

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Cautionary Statement for “Safe Harbor” Purposes under the Private Securities Litigation Reform Act of 1995

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

Forward-looking statements are necessarily based on assumptions, estimates and limited information available at the time they are made. A broad variety of risks and uncertainties, both known and unknown, as well as the inaccuracy of assumptions and estimates, can affect the realization of the expectations or forecasts in these statements. Many of these risks and uncertainties are difficult to predict or are beyond the Company’s control. Consequently, no forward-looking statements can be guaranteed. Actual future results may vary materially. Significant factors affecting the expectations and forecasts are set forth under “Item 1A — Risk Factors” in this Annual Report on Form 10-K.

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

Income and Expense Items as a Percentage of Net Sales

Year Ended December 31,	2013	2012	2011
Net sales	100.0%	100.0%	100.0%
Cost of goods sold.....	77.1	77.7	79.3
Production margin.....	22.9	22.3	20.8
Marketing and administrative expenses	8.8	8.9	8.8
Research and development expenses	2.0	2.0	1.9
Insurance settlement (gain)	(0.3)	--	--
Restructuring charges.....	--	--	--
Income from operations	12.5	11.4	10.1
Income from continuing operations before provision for taxes on income	12.2	11.1	9.8
Provision for taxes on income	3.4	3.2	2.8
Income from continuing operations	8.8	7.9	7.0
Net income	7.9%	7.4%	6.5%

Executive Summary

The Company reported record earnings per share for 2013, the fourth consecutive year of record earnings. Earnings from continuing operations in 2013 were \$2.46 per share, an increase of 14% from 2012. The results reflected continued solid financial performance.

Worldwide sales were \$1.02 billion compared with \$1.00 billion in 2012, an increase of 2 percent. Foreign exchange had an unfavorable impact on sales of \$11.2 million or 1 percentage point.

Income from operations grew 12 percent to \$126.9 million as compared to \$113.6 million in the prior year and represented 12.5% of sales. This increase was due to a strong operating performance highlighted by 5-percent company-wide productivity improvements, which resulted in savings of \$3.3 million, and continued cost and expense control. Income from operations also included a one-time insurance settlement gain of \$2.5 million. The strong operating performance occurred in both segments. The Specialty Minerals segment’s income from operations increased 12 percent to a record \$98.4 million in 2013 and represented 14.7% of sales. This increase was attributable to a strong performance in Paper PCC due to contributions from the Fulfill® technology, the startup of two new satellite plants and productivity improvements and price increases in both the PCC and Processed Minerals product lines. The Refractories segment’s operating income increased 10% to \$35.9 million, including the insurance gain, and represented 10.3% of sales. This segment attained strong productivity improvements, higher metallurgical wire sales and improved profitability in Europe.