

2020

A Message From Our Chairman & CEO

DOUGLAS T. DIETRICH

2020 tested the strength and capabilities of our company in many ways. Despite numerous challenges related to the COVID-19 pandemic, the solid results we achieved underscore the power of our operating culture, the resiliency of our global market-leading positions, the value we provide to our customers, and the strength of our financial foundation. The year also presented new opportunities, including leveraging virtual tools, to adapt and rise to the needs and expectations of our employees, customers, communities, and shareholders.

I am constantly impressed by our talented employees and their focus on our values, including operating safely, maintaining a continuous improvement mindset in everything we do, and serving our customers. **These qualities were clearly demonstrated in the face of the pandemic, and I am thankful to our employees for their focus, efforts, and perseverance.**



Before I cover our performance in 2020, I want to briefly outline the priorities we set to guide MTI during the year:

- 1 Protect the health, safety and well-being of MTI's 3,500 plus employees and their families and the communities where we work;
- 2 Ensure business continuity and efficiently operate our facilities;
- 3 Serve our customers in essential industries with value-added products;
- 4 Generate strong cash flow to support our financial position;
- 5 Continue to advance our growth initiatives;
- 6 Diligently manage our costs; and
- 7 Position MTI to emerge through the crisis as a stronger company.

Taken together, these priorities have ensured MTI is there for our employees, customers, and communities, and that we are delivering sustained value to our shareholders. As we adjusted to a new reality, and successfully managed through difficult circumstances, MTI exited 2020 in a stronger position than when we began the year.



SUPPORTING OUR PEOPLE AND COMMUNITIES DURING THE PANDEMIC

We established a COVID-19 task force to guide all the key activities in a coordinated manner and ensure business continuity. Based on learnings from our experience in China in the beginning of the year, we implemented a series of robust protocols for MTI employees across our global locations, including temperature scans, increased disinfection, social distancing, and the use of masks. We recognized early on that we needed to educate and train our teams and their families about the risks of community spread and how our safe work practices could be extended to their homes. By doing so, our employees have not only had the resources to protect themselves and their colleagues, but also their families and local communities.

Over the past year, I have been inspired by the dedication, flexibility, and collaboration from our employees across the globe. Protecting the health and safety of our employees is one of our core values, and this was particularly critical in 2020.



We took several proactive steps to support our employees and address their needs during this time, including a special bonus payment to recognize our frontline employees for their efforts, pay continuity for employees unable to work due to COVID-19 and government mandated shutdowns, and through an Employee Assistance Program offering services from financial counseling to mental health support.

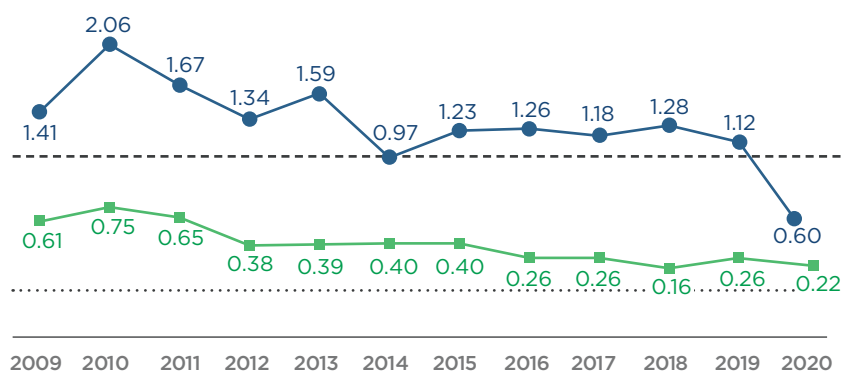
While working in a challenging and distracting environment, our employees stayed focused on improving our safety performance, which resulted in the lowest recordable injury rate in MTI's history. It is a testament to the strength of our people, capabilities, and processes that we were able to swiftly adapt to the new working environment and drive our safety culture forward.

0.60

RECORDABLE INJURY RATE

RECORD LOW INJURY PERFORMANCE IN 2020

Safety Performance INJURIES/100 EMPLOYEES



--- World Class Recordable Injury Rate 1.0 ● Total Recordable Injury Rate
 World Class Workday Injury Rate 0.10 ■ Lost Workday Injury Rate



MANAGING THROUGH CHANGING CONDITIONS TO DELIVER SOLID RESULTS

The resiliency of our differentiated business model and our team's execution focus and ability to quickly adapt were evident throughout 2020. Conditions in our end markets were dynamic with our consumer-oriented businesses experiencing resilient demand while demand in others dropped dramatically. With our diverse sales portfolio balanced across sectors and geographies, we were able to effectively mitigate the impact.

Our consumer-oriented businesses in both Performance Materials and Specialty Minerals were consistently strong during the year. As volumes in our businesses serving industrial end markets were impacted most notably in the second quarter, we made several operational adjustments at our plants, including value-added maintenance activities and manufacturing process improvements.

Leveraging our global manufacturing footprint, unique capabilities, and customer-focus, we strengthened our positions with existing customers and captured opportunities with new ones.

When our industrial markets, including automotive, residential construction, and steel, steadily improved in the last four months of the year, we were well positioned to deliver strong earnings performance on the higher volumes.

\$1.6 BILLION REVENUE
\$213 MILLION OPERATING INCOME*

We took aggressive measures to enhance our operational efficiency, including variable cost adjustments and structural overhead savings. In addition, we drove productivity improvements, continued with pricing actions, and increased our sales of new products. Through these efforts we were well-positioned to leverage improving sales in the latter part of the year into income, which resulted in higher overall operating and EBITDA margins compared to 2019.

13.4%
OPERATING MARGIN*

**+30 BASIS POINTS
OVER 2019**



*Excludes Special Items

CULTURE OF CONTINUOUS IMPROVEMENT: AGILE OPERATING MODEL

Operational Excellence, which is our deeply ingrained business system focused on lean principles and operating in the least waste way, was a critical factor in our ability to manage through the obstacles we faced. Our people and their engagement in the company are what drive this mindset and it is the unique recipe for MTI to be agile. We conducted 8,600 problem-solving kaizen events and received over 63,000 suggestions from our employees on how to improve our daily processes. This is a significant level of engagement from all MTI employees — a clear demonstration of the power of our continuous improvement culture.

8,600
Problem-Solving
Kaizen Events

63,000
Employee Suggestions
to Improve Processes



NEW VIRTUAL TOOLS ENHANCE ENGAGEMENT WITH CUSTOMERS AND ENABLE INTERNAL COLLABORATION AND EFFICIENCIES

The pandemic proved to be a time when our customers needed us most, and we transformed our processes and capabilities to drive efficiencies, improve collaboration, and further demonstrate our value proposition through a variety of virtual tools. Examples include:

Performing specialized maintenance assessments

without engineers physically present at the plant



Remote commissioning

of new PCC satellites and customer visits



Supporting trialing and commercializing
new products and applications



Developed a virtual webinar series

that allows our technical teams to interact with a broader group of customers and more quickly provide them with our value-added solutions

In addition to making changes to serve our customers, our virtual capabilities have helped to drive efficiencies in our internal processes, improve the speed of decision making, and increase connectivity and collaboration with our global teams through remote site visits and meetings. **These tools are becoming a significant competitive advantage to our company and will remain a permanent part of how we work in the future.**

ADVANCING OUR GROWTH INITIATIVES

Despite the challenging circumstances in 2020, we remained focused on executing our growth strategy, and we made progress on several fronts throughout the year.



GEOGRAPHIC EXPANSION
accelerating in core product lines through market penetration and entering higher-growth areas



NEW PRODUCT DEVELOPMENT
pipeline delivering more specialized solutions to a larger customer base



ACQUISITIONS
of minerals-based companies

Our growth initiatives are supported by a strong and flexible balance sheet which provides the ability to generate attractive, sustainable returns for shareholders.



CONSUMER-ORIENTED BUSINESSES

25% Of Total Portfolio

RESILIENT AND CONSISTENTLY STRONG IN 2020



+7% Pet Care Sales

STRENGTHENED GLOBAL PREMIUM PLATFORM, INTRODUCED NEW PRODUCTS & ENTERED NEW CHANNELS



+17% Pre-Blended Greensand Bond Sales in China

FURTHER EXTENDED PENETRATION



CHINA CASTINGS MARKET

4X Larger than U.S. Castings Market

SIGNIFICANT OPPORTUNITIES TO PENETRATE CHINA MARKET WITH OUR CUSTOMIZED, PRE-BLENDED GREENSAND BOND FORMULATIONS

GROWING OUR CONSUMER-ORIENTED PORTFOLIO

For several years, we have been focused on growing our consumer-oriented businesses in both Performance Materials and Specialty Minerals as these are high-return areas with steady growth potential. We are uniquely positioned to serve these markets and have invested in strengthening our vertically integrated capabilities, resources, and new technologies. Much of the strength has been in our global Pet Care business as we continue to grow our portfolio of premium products, enter new channels such as e-commerce, and expand our presence in Europe and Asia. In addition, we delivered solid increases in personal care, edible oil purification, fabric care, and other food and pharmaceutical applications.

METALCASTING PENETRATION IN ASIA

Our Metalcasting business is a key growth area for MTI as we build on our position as the leader in greensand bond systems for the global foundry market. There are significant opportunities to leverage our extensive technical expertise and cost and quality value proposition with customers in large foundry markets, such as China and India. Specifically, with our tailored solutions, we are well-positioned to meet the increasing demand from foundries for higher-quality castings. This year, we expanded our customer base and further extended our penetration into China as sales of our pre-blended products increased by 17%. With the investments we are making in our mining, manufacturing, and technology capabilities, we anticipate continued growth in Asia.





+13% Paper PCC
Sales in China

STRONG GROWTH TRAJECTORY
AND LARGEST SATELLITE
START-UP IN MTI HISTORY
IN Q4



200K+ Tons

OF NEW CAPACITY ONLINE
AT END OF 2020

China, India and U.S.



70K Tons

ONLINE IN EUROPE AND
ASIA IN 2021



COMMERCIALIZED
44 New
Products



50% Of New
Product Pipeline
GEARED TOWARDS
SUSTAINABLE SOLUTIONS

INCREASE PRECIPITATED CALCIUM CARBONATE (PCC) VOLUMES GLOBALLY

We are the world's largest PCC producer with the most advanced portfolio of technologies, including high filler and applications for consumer packaging and paper waste recycling. Our objective is to increase PCC volumes globally through base filler contracts in underpenetrated regions and by capitalizing on growing opportunities in adjacent markets, such as packaging applications, where we can deploy these latest solutions.

In 2020, our growth in China continued on a strong trajectory as PCC sales increased by 13%, and we commissioned three new satellites in China, India and the U.S., totaling over 200,000 tons of new capacity. Looking ahead, we are bringing online 70,000 tons of additional PCC capacity in Asia and Europe in 2021, which combined with the ramp-up of our latest satellites, will help drive volume growth.

COMPREHENSIVE NEW PRODUCT PIPELINE MEETING EVOLVING CUSTOMER PREFERENCES

New product development is a key growth strategy for our company, and our objectives are to improve the speed of execution, increase the number of products commercialized, and enhance the impact of our latest solutions. **Over the past five years, we have reduced the time from development to market in half, and at the same time, increased our sales from new products by more than 50%.**

Specific to 2020, we made notable progress on these objectives. We commercialized 44 value-added products and incorporated sustainability indicators to ensure we are meeting both our own environmental goals as well as those of our customers'. Notable technologies include water remediation solutions to address per- and polyfluoroalkyl substances (PFAS), PCC for packaging applications, advanced formulations for edible oil purification, new waterproofing applications, and our 100% carbon-neutral pet care product. Many of these new products are helping us penetrate more consumer-oriented applications and enter adjacencies with customers.




FINANCIAL POSITION TO DEPLOY CAPITAL WITH A BALANCED APPROACH

While operating in a more uncertain environment, we prioritized cash flow and creating flexibility around our capital structure. **During the year, we delivered strong free cash flow of \$175 million, which was used to reduce net debt by \$122 million and return \$48 million to our shareholders.** In addition, we capitalized on attractive credit market conditions by completing a \$400 million offering of senior unsecured notes, which extended our weighted average debt maturity by 2.5 years, and increased liquidity by nearly \$250 million.


\$175M
free cash flow


\$400M
senior unsecured
notes offering
completed


\$122M
net debt reduction
and lowered net
leverage ratio to
1.8X EBITDA


\$48M
returned to
shareholders

Acquisitions are a key component of our long-term growth strategy, and we maintain a robust pipeline of minerals-based opportunities that align with our strategic initiatives. In 2020, we acquired a small hauling and mining company which further strengthened our vertically integrated position at our bentonite mines in Wyoming.

LIVING OUR VALUES AND BUILDING A MORE DIVERSE AND INCLUSIVE WORKFORCE

As we drive value for our stakeholders, how we do it is equally as important as what we do. At the heart of MTI are our talented employees who are integral to driving our high-performance culture. **We are committed to fostering our talent, providing extensive learning and development opportunities, and attracting and building the workforce that will help support and grow MTI for the future.**

With our global footprint, we have seen firsthand the energy and innovation that come from encouraging diverse perspectives and backgrounds. Tragic incidents this past year brought into clear view the inequities that exist in society and reinforced the importance of taking deliberate actions to understand biases and ensure all employees feel welcomed and heard. **Led by our Global Inclusion Council, we have been focused on raising awareness, educating our employees through global training on topics such as unconscious bias, and identifying initiatives to support a more diverse and inclusive environment.** Together, we are making strides to further promote an inclusive and open culture at MTI built on our core values of respect, honesty, and trust.

STRONG PIPELINE OF ACQUISITION OPPORTUNITIES

Moving MTI to a higher-return, more balanced portfolio by

Advancing geographic expansion in core product lines

Growing our portfolio of consumer-oriented businesses with less cyclicity

Leveraging a more comprehensive, specialty minerals-based product offering

Supported by our strong and flexible balance sheet

With our strong financial position, we have the resources to execute on our growth initiatives and the flexibility to also deploy capital in a balanced way through dividends and share repurchases, as well as towards acquisitions.



ADVANCING BROAD SUSTAINABILITY INITIATIVES

Sustainability is core to who we are and how we operate. It encompasses the engagement of our employees, continuously developing new products to address customer needs, and managing our natural resources to support our stakeholders and the communities where we live and operate. Over the past few years, we have taken meaningful steps to embed these activities deeper into our company while aligning them with our business strategy and financial goals. Specifically, we are on track to meet or exceed our 2025 environmental targets in six focus areas. We have mapped our sustainability strategy and framework using the Global Reporting Initiative (GRI) standards, which has helped us to take a more holistic look at our economic, environmental, and social impacts based on the priorities of our stakeholders. I established a dedicated Sustainability Lead Team in 2019 to manage progress towards achieving our targets, support implementation of global projects, and improve our external disclosures. Through the guidance of our Sustainability Lead Team and the involvement of all MTI employees, we continue to take steps to ensure the long-term sustainability of our company.

2025 ENVIRONMENTAL TARGETS

on track to meet or exceed six focus areas



LOOKING AHEAD IN 2021

In 2020, the team at MTI demonstrated tremendous engagement and ingenuity, which enabled us to protect the health and safety of our employees, to solve customers' challenges in new ways, and to succeed in a world transformed by the COVID-19 pandemic. Our market-leading positions and high-value product portfolio enabled us to drive growth prospects with customers no matter what we faced and set us up for further success as markets continue to improve. The changes we made in 2020, including our operational measures and our approach to doing business differently in a virtual environment, will serve as competitive advantages going forward.

Our business is diverse and resilient. Our operations are nimble. Our financial position is strong. And our team is engaged, focused on operating safely and efficiently, and fostering our high-performance culture. With the positive momentum that we generated at the end of 2020, we are well positioned to execute on the attractive opportunities in front of us.

On behalf of all of us at MTI, we thank you for your investment. And to the incredible MTI team — thank you for all you do to support our company, each other, and our customers.

Stay safe and stay well.

Sincerely,

Douglas T. Dietrich
Chairman &
Chief Executive Officer

