we have in the past, we may in the future move product lines from one of our plants to another and consolidate manufacturing operations in certain of our plants. Even if we successfully move our manufacturing processes, there is no assurance that the cost savings and efficiencies we anticipate will be achieved. Further, changes in zoning laws have impacted and may continue to impact our manufacturing and other operations. For example, in 2022, we received a request by local Chinese authorities to relocate one of our facilities and, after negotiations with the Chinese government, completed the relocation of the facility in 2023. Such relocation, and any relocations required in the future, and the associated timing and amount of payments due to us from the Chinese government, may increase our costs and could have a material impact on our manufacturing operations. In addition, our manufacture of certain products is concentrated in specific geographic locations. As a result of such concentration, we may be disproportionately exposed to the impact of any disruptions, regulations or delays that impact those geographic locations, which may negatively impact our ability to manufacture products produced in those locations and have an adverse effect on our business results. We may be required to reorganize our operations in response to changing conditions in the worldwide economy and the industries we serve, and such actions may require significant expenditures and may not be successful. We have undertaken various restructuring measures in the past in response to changing market conditions in the countries in which we operate and we may engage in additional cost reduction programs in the future. The costs of these programs may be significant and we may not recoup the costs of these programs. In connection with any future plant closures, delays or failures in the transition of production from existing facilities to facilities in other geographic regions could also adversely affect our results of operations. In addition, it is difficult to accurately forecast our financial performance in periods of economic uncertainty in a region or globally, and the efforts we have made or may make to align our cost structure may not be sufficient or able to keep pace with rapidly changing business conditions. Our profitability may. Supply chain constraints, inflationary pressure, price increases and shortages in raw materials and

components, and dependency upon certain suppliers for such raw materials and components could adversely impact our operating results. Some of our businesses have been and may continue to be impacted by supply chain constraints, inflationary pressure on material costs, longer lead times, port congestion, and increased freight costs. In addition, current or future governmental policies may increase the risk of inflation which could further increase the costs of raw materials and components for our businesses. Supply chain constraints and inflationary pressure have and may in the future continue to have a negative impact on our results of operations and financial condition, including pressure on our gross profit margins. We use a variety of raw materials, including a significant amount of stainless steel, carbon steel, commodities and critical components to manufacture our products. Increases in the prices of such raw materials, commodities and critical components could adversely affect our operating results if we were unable to fully offset the effect of these increased costs through price increases, productivity improvements, or cost reduction programs. Some of our businesses depend on a limited number of suppliers to provide critical components used in the manufacture of our products. If we are unable to obtain sufficient supplies of these components or these sources of supply cease to be available to us, we could experience shortages in critical components or be unable to meet our commitments to customers. Alternative sources of supply could be more expensive, or in some cases, we could be unable to locate such alternative sources. We believe our current sources of raw materials, commodities and critical components will generally be sufficient for our needs in the foreseeable future. However, our operating results could be negatively impacted if supply is insufficient for our operations or if we are unable to expand supply as needed. While our businesses are working to alleviate supply chain constraints through various measures, we are unable to predict the impact of these constraints on the timing of revenue and operating costs of our business in the future. **Our future success is substantially dependent on the continued service of our senior management and other key employees and effective succession planning. Our future success is substantially dependent on the continued service of our senior management and other key employees. The loss of the services or retirement of our senior management or other key employees could make it more difficult to successfully operate our business and achieve our business goals. We also may be unable to attract qualified personnel or retain existing management, product development, sales, operational and other support personnel** that are **subject critical to intense competition our success, which could result in all-harm to key customer relationships, loss of key information, expertise, our- or markets know- how,** and unanticipated recruitment and training costs. In addition, effective succession planning is also a key factor for our future success. Our failure to continue to enable the effective transfer of knowledge and facilitate smooth transitions with regard to key management employees, including in connection with our succession planning, could adversely affect our long- term strategic planning and execution and negatively affect our business, financial condition, operating results, and prospects. If we fail to enable the effective transfer of knowledge and facilitate smooth transitions for key personnel, the operating results and future growth for our business could be adversely affected, and the morale and productivity of the workforce could be disrupted. We **may be required to reorganize** believe that the **principal competitive factors affecting the markets for our products include technical expertise and process knowledge, product innovation, automation, product quality, and price. Our competitors include a number of large multinational corporations-- operations that in response to changing conditions in the worldwide economy and the industries we serve, and such actions may require significant expenditures and may not be successful. We have substantially greater undertaken various restructuring measures in the past in response to changing market conditions in the countries in which we operate and we may engage in additional cost reduction programs in the future. The costs of these programs may be significant and we may not recoup the costs of these programs. In connection with any future plant closures, delays or failures in the transition of production from existing facilities to facilities in other geographic regions could also adversely affect our results of operations. In addition, it is difficult to accurately forecast our financial performance in periods of economic uncertainty in a region or globally , marketing- and other-- the efforts resources than we have made do. As a result, they may be able to adapt more quickly to new- or emerging technologies, such as those related to factory digitalization, the industrial internet of things, smart technology and artificial intelligence, and changes in customer requirements, or to devote greater resources to the promotion and sale of their services and products. Competitors' technologies may prove make to align be superior to ours- our cost structure . Our current products, those under development, and our ability to develop new technologies may not be sufficient to- or enable-- able to keep pace with rapidly changing business conditions. Our profitability may decline if our restructuring efforts do not sufficiently reduce our future costs and position us to workforce could be disrupted- maintain or increase our sales . Our inability to protect our intellectual property or defend ourselves against the intellectual property claims of others could have a material adverse effect on our business. In addition, litigation to enforce our intellectual property and contractual rights or defend ourselves could result in significant litigation or licensing expense. We seek patent and trade secret protection for significant new technologies, products, and processes because of the length of time and expense associated with bringing new products through the development process and into the marketplace. We own numerous U.S. and foreign patents, and we intend to file additional applications, as appropriate, for patents covering our products. Patents may not be issued for any pending or future patent applications owned by or licensed to us, and the claims allowed under any issued patents may not be sufficiently broad to protect our technology. Any issued patents owned by or licensed to us may be challenged, invalidated, or circumvented, and the rights under these patents may not provide us with competitive compete- competitive effectively advantages. In addition, competitors may design around our technology, copy our technology or develop competing technologies. Intellectual property rights may also be unavailable or limited in some foreign countries, which could make it easier for competitors to capture increased market share. In addition, as our patents expire, we rely on trade secrets and proprietary know- how to protect our products. We cannot be sure the steps we have taken, or will take in the future, will be adequate to deter misappropriation of our proprietary information and intellectual property. Of particular concern are developing countries, such as China and India, where the laws, courts, and administrative agencies may not protect our intellectual property rights as fully as in the United States or Europe. We seek to protect trade**

secrets and proprietary know-how, in part, through confidentiality and non-competition agreements with our collaborators, employees, and consultants. These agreements may be breached, we may not have adequate remedies for any breach, and our trade secrets and proprietary know-how may otherwise become known or be independently developed by our competitors, or our competitors may otherwise gain access to our intellectual property. Others may assert intellectual property infringement claims against us or our customers. We may provide ~~an a limited~~ intellectual property indemnity in connection with our terms and conditions of sale to our customers and in other types of contracts with third parties. Indemnification payments and legal expenses to defend claims could be costly. We could incur substantial costs to defend ourselves in suits brought against us, including for alleged infringement of third-party rights, or in suits in which we may assert our intellectual property or contractual rights against others. An unfavorable outcome of any such litigation could have a material adverse effect on our business and results of operations. SMH holds numerous U.S. and foreign patents, including foreign counterparts to its U.S. patents, and licenses the trademarked brand name of one of its significant products, Link-Belt®, from a third party. If the third party were to terminate that license agreement, we would lose the right to use the Link-Belt® trademark in the marketplace and cease to benefit from any of its associated **goodwill**. Changes to tax laws and regulations could affect our profitability. We derive a significant portion of our revenue and earnings from our international operations, and are subject to income and other taxes in the United States and numerous foreign jurisdictions. Changes in U.S. and foreign income tax laws and regulations, or their interpretation, could result in higher or lower income tax rates assessed or changes in the taxability of certain revenues or the deductibility of certain expenses, thereby affecting our income tax expense and profitability. A number of factors may cause our effective tax rate to fluctuate, including: changes in tax rates in various jurisdictions; unanticipated changes in the amount of profit in jurisdictions in which the statutory tax rates may be higher or lower than the U.S. tax rate; the resolution of issues arising from tax audits with various tax authorities; changes in the valuation of our deferred tax assets and liabilities; adjustments to income taxes upon finalization of various tax returns; increases in expenses not deductible for tax purposes, including impairments of goodwill in connection with acquisitions; and changes in available tax credits or our ability to utilize foreign tax credits. Any of these factors could cause us to experience an effective tax rate significantly different from that of prior periods or current expectations, which could have an adverse effect on our results of operations or cash flows. In addition, many countries are implementing legislation and other guidance to align their international tax rules with the Organisation for Economic Co-operation and Development's (OECD) Base Erosion and Profit Shifting recommendations and action plan that aim to standardize and modernize global corporate tax policy, including changes to cross-border tax, transfer pricing documentation rules, and nexus-based tax incentive practices. The OECD also released model rules introducing a new 15% global minimum tax for large multinational corporations with an annual global revenue exceeding 750.0 million euros (Pillar Two Rules). ~~Various~~ **Many** countries, including the member states of the European Union, have implemented legislation adopting the Pillar Two Rules, ~~which~~ **with effective dates beginning in 2024 and beyond. While the full impact of these regulations remains uncertain, compliance with Pillar Two Rules may lead to new reporting requirements and** negatively impact our provision for income taxes, net income and cash flows. ~~If we are unable to successfully..... benefit from any of its associated goodwill~~. Effects of climate change may adversely impact our business. Climate change may pose environmental risks that could harm our results of operations and affect the way we conduct business. Some of our operations are located in regions that may become increasingly vulnerable due to climate change, which may cause extreme weather conditions such as more intense hurricanes, thunderstorms, tornadoes and snow or ice storms, winds, and rainfall, as well as rising sea levels and increased volatility in seasonal temperatures. Extreme weather conditions or weather-driven natural disasters could impact our ability to maintain our operations in those areas. For example, we have manufacturing locations in the southeastern United States, which region has experienced record hurricanes in recent years reportedly due to the effects of climate change. Increased energy demand to heat or cool our facilities in certain locations may place stresses on local energy infrastructure and potentially constrain local energy supplies, which could have a negative impact on our operations. Climate change could also affect demand for our products by our customers that are affected by weather and weather-driven events, including seasonal changes in outdoor working conditions and rainfall levels. Climate change has also been cited as contributing to the increased likelihood around the world of hot and dry conditions in which wildfires and invasive species, like the destructive mountain pine beetle, thrive. As a result of the effects of climate change, our customers in the forestry industry may face damage to assets and losses from business interruption, which could lead to the reduced operation or closure of mills, and disruption of supply chains of which we may be a part. These risks could harm our business and results of operations. Investors, customers and other stakeholders are increasingly focused on the climate-related performance of companies they invest in. As part of our commitment to sustainability, we have set and may in the future set sustainability goals, particularly related to greenhouse gas emissions reductions. There is a risk that we may not be able to meet the goals that we set and strive to meet. If we have not responded in a satisfactory manner and demonstrated our commitment to addressing climate change, investors and customers' willingness to invest in, spend money with and otherwise provide capital to us may also be impacted. Our insurance coverage may be inadequate or expensive. We are subject to claims in the ordinary course of business. It is not always possible to prevent or detect activities giving rise to claims, and the precautions we take may not be effective in all cases. We maintain insurance policies that provide limited coverage for some, but not all, potential risks and liabilities associated with our business. We may not obtain insurance if we believe the cost of available insurance is excessive relative to the risks presented. As a result of market conditions, premiums and deductibles for certain insurance policies can increase substantially, and in some instances, certain insurance may become unavailable or available only for reduced amounts of coverage. As a result, we may not be able to renew our existing insurance policies or procure other desirable insurance on commercially reasonable terms, if at all. In addition, certain risks generally are not fully insurable. Even where insurance coverage applies, insurers may contest their obligations to make payments. Our financial condition, results of operations and cash flows could be materially and adversely affected by losses and liabilities from uninsured or under-insured events, as well as by delays in the payment of insurance

proceeds, or the failure by insurers to make payments. Risks Related to our Foreign Operations Our global operations subject us to various risks that may adversely affect our results of operations. We are a leading global supplier of equipment and critical components used in process industries worldwide. We sell our products globally, ~~including sales to customers in China, South America, Russia and India,~~ and operate multiple manufacturing operations worldwide, including operations in Canada, China, Europe, Mexico, India and Brazil. International revenues and operations are subject to a number of risks which vary by geographic region, including the following: – agreements may be difficult to enforce and receivables difficult to collect through a foreign country's legal system; – foreign customers may have longer payment cycles; – foreign countries may impose additional withholding taxes or otherwise tax our foreign income; – economic sanctions, trade embargoes, tariffs, currency restrictions or other adverse trade regulations; – environmental and other regulations can adversely impact our ability to operate our facilities; – disruption from climate change, natural disaster, including earthquakes and / or tornadoes, fires, war, terrorist activity, and other force majeure events beyond our control; – changes in zoning laws that may require relocation of our manufacturing operations; – disruption from fast- spreading health epidemics and pandemics which have and may continue to result in widespread interruptions or restrictions on our employees' and other service providers' ability to travel, temporary closures of our facilities or the facilities of our customers, suppliers or other vendors in our supply chain, potentially including single source suppliers, other disruptions in the supply chain, and related issues, similar to what occurred during the COVID- 19 pandemic; – worsening economic conditions may result in worker unrest, labor actions, and potential work stoppages; – political and / or civil unrest may disrupt commercial activities of ours or our customers; – fluctuations in foreign currency exchange rates and foreign interest rates beyond our control; – it may be difficult to repatriate funds, due to unfavorable domestic and foreign tax consequences or other restrictions or limitations imposed by foreign governments; – competition, especially in China, has increased as new companies enter the market and existing competitors expand their product lines and manufacturing operations; – the protection of intellectual property in foreign countries may be more difficult to enforce; and – any continuing effects on cross border trade and labor, and political and regulatory volatility resulting from the United Kingdom's exit from the European Union. Operating globally subjects us to various risks that may adversely affect our results of operations in the future. Policies of the Chinese government may negatively impact our business. We operate significant manufacturing facilities in China. In ~~2023-2024~~, our sales to China were \$ ~~81-75.5-9~~ million, or ~~9-7~~%, of our revenue. Our Chinese manufacturing facilities provide low- cost sourcing to many of our subsidiaries. Changes in the policies of the Chinese government, devaluation of the Chinese currency, restrictions on the repatriation of cash, political unrest, unstable economic conditions, **retaliatory tariffs**, or other developments in China or in U. S.- China relations that are adverse to trade, including enactment of protectionist legislation or trade or currency restrictions, could negatively impact our business and operating results. Policies of the Chinese government to target slower economic growth may negatively affect our business in China if customers are unable to expand capacity or obtain financing for expansion or improvement projects. The United States has restricted **and may further restrict** investment in certain companies with ties to the Chinese **military government**; if such restrictions are expanded, or if investment was otherwise restricted, our business would be negatively affected. Policies of the Chinese government to advance internal political priorities may potentially negatively affect our business in any number of ways that we may not foresee. For example, the Chinese government has imposed a ban on all recovered paper imports effective as of January 1, 2021. According to Fastmarkets RISI, the Chinese government's actions have led to a severe shortage of recovered paper in China, which has forced mills to incur additional downtime. Chinese containerboard producers have been looking to build capacity for fiber in Southeast Asia, with the intent to ship pulp back to China for further processing. These policies have and could in the future continue to have a significant influence on the price, nature and availability of the type of paper imported into China, ~~could have and may in the future continue to~~ have a negative effect on the operating capacity of our customers in China, and have and may in the future continue to affect the demand for our products and our operating results in China and the surrounding region. Our sales of capital equipment in China tend to be more variable and are subject to a number of uncertainties. Our bookings and revenues from China have tended to be more variable than in other geographic regions. The Chinese pulp and paper industry has experienced periods of significant capacity expansion to meet demand followed by periods of reduced activity while overcapacity is absorbed. These cycles result in periods of significant bookings activity for our capital products and increased revenues followed by a significant decrease in bookings or potential delays in shipments and order placements by our customers as they attempt to balance supply and demand. Orders from customers in China, particularly for large **fiber processing** ~~stock-preparation~~ systems that have been tailored to a customer's specific requirements, have credit risks higher than we generally incur elsewhere, and some orders are subject to the receipt of financing approvals from the Chinese government or can be impacted by the availability of credit and more restrictive monetary policies. We generally do not record bookings for signed contracts from customers in China for large **fiber processing** ~~stock-preparation~~ systems until we receive the down payments for such contracts. The timing of the receipt of these orders and the down payments are uncertain and there is no assurance that we will be able to recognize revenue on these contracts. We may experience a loss if a contract is canceled prior to the receipt of a down payment if we have commenced engineering or other work associated with the contract or we may not be able to retain a down payment. We typically have inventory awaiting shipment to customers and could incur a loss if contracts are canceled and we cannot re- sell the equipment. In addition, we may experience a loss if the contract is canceled, or the customer does not fulfill its obligations under the contract, prior to the receipt of a letter of credit or final payments covering the remaining balance of the contract, which could represent a significant portion of the total order. As a result of these factors, our ~~revenues-~~ **revenue** recognized in China have varied, and will in the future vary from period to period and be difficult to predict. Our results of operations may be adversely affected by currency fluctuations. As a multinational corporation, we are exposed to fluctuations in currency exchange rates that impact our business in many ways. We are exposed to both translation as well as transaction risk associated with transactions denominated in currencies that differ from our subsidiaries' functional currencies. Although most of our subsidiaries' costs are denominated in the same currency as their ~~revenues-~~ **revenue**, changes

in the relative values of currencies occur from time to time and can adversely affect our operating results. Some of the foreign currency translation risk is mitigated when foreign subsidiaries have revenue and expenses in the same foreign currency. Further, certain foreign subsidiaries may hold U. S. dollar assets or liabilities which, as the U. S. dollar strengthens versus the applicable functional currencies, will result in currency transaction gains on assets or losses on liabilities. While some foreign currency transaction risks can be hedged using derivatives or other financial instruments, or may be insurable, such attempts to mitigate these risks may be costly and may not always be successful. When we translate the local currency results of our foreign subsidiaries into U. S. dollars during a period in which the U. S. dollar is strengthening, our financial results will reflect decreases due to foreign currency translation. In addition, our consolidated financial results are adversely affected when foreign governments devalue their currencies. Our major foreign currency translation exposures involve the currencies in Europe, China, Brazil, Canada, and Mexico. For example, China's central bank has previously devalued the renminbi to boost the Chinese economy, which had a negative translation impact on our consolidated revenue and may in the future have a negative translation impact if this recurs. The overall favorable or unfavorable effect of foreign currency translation on our financial results will vary by quarter. We do not enter into derivatives or other financial instruments to hedge this type of foreign currency translation risk.

Risks Related to Regulation of our Business and Industry Operating globally subjects us to changes in government regulations and policies in multiple jurisdictions around the world, including those related to tariffs and trade barriers, taxation, exchange controls and political risks. Changes in government policies, political unrest, economic sanctions, trade embargoes, or other adverse trade regulations can negatively impact our business. Non- U. S. markets contribute a substantial portion of our revenues, and we intend to continue expanding our presence in these regions. For example, we operate businesses in Mexico and Canada, and we benefited from the North American Free Trade Agreement, which has been replaced by the United States- Mexico- Canada Agreement (USMCA), from which we also benefit. If the United States were to withdraw from or materially modify the USMCA or impose significant tariffs or taxes on goods imported into the United States, the cost of our products could significantly increase or no longer be priced competitively, which in turn could have a material adverse effect on our business and results of operations. In addition, the Office of the United States Trade Representative has imposed tariffs on a wide variety of products from China, including pulp and paper machinery equipment, pursuant to Section 301 of the Trade Act of 1974. The tariffs on pulp and paper machinery are set at 25 % **and, effective as of February 2025, there is an additional 10 % tariff on all imports from China**. In addition, the U. S. Department of Commerce has imposed tariffs of 25 % on numerous categories of steel imports, and **10 % on numerous categories of aluminum imports, from most countries** under Section 232 of the Trade Expansion Act of 1962, **and such tariffs could increase or expand to include additional import categories**. While we try to mitigate the impact of the existing and other proposed tariffs **by the Trump administration** through pricing and sourcing strategies, we cannot be certain how our customers and competitors will react to the actions we take. The tariffs have and could in the future negatively affect our ability to compete against competitors who do not manufacture in China and / or are not subject to the tariffs. The United States has tightened trade sanctions targeting countries like China and Russia. For example, since 2018 the United States has imposed various trade and economic sanctions targeting certain persons in Russia and certain types of business with Russia. The United States has continued to expand export control restrictions applicable to certain Chinese firms and continued its assessment of new controls for **"**emerging foundational technologies, **"**escalating U. S.- China tension concerning technology. Moreover, tensions between the U. S. and China have increased and future actions by the U. S. or Chinese governments may impact our operations in and supply from China, as well as sales to and from China. In response, Russia and China have begun considering and, in some cases, implementing trade sanctions that could affect U. S.- owned businesses. The imposition of trade sanctions **has and may in the future continue to** make it generally more difficult to do business in Russia and China and cause delays or prevent shipment of products or services performed by our personnel, or to receive payment for products or services. Additionally, the military conflict between Russia and Ukraine and the global response to it has and may in the future adversely impact our revenues, gross margins and financial results. The United States, the European Union, and many other countries have imposed sanctions on Russia, individuals in Russia and Russian businesses, including several large banks. In **2023-2024**, our sales to Russia were **minimal at \$ 42. 06 million**. **As a result of the international sanctions regime in place against Russia, it has become extremely difficult to sell any of our equipment less than 1 % of our or revenue services into Russia. Any proposed sales into Russia are evaluated on a case- by- case basis, taking into account the risks related to the sale, the costs associated with ensuring compliance with applicable sanctions and the likelihood of receiving payment from either party' s banks**. It is not possible to predict the broader or longer- term consequences of this conflict, which could include further sanctions, embargoes, regional instability, geopolitical shifts and adverse effects on macroeconomic conditions, security conditions, currency exchange rates and financial markets. Such geopolitical instability and uncertainty has and could continue to have in the future a negative impact on our ability to sell to, ship products to, collect payments from, and support customers in certain regions based on trade restrictions, embargoes and export control law restrictions, and logistics restrictions, and could increase the costs, risks and adverse impacts from these new challenges. The conflict between Russia and Ukraine, as well as other conflicts such as those in the Middle East, may also have the effect of heightening other risks disclosed in this Annual Report on Form 10- K, any of which could materially and adversely affect our business and results of operations. Such risks include, but are not limited to, adverse effects on macroeconomic conditions, including inflation and business and consumer spending; disruptions to our global technology infrastructure, including through cyberattack, ransomware attack, or cyber- intrusion; adverse changes in international trade policies and relations; our ability to maintain or increase our prices, including any fuel surcharges in response to rising fuel costs; the energy crisis resulting from the **Russia- Ukraine** conflict, particularly in Europe; our ability to implement and execute our business strategy; disruptions in global supply chains; our exposure to foreign currency fluctuations; and constraints, volatility, or disruption in the capital markets. Such restrictions **could have and may in the future continue to** have a material adverse impact on our business and operating results **going forward**. We are required to comply with a wide

variety of laws and regulations, and are subject to regulation by various federal, state and foreign agencies. We are subject to various local, state, federal, foreign and transnational laws and regulations, particularly those relating to environmental protection, the importation and exportation of products, tariffs and trade barriers, taxation, exchange controls, current good manufacturing practices, data protection, health and safety and our business practices in the U. S. and abroad, such as anti-corruption and anti- competition laws, and, in the future, any changes to such laws and regulations could adversely affect us. **The costs associated with legal and regulatory compliance has increased as the number of laws and regulations applicable to our business has increased.** Any noncompliance by us with applicable laws and regulations or the failure to maintain, renew or obtain necessary permits and licenses could result in criminal, civil and administrative penalties and could have an adverse effect on our results of operations. We are subject to risks and costs associated with environmental laws and regulations. The manufacturing of our products requires the use of hazardous materials that are subject to a broad array of environmental, health and safety laws and regulations. Our failure to manage the use, transportation, emissions, discharge, storage, recycling, or disposal of hazardous materials could lead to increased costs or regulatory penalties, fines and legal liability. Our ability to expand, modify or operate our manufacturing facilities in the future may be impeded by environmental regulations, such as air quality, wastewater requirements, and energy supply and use restrictions. The Chinese government has pledged to tackle the country's hazardous smog and improve air quality conditions, which has prompted authorities to impose strict pollution control measures when certain pollution levels are detected and ahead of high- profile events. Regulators have in the past and may in the future temporarily restrict the operations of our manufacturing facilities in a particular geographic location as a result of attempts to control pollution levels, or energy supply or use restrictions in China. Environmental laws and regulations could also require us to acquire pollution abatement or remediation equipment, modify product designs, or incur other expenses. New regulations promulgated in reaction to climate change could result in increased manufacturing costs associated with air pollution control or energy requirements, and increased or new monitoring, recordkeeping, and reporting of greenhouse gas (GHG) emissions. **For example, the Corporate Sustainability Reporting Directive in the European Union imposes obligations in future years to report GHG emissions. Calculation of some GHG emissions can involve uncertainty and lack precision because of the absence of reliable inputs or methods to perform such calculations.** We also see the potential for higher energy costs driven by climate change regulations. Implementation of such new regulations could increase our costs or require us to modify our operations and negatively impact our business and results of operations. Since 2020, we have set annual goals related to environmental, social and governance (ESG) issues. Some or all of our current or future ESG goals may be difficult to achieve and may be subject to factors beyond our reasonable control, including without limitation, actions of our customers and suppliers, technological advances with respect to replacing natural gas with renewable energy sources for industrial applications, and the availability of renewable energy sources for our facilities and applications. Failure to achieve our ESG goals could negatively impact our reputation, which could have an adverse impact on our overall business and stock price. Environmental, health and mine safety laws and regulations impacting the mining industry may adversely affect demand for products manufactured by our Material Handling segment. SMH, which is in our Material Handling segment, supplies equipment to mining companies operating in major mining regions throughout the world. SMH's customers' operations are subject to or affected by a wide array of regulations in the jurisdictions where they operate, including those directly impacting mining activities and those indirectly affecting their businesses, such as applicable environmental and mine safety laws. New environmental and health legislation or administrative regulations relating to mining or affecting demand for mined materials or more stringent interpretations of existing laws and regulations, may require SMH's customers to significantly change or curtail their operations. The mining industry has also encountered increased scrutiny as it relates to safety regulations. New legislation or regulations and the high cost of compliance with such regulations relating to mine safety standards may induce customers to discontinue or limit their mining operations and may discourage companies from developing new mines or maintaining existing mines, which in turn could diminish demand for our products and services. As a result of these factors, demand for SMH's mining equipment could be adversely affected by environmental and health regulations directly or indirectly impacting the mining industry. Any reduction in demand for SMH's products as a result of environmental, health or mine safety regulations could have an adverse effect on SMH's and our overall business, financial condition or results of operations. Risks Related to Indebtedness and our Credit Agreement Our debt may adversely affect our cash flow and may restrict our investment opportunities. We have borrowed amounts under our five- year, unsecured multi- currency revolving credit facility (Credit Agreement) and under other agreements to fund our operations and our acquisition strategy. Our borrowing capacity under the Credit Agreement may decrease as a result of the impact that foreign exchange rate fluctuations could have on our foreign- denominated borrowings. Pursuant to the Credit Agreement, we have a borrowing capacity of \$ 400. 0 million with an uncommitted, unsecured incremental borrowing facility of \$ 200. 0 million with a maturity date of November 30, 2027. In 2018, we also issued \$ 10. 0 million in senior notes under our Multi- Currency Note Purchase and Private Shelf Agreement with **Prudential PGIM** Private Capital, a unit of PGIM, Inc., and affiliate of Prudential Financial, Inc. (Note Purchase Agreement). We may also in the future obtain additional long- term debt and working capital lines of credit to meet future financing needs, which would have the effect of increasing our total leverage. Our indebtedness could have negative consequences, including: – increasing our vulnerability to adverse economic and industry conditions; – limiting our ability to obtain additional financing; – limiting our ability to pay dividends on or to repurchase our capital stock; – limiting our ability to complete a merger or an acquisition or acquire new products and technologies through acquisitions or licensing agreements; and – limiting our flexibility in planning for, or reacting to, changes in our business and the industries in which we compete. **The majority-Substantially all** of our existing indebtedness bears interest at floating rates, and as a result, our interest payment obligations on our indebtedness will fluctuate if interest rates increase or decrease. In addition, the Tax Cuts and Jobs Act of 2017 (2017 Tax Act) places certain limitations on the deductibility of interest expense as a percentage of adjusted taxable income. If interest rates or the level of our debt increase, to the extent that the associated interest expense exceeds the limitation

established by the 2017 Tax Act, the amount of interest expense that we would not be able to deduct for income tax purposes, if significant, could adversely affect our financial results and cash flows. Our ability to satisfy our obligations and to reduce our total debt depends on our future operating performance and on economic, financial, competitive, and other factors beyond our control. Our business may not generate sufficient cash flows to meet these obligations or to successfully execute our business strategy. If we were unable to service our debt and fund our business, we could be forced to reduce or delay capital expenditures or research and development expenditures, seek additional financing or equity capital, restructure or refinance our debt, curtail or eliminate our cash dividend to stockholders, or sell assets. Restrictions in our Credit Agreement and Note Purchase Agreement may limit our activities. Our Credit Agreement and the Note Purchase Agreement contain, and future debt instruments to which we may become subject may contain, restrictive covenants that limit our ability to engage in activities that could otherwise benefit us, including restrictions on our ability (including the ability of our subsidiaries) to: incur additional indebtedness; pay dividends on, redeem, or repurchase our capital stock; make investments; create liens; sell assets; enter into transactions with affiliates; and consolidate, merge, or transfer all or substantially all of our assets and the assets of our subsidiaries. We are also required to meet specified financial covenants under the terms of our Credit Agreement and the Note Purchase Agreement. Our ability to comply with these financial restrictions and covenants is dependent on our future performance, which is subject to prevailing economic conditions and other factors, including factors that are beyond our control. Our failure to comply with any of these restrictions or covenants may result in an event of default under our Credit Agreement, the Note Purchase Agreement and other loan and note obligations, which could permit acceleration of the debt under those instruments and require us to repay the debt before its scheduled due date. If an event of default were to occur, we might not have sufficient funds available to make the payments required under our indebtedness. In addition, our inability to borrow funds under our Credit Agreement would have significant consequences for our business, including reducing funds available for acquisitions and other investments in our business; and impacting our ability to pay dividends and meet other financial obligations. Furthermore, our Credit Agreement requires that any amounts borrowed under the facility be repaid by the maturity date in 2027. If we are unable to roll over the amounts borrowed into a new credit facility and we do not have sufficient cash to repay our borrowings, we may default under the Credit Agreement. We may need to repatriate cash from our overseas operations, which may not be possible, to fund the repayment and we may be required to pay taxes on the repatriated amounts. Such repatriation would have an adverse effect on our effective tax rate and cash flows. Adverse changes to the soundness of financial institutions could affect us. We have relationships with many financial institutions, including lenders under our credit facilities and insurance underwriters, and from time to time we execute transactions with counterparties in the financial industry, such as hedging transactions. In addition, our subsidiaries in China often hold banker's acceptance drafts that are received from customers in the normal course of business. These drafts may be discounted or used to pay vendors prior to the scheduled maturity date or submitted to an acceptance bank for payment at the scheduled maturity date. These financial institutions or counterparties could be adversely affected by volatile conditions in the financial markets, economic downturns, and difficult economic conditions. These conditions could result in financial instability, bankruptcy, or other adverse effects at these financial institutions or counterparties. We may not be able to access credit facilities in the future, complete transactions as intended, or otherwise obtain the benefit of the arrangements we have entered into with such financial parties, which could adversely affect our business and results of operations.

Risks Related to Ownership of our Capital Stock

Our share price fluctuates and experiences price and volume volatility. Stock markets in general and our common stock in particular experience significant price and volume volatility from time to time. The market price and trading volume of our common stock may continue to be subject to significant fluctuations due not only to general stock market conditions but also to a change in sentiment in the market regarding our operations, business prospects, or future funding. Given the nature of the markets in which we participate and the volatility of orders, we may not be able to reliably predict future revenues and profitability, and unexpected changes may cause us to adjust our operations. A large proportion of our costs are fixed, due in part to our significant selling, general and administrative, research and development, and manufacturing costs. Thus, small declines in revenues could disproportionately affect our operating results. Other factors that could affect our share price and quarterly operating results include: – changes in the assumptions used for revenue recognized over time; – fluctuations in revenues due to customer-initiated delays in product shipments; – failure of a customer to comply with an order's contractual obligations or inability of a customer to provide financial assurances of performance; – adverse changes in demand for and market acceptance of our products; – failure of our products to pass contractually agreed upon acceptance tests, which could delay or prohibit recognition of revenues under applicable accounting guidelines; – competitive pressures resulting in lower sales prices for our products; – adverse changes in the process industries we serve; – delays or problems in our introduction of new products or in the manufacture of our products; – our competitors' announcements of new products, services, or technological innovations; – contractual liabilities incurred by us related to guarantees of our product performance; – increased costs of raw materials or supplies, including the cost of energy; – changes in the timing of product orders; – changes in the estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, or expenses; – the impact of acquisition accounting and the treatment of acquisition and restructuring costs as period costs; – fluctuations in our outstanding indebtedness and associated interest expense; – fluctuations in our effective tax rate; – fluctuations in foreign currency exchange rates; – the operating and share price performance of companies that investors consider to be comparable to us; and – changes in global financial markets and global economies and general market conditions. Anti-takeover provisions in our charter documents and under Delaware law could prevent or delay transactions that our shareholders may favor. Provisions of our charter and bylaws may discourage, delay, or prevent a merger or acquisition that our shareholders may consider favorable, including transactions in which shareholders might otherwise receive a premium for their shares. For example, these provisions: – authorize the issuance of "blank check" preferred stock without any need for action by shareholders; – provide for a classified board of directors with staggered three-year terms; – require supermajority shareholder voting to effect various amendments to our charter and bylaws;

– eliminate the ability of our shareholders to call special meetings of shareholders; – prohibit shareholder action by written consent; and – establish advance notice requirements for nominations for election to our board of directors or for proposing matters that can be acted on by shareholders at shareholder meetings. Our board of directors could adopt a shareholder rights plan in the future that could have anti- takeover effects and might discourage, delay, or prevent a merger or acquisition that our board of directors does not believe is in our best interest and those of our shareholders, including transactions in which shareholders might otherwise receive a premium for their shares.