

MINERALS TECHNOLOGIES INC  
Form 10-Q  
October 23, 2015

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
FORM 10-Q

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

For the quarterly period ended September 27, 2015

or

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

Commission File Number 1-11430

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MINERALS TECHNOLOGIES INC.  
(Exact name of registrant as specified in its charter)

DELAWARE 25-1190717  
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

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

(212) 878-1800  
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

YES NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

YES NO

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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Large Accelerated Filer Accelerated Filer Non- accelerated Filer Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES NO

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

| Class                          | Outstanding at October 13, 2015 |
|--------------------------------|---------------------------------|
| Common Stock, \$0.10 par value | 34,749,294                      |



MINERALS TECHNOLOGIES INC.

INDEX TO FORM 10-Q

|   | <u>Page<br/>No.</u> |
|---|---------------------|
| PART I. FINANCIAL INFORMATION   |                     |
| Item 1. Financial Statements:   |                     |
| <u>Condensed Consolidated Statements of Income for the three-month and nine-month periods ended September 27, 2015 and September 28, 2014 (Unaudited)</u>               | 3                   |
| <u>Condensed Consolidated Statements of Comprehensive Income for the three-month and nine-month periods ended September 27, 2015 and September 28, 2014 (Unaudited)</u> | 4                   |
| <u>Condensed Consolidated Balance Sheets as of September 27, 2015 (Unaudited) and December 31, 2014</u>   | 5                   |
| <u>Condensed Consolidated Statements of Cash Flows for the nine-month periods ended September 27, 2015 and September 28, 2014 (Unaudited)</u>                           | 6                   |
| <u>Notes to Condensed Consolidated Financial Statements (Unaudited)</u>   | 7                   |
| <u>Review Report of Independent Registered Public Accounting Firm</u>   | 21                  |
| Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>  | 22                  |
| Item 3. <u>Quantitative and Qualitative Disclosures about Market Risk</u>   | 36                  |
| Item 4. <u>Controls and Procedures</u>  | 37                  |
| PART II. OTHER INFORMATION  |                     |
| Item 1. <u>Legal Proceedings</u>  | 38                  |
| Item 1A. <u>Risk Factors</u>  | 39                  |
| Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>  | 39                  |
| Item 3. <u>Default Upon Senior Securities</u>   | 39                  |
| Item 4. <u>Mine Safety Disclosures</u>  | 40                  |
| Item 5. <u>Other Information</u>  | 40                  |
| Item 6. <u>Exhibits</u>   | 41                  |
| <u>Signature</u>  | 42                  |

Index

## PART 1. FINANCIAL INFORMATION

## ITEM 1. Financial Statements

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

|   | Three Months Ended                   |                | Nine Months Ended |                |
|---|--------------------------------------|----------------|-------------------|----------------|
|   | Sept. 27, 2015                       | Sept. 28, 2014 | Sept. 27, 2015    | Sept. 28, 2014 |
|   | (in millions, except per share data) |                |                   |                |
| Product sales   | \$410.1                              | \$458.1        | \$1,218.8         | \$1,075.0      |
| Service revenue   | 40.9                                 | 85.4           | 148.8             | 134.0          |
| Total net sales   | 451.0                                | 543.5          | 1,367.6           | 1,209.0        |
| Cost of goods sold  | 302.4                                | 337.8          | 895.8             | 812.0          |
| Cost of service revenue   | 29.7                                 | 60.7           | 110.2             | 94.0           |
| Total cost of sales   | 332.1                                | 398.5          | 1,006.0           | 906.0          |
| Production margin   | 118.9                                | 145.0          | 361.6             | 303.0          |
| Marketing and administrative expenses   | 47.9                                 | 59.7           | 139.6             | 127.4          |
| Research and development expenses   | 6.2                                  | 6.6            | 17.8              | 18.0           |
| Amortization expense of intangible assets acquired                                  | 2.0                                  | 1.9            | 5.8               | 2.9            |
| Acquisition related transaction and integration costs                               | 2.4                                  | 4.2            | 8.5               | 16.7           |
| Restructuring and other charges   | 10.5                                 | 5.8            | 27.3              | 11.8           |
| Income from operations  | 49.9                                 | 66.8           | 162.6             | 126.2          |
| Interest expense, net   | (14.5 )                              | (16.0 )        | (45.5 )           | (25.2 )        |
| Extinguishment of debt costs and fees   | -                                    | -              | (4.5 )            | (5.8 )         |
| Other non-operating income (deductions), net  | 2.8                                  | 0.9            | 5.7               | 0.5            |
| Total non-operating deductions, net   | (11.7 )                              | (15.1 )        | (44.3 )           | (30.5 )        |
| Income from continuing operations before provision for taxes and equity in earnings | 38.2                                 | 51.7           | 118.3             | 95.7           |
| Provision for taxes on income   | 8.4                                  | 14.4           | 25.8              | 24.8           |
| Equity in earnings of affiliates, net of tax  | 0.5                                  | 0.3            | 1.4               | 0.6            |
| Income from continuing operations, net of tax                                       | 30.3                                 | 37.6           | 93.9              | 71.5           |
| Income from discontinued operations, net of tax                                     | -                                    | 0.2            | -                 | 2.0            |
| Consolidated net income   | 30.3                                 | 37.8           | 93.9              | 73.5           |
| Less:   |                                      |                |                   |                |
| Net income attributable to non-controlling interests                                | 1.1                                  | 0.8            | 2.9               | 2.4            |
| Net income attributable to Minerals Technologies Inc. (MTI)                         | \$29.2                               | \$37.0         | \$91.0            | \$71.1         |
| Earnings per share:   |                                      |                |                   |                |

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|   |        |        |        |        |
|---|--------|--------|--------|--------|
| Basic:  |        |        |        |        |
| Income from continuing operations attributable to MTI   | \$0.84 | \$1.07 | \$2.62 | \$2.00 |
| Income from discontinued operations attributable to MTI | -      | -      | -      | 0.06   |
| Basic earnings per share attributable to MTI            | \$0.84 | \$1.07 | \$2.62 | \$2.06 |
| Diluted:  |        |        |        |        |
| Income from continuing operations attributable to MTI   | \$0.83 | \$1.06 | \$2.60 | \$1.99 |
| Income from discontinued operations attributable to MTI | -      | -      | -      | 0.06   |
| Diluted earnings per share attributable to MTI          | \$0.83 | \$1.06 | \$2.60 | \$2.05 |
| Cash dividends declared per common share                | \$0.05 | \$0.05 | \$0.15 | \$0.15 |
| Shares used in computation of earnings per share:       |        |        |        |        |
| Basic   | 34.7   | 34.5   | 34.7   | 34.5   |
| Diluted   | 35.0   | 34.8   | 35.0   | 34.8   |

See accompanying Notes to Condensed Consolidated Financial Statements.

IndexMINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES  
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

|  | Three Months<br>Ended |                      | Nine Months<br>Ended |                      |
|--|-----------------------|----------------------|----------------------|----------------------|
|  | Sept.<br>27,<br>2015  | Sept.<br>28,<br>2014 | Sept.<br>27,<br>2015 | Sept.<br>28,<br>2014 |
|  | (millions of dollars) |                      |                      |                      |
| Consolidated net income  | \$30.3                | \$37.8               | \$93.9               | \$73.5               |
| Other comprehensive income, net of tax:                        |                       |                      |                      |                      |
| Foreign currency translation adjustments                       | (35.8)                | (27.7)               | (66.1)               | (22.0)               |
| Pension and postretirement plan adjustments                    | 1.6                   | 0.8                  | 4.6                  | 2.5                  |
| Total other comprehensive income, net of tax                   | (34.2)                | (26.9)               | (61.5)               | (19.5)               |
| Total comprehensive income including non-controlling interests | (3.9 )                | 10.9                 | 32.4                 | 54.0                 |
| Comprehensive income attributable to non-controlling interest  | (0.2 )                | (0.7 )               | (1.9 )               | (1.9 )               |
| Comprehensive income attributable to MTI                       | \$(4.1 )              | \$10.2               | \$30.5               | \$52.1               |

See accompanying Notes to Condensed Consolidated Financial Statements.

IndexMINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES  
CONDENSED CONSOLIDATED BALANCE SHEETS

|  | Sept. 27,<br>2015 * | December<br>31,<br>2014** |
|--|---------------------|---------------------------|
| (millions of dollars)  |                     |                           |
| <b>ASSETS</b>  |                     |                           |
| Current assets:  |                     |                           |
| Cash and cash equivalents  | \$224.9             | \$ 249.6                  |
| Short-term investments, at cost which approximates market  | 2.9                 | 0.8                       |
| Accounts receivable, net   | 385.7               | 412.6                     |
| Inventories  | 203.6               | 211.8                     |
| Prepaid expenses and other current assets  | 60.9                | 49.8                      |
| Total current assets   | 878.0               | 924.6                     |
| Property, plant and equipment, less accumulated depreciation and depletion – Sept. 27, 2015 - \$1,015.6; December 31, 2014 - \$992.1 | 1,125.7             | 1,182.1                   |
| Goodwill   | 789.2               | 770.9                     |
| Intangible assets  | 214.7               | 212.1                     |
| Other assets and deferred charges  | 140.9               | 137.0                     |
| Total assets   | \$3,148.5           | \$ 3,226.7                |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>  |                     |                           |
| Current liabilities:   |                     |                           |
| Short-term debt  | \$6.2               | \$ 5.6                    |
| Current maturities of long-term debt   | 2.2                 | 0.3                       |
| Accounts payable   | 176.3               | 170.4                     |
| Other current liabilities  | 181.7               | 176.6                     |
| Total current liabilities  | 366.4               | 352.9                     |
| Long-term debt, net of unamortized discount  | 1,325.6             | 1,455.5                   |
| Deferred income taxes  | 310.4               | 314.5                     |
| Other non-current liabilities  | 221.4               | 214.9                     |
| Total liabilities  | 2,223.8             | 2,337.8                   |
| Shareholders' equity:  |                     |                           |
| Common stock   | 4.8                 | 4.8                       |
| Additional paid-in capital   | 382.7               | 373.0                     |
| Retained earnings  | 1,277.4             | 1,191.8                   |
| Accumulated other comprehensive loss   | (173.3 )            | (112.9 )                  |
| Less common stock held in treasury   | (593.7 )            | (593.7 )                  |
| Total MTI shareholders' equity   | 897.9               | 863.0                     |
| Non-controlling interest   | 26.8                | 25.9                      |
| Total shareholders' equity   | 924.7               | 888.9                     |
| Total liabilities and shareholders' equity   | \$3,148.5           | \$ 3,226.7                |

\* Unaudited

\*\* Condensed from audited financial statements

See accompanying Notes to Condensed Consolidated Financial Statements.

5

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

|   | Nine Months<br>Ended<br>Sept.<br>27,      Sept. 28,<br>2015      2014<br>(millions of dollars) |           |
|---|--|-----------|
| Operating Activities:   |  |           |
| Consolidated net income   | \$93.9   | \$73.5    |
| Income from discontinued operations   | -  | 2.0       |
| Income from continuing operations   | 93.9   | 71.5      |
| Adjustments to reconcile net income to net cash provided by operating activities: |  |           |
| Depreciation, depletion and amortization  | 77.3   | 59.8      |
| Impairment of assets  | 21.1   | -         |
| Other non-cash items  | 8.2  | 12.5      |
| Net changes in operating assets and liabilities                                   | (5.8 )   | 50.5      |
| Net cash provided by continuing operations  | 194.7  | 194.3     |
| Net cash used in discontinued operations  | -  | (3.5 )    |
| Net cash provided by operating activities   | 194.7  | 190.8     |
| Investing Activities:   |  |           |
| Purchases of property, plant and equipment  | (70.5 )  | (62.4 )   |
| Acquisition of business, net of cash acquired                                     | -  | (1,802.3) |
| Proceeds from sale of assets  | 4.9  | 8.7       |
| Proceeds from sale of short-term investments                                      | 0.6  | -         |
| Purchases of short-term investments   | (4.7 )   | (1.8 )    |
| Net cash used in investing activities   | (69.7 )  | (1,857.8) |
| Financing Activities:   |  |           |
| Proceeds from issuance of long-term debt  | 10.2   | 1,545.3   |
| Debt issuance and settlement costs  | -  | (38.2 )   |
| Repayment of long-term debt   | (140.4)  | (113.2 )  |
| Net issuance (repayment) of short-term debt                                       | 1.0  | (0.8 )    |
| Proceeds from issuance of stock under option plan                                 | 1.3  | 2.8       |
| Excess tax benefits related to stock incentive programs                           | 0.3  | 0.5       |
| Purchase of non-controlling interest share  | -  | (2.1 )    |
| Dividends paid to non-controlling interest  | (0.9 )   | (3.3 )    |
| Cash dividends paid   | (5.2 )   | (5.2 )    |
| Net cash provided by (used in) financing activities                               | (133.7)  | 1,385.8   |
| Effect of exchange rate changes on cash and cash equivalents                      | (16.0 )  | (6.4 )    |
| Net decrease in cash and cash equivalents   | (24.7 )  | (287.6 )  |

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|   |         |         |
|---|---------|---------|
| Cash and cash equivalents at beginning of period  | 249.6   | 490.3   |
| Cash and cash equivalents at end of period        | \$224.9 | \$202.7 |
| Supplemental disclosure of cash flow information: |         |         |
| Interest paid                                     | \$45.9  | \$18.6  |
| Income taxes paid                                 | \$29.9  | \$17.0  |

See accompanying Notes to Condensed Consolidated Financial Statements.

6

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Index

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

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

The accompanying unaudited condensed consolidated financial statements have been prepared by management of Minerals Technologies Inc. (the "Company", "MTI", "we" or "us") in accordance with the rules and regulations of the United States Securities and Exchange Commission. Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles have been condensed or omitted. Therefore, these financial statements should be read in conjunction with the consolidated financial statements and notes thereto contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2014. In the opinion of management, all adjustments, consisting solely of normal recurring adjustments necessary for a fair presentation of the financial information for the periods indicated, have been included. The results for the three-month and nine-month periods ended September 27, 2015 are not necessarily indicative of the results that may be expected for the year ending December 31, 2015.

Company Operations

The Company is a resource- and technology-based company that develops, produces and markets worldwide a broad range of specialty mineral, mineral-based and synthetic mineral products and supporting systems and services. On May 9, 2014, the Company acquired AMCOL International Corporation ("AMCOL"). See Note 2 to the Condensed Consolidated Financial Statements. The prior year condensed consolidated statements of income include operational results of the acquired AMCOL business from May 9, 2014 through September 28, 2014.

The Company has 5 reportable segments: Specialty Minerals, Refractories, Performance Materials, Construction Technologies, and Energy Services.

- The Specialty Minerals segment produces and sells the synthetic mineral product precipitated calcium carbonate ("PCC") and processed mineral product quicklime ("lime"), and mines mineral ores then processes and sells natural mineral products, primarily limestone and talc.

-The Refractories segment produces and markets monolithic and shaped refractory materials and specialty products, services and application and measurement equipment, and calcium metal and metallurgical wire products.

-The Performance Materials segment is a leading supplier of bentonite and bentonite-related products. This segment also supplies chromite and leonardite and operates more than 25 mining or production facilities worldwide.

-The Construction Technologies segment provides products for non-residential construction, environmental and infrastructure projects worldwide. It serves customers engaged in a broad range of construction projects, including site remediation, concrete waterproofing for underground structures, liquid containment on projects ranging from landfills to flood control, and drilling applications including foundation, slurry wall, tunneling, water well, and horizontal drilling.

-The Energy Services segment provides services to improve the production, costs, compliance, and environmental impact of activities performed in oil and gas industry. This segment offers a range of patented and unpatented technologies, products and services for all phases of oil and gas production, refining, and storage throughout the world.

Use of Estimates

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

7

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

## Note 2. Business Combination

On May 9, 2014, pursuant to the Merger Agreement dated March 10, 2014, the Company acquired AMCOL, based in Hoffman Estates, Illinois, a leading international producer of specialty materials and related products and services for industrial and consumer markets. The Company and AMCOL are both world-renowned innovators in mineralogy, fine particle technology and polymer chemistry. This transaction brings together the global leaders in precipitated calcium carbonate and bentonite, creating an even more robust US-based international minerals supplier. The Company's management believes that the acquisition of AMCOL will provide substantial synergies through enhanced operational cost efficiencies.

The Company acquired AMCOL by completing a tender offer to purchase AMCOL's outstanding shares of common stock and the subsequent merger of AMCOL with and into a wholly-owned subsidiary of MTI. At the expiration of the Company's tender offer, each tendered share of AMCOL common stock was purchased for consideration equal to \$45.75 in cash, and at the effective time of the back-end merger, each share of AMCOL common stock not tendered (other than shares owned by the Company or held by AMCOL in treasury) was converted into the right to receive consideration equal to \$45.75 in cash. Upon completion of the merger, AMCOL became a wholly owned direct subsidiary of MTI. Through the tender offer and the merger, the Company paid \$1,519.4 million in cash to acquire all of the outstanding shares of AMCOL.

In connection with the acquisition of AMCOL, the Company entered into a \$1,560.0 million senior secured term loan facility (the "Term Facility"), the net proceeds of which, together with the Company's cash on hand, were used as cash consideration for the acquisition of AMCOL and to refinance certain existing indebtedness of the Company and AMCOL and to pay fees and expenses in connection with the foregoing. See Note 9 to the Condensed Consolidated Financial Statements.

The fair value of the total consideration transferred, net of cash acquired, was \$1,802.3 million and comprised of the following:

|  |                             |
|--|-----------------------------|
|  | (millions<br>of<br>dollars) |
| Cash consideration transferred to AMCOL shareholders                             | \$1,519.4                   |
| AMCOL notes repaid at close  | 325.6                       |
| Total consideration transferred to debt and equity holders                       | 1,845.0                     |
| Cash acquired  | 42.7                        |
| Total consideration transferred to debt and equity holders, net of cash acquired | \$1,802.3                   |

The acquisition of AMCOL has been accounted for using the acquisition method of accounting, which requires, among other things, the assets acquired and liabilities assumed be recognized at their respective fair values as of the acquisition date. As of May 9, 2015, the Company has completed its assessment of property, certain reserves (including environmental, legal, and tax matters), obligations and deferred taxes, as well as our review of AMCOL's existing accounting policies. The purchase price allocation has been finalized.

The following table summarizes the final amounts recognized for assets acquired and liabilities assumed as of the acquisition date, as well as adjustments made in 2015 to the amounts initially recorded in 2014 (measurement period adjustments). The measurement period adjustments did not have a significant impact on our consolidated statements

of income, balance sheets or cash flows in any period and therefore, we have not retrospectively adjusted our financial statements.

8

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

|                                    | Preliminary<br>Allocation<br>Previously<br>Reported<br>on<br>Form 10-K<br>as of<br>December<br>2014 | Increase/<br>Decrease       | Final<br>Allocation         |
|------------------------------------|---|-----------------------------|-----------------------------|
|                                    | (millions of<br>dollars)  | (millions<br>of<br>dollars) | (millions<br>of<br>dollars) |
| Accounts receivable                | \$ 235.7  | \$ -                        | \$ 235.7                    |
| Inventories                        | 157.3   | -                           | 157.3                       |
| Other current assets               | 65.0  | -                           | 65.0                        |
| Mineral rights                     | 535.5   | -                           | 535.5                       |
| Plant, property and equipment      | 371.2   | -                           | 371.2                       |
| Goodwill                           | 708.1   | 12.8                        | 720.9                       |
| Intangible assets                  | 214.3   | 8.8                         | 223.1                       |
| Other non-current assets           | 51.4  | 9.2                         | 60.6                        |
| Total assets acquired              | \$ 2,338.5  | \$ 30.8                     | \$ 2,369.3                  |
| Accounts payable                   | 66.4  | -                           | 66.4                        |
| Accrued expenses                   | 61.6  | -                           | 61.6                        |
| Non-current deferred tax liability | 322.3   | 1.5                         | 323.8                       |
| Other non-current liabilities      | 85.9  | 29.3                        | 115.2                       |
| Total liabilities assumed          | \$ 536.2  | \$ 30.8                     | \$ 567.0                    |
| Net assets acquired                | \$ 1,802.3  | \$ -                        | \$ 1,802.3                  |

The Company used the income, market, or cost approach (or a combination thereof) for the valuation, and used valuation inputs and analyses that were based on market participant assumptions. Market participants are considered to be buyers and sellers unrelated to the Company in the principal or most advantageous market for the asset or liability. For certain items, the carrying value was determined to be a reasonable approximation of fair value based on the information available. The Company's estimates related to this valuation are considered to be critical accounting estimates because they are susceptible to change from period to period based on our judgments about a variety of factors and due to the uncontrollable variability of market factors underlying them. For example, in performing assessments of the fair value of these assets, the Company makes judgments about the future performance business of the acquired business, economic, regulatory, and political conditions affecting the net assets acquired, appropriate risk-related rates for discounting estimated future cash flows, reasonable estimates of disposal values, and market royalty rate.

Goodwill was calculated as the excess of the consideration transferred over the assets acquired and represents the estimated future economic benefits arising from other assets acquired that could not be individually identified and separately recognized. The goodwill is primarily attributable to fair value of expected synergies from combining the MTI and AMCOL businesses and will be allocated to the Performance Materials and Construction Technologies segments. Goodwill recognized as a result of this acquisition is not deductible for tax purposes.

In connection with the acquisition, the Company recorded an additional deferred tax liability of \$323.8 million with a corresponding increase to goodwill. The increase in deferred tax liability represents the tax effect of the difference between the estimated assigned fair value of the tangible and intangible assets and the tax basis of such assets.

Mineral rights were valued using discounted cash flow method, a Level 3 fair value input. Plant, property and equipment were valued using the cost method adjusted for age and deterioration, also a Level 3 fair value input.

Intangible assets acquired mainly included technology and trade names. Technology was valued using relief-from royalty method, a Level 3 fair value input, with a weighted average amortization period of 12 years. Trade names were valued using multi-period excess earnings, also a Level 3 fair value input, with a weighted average amortization period of 34 years.

The Company incurred \$2.4 million and \$8.5 million of acquisition and integration related costs during the three and nine months ended September 27, 2015, respectively, and incurred \$4.2 million and \$16.7 million of acquisition-related costs during the three and nine months ended September 28, 2014, respectively. These costs are reflected within the Acquisition related transaction and integration costs line of the Condensed Consolidated Statements of Income.

The accompanying Condensed Consolidated Statements of Income include the results of operations of the acquired AMCOL businesses for the nine months ended September 28, 2014 commencing as of May 9, 2014. The nine months ended September 28, 2014 include net sales of \$451.7 million and operating income of \$48.1 million generated by the acquired AMCOL businesses during the 143 days post-acquisition period.



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

The following table presents the unaudited summary of the Company's Condensed Consolidated Statements of Income for the nine months ended September 27, 2015 and the unaudited pro forma summary of the Company's Condensed Consolidated Statements of Income for the nine months ended September 28, 2014, which includes AMCOL's Statement of Operations for the respective periods, as if the acquisition and related financing occurred on January 1, 2014. The following unaudited pro forma financial information is not necessarily indicative of the results of operations as they would have been had the transaction occurred on the assumed date, nor is it necessarily an indication of trends in future results for a number of reasons, including, but not limited to, differences between the assumptions used to prepare the pro forma information, potential synergies, and cost savings from operating efficiencies.

|   | Nine Months<br>Ended     |                                   |
|---|--------------------------|-----------------------------------|
|   | Sept. 27,<br>2015        | Sept. 28,<br>2014<br>Pro<br>Forma |
|   | (millions of<br>dollars) |                                   |
| Net sales   | \$1,367.6                | \$1,582.6                         |
| Income from continuing operations before provision for taxes and equity in earnings | 118.3                    | 125.9                             |
| Income from continuing operations, net of tax                                       | 93.9                     | 85.6                              |

The income from continuing operations before provision for taxes and equity in earnings for the nine months ended September 27, 2015, in the table above, includes restructuring and impairment charges of \$27.3 million, extinguishment of debt costs of \$4.5 million and acquisition related transaction and integration costs of \$8.5 million. For the pro forma prior year period, restructuring and impairment, acquisition related transaction and integrations costs and debt extinguishment costs were excluded from income from continuing operations before provision for taxes and equity in earnings.

The income from continuing operations, net of tax, in the table above, is calculated using a tax rate of 28% for all pro forma periods. The unaudited pro forma financial information presented in the table include certain adjustments that are factually supportable, directly related to business combination, and expected to have a continuing impact. These adjustments include, but are not limited to, depreciation, depletion, and amortization expense based upon the preliminary fair value step-up of depreciable fixed assets and amortizable intangibles assets, interest expense on acquisition related debt, acquisition-related transaction and integration costs, and restructuring charges.

## Note 3. Earnings Per Share (EPS)

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

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

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

|  | Three<br>Months<br>Ended             |                      | Nine Months<br>Ended |                      |
|--|--------------------------------------|----------------------|----------------------|----------------------|
|  | Sept.<br>27,<br>2015                 | Sept.<br>28,<br>2014 | Sept.<br>27,<br>2015 | Sept.<br>28,<br>2014 |
|  | (in millions, except per share data) |                      |                      |                      |
| <b>Basic EPS</b>                                 |                                      |                      |                      |                      |
| Amounts attributable to MTI                      |                                      |                      |                      |                      |
| Income from continuing operations                | \$29.2                               | \$36.8               | \$91.0               | \$69.1               |
| Income from discontinued operations              | -                                    | 0.2                  | -                    | 2.0                  |
| Net income                                       | \$29.2                               | \$37.0               | \$91.0               | \$71.1               |
| Weighted average shares outstanding              | 34.7                                 | 34.5                 | 34.7                 | 34.5                 |
| <b>Earnings per share attributable to MTI</b>    |                                      |                      |                      |                      |
| Continuing operations                            | \$0.84                               | \$1.07               | \$2.62               | \$2.00               |
| Discontinued operations                          | -                                    | -                    | -                    | 0.06                 |
| Net income                                       | \$0.84                               | \$1.07               | \$2.62               | \$2.06               |
| <b>Diluted EPS</b>                               |                                      |                      |                      |                      |
| Amounts attributable to MTI                      |                                      |                      |                      |                      |
| Income from continuing operations                | \$29.2                               | \$36.8               | \$91.0               | \$69.1               |
| Income from discontinued operations              | -                                    | 0.2                  | -                    | 2.0                  |
| Net income                                       | \$29.2                               | \$37.0               | \$91.0               | \$71.1               |
| Weighted average shares outstanding              | 34.7                                 | 34.5                 | 34.7                 | 34.5                 |
| Dilutive effect of stock options and stock units | 0.3                                  | 0.3                  | 0.3                  | 0.3                  |
| Weighted average shares outstanding, adjusted    | 35.0                                 | 34.8                 | 35.0                 | 34.8                 |
| <b>Earnings per share attributable to MTI</b>    |                                      |                      |                      |                      |
| Continuing operations                            | \$0.83                               | \$1.06               | \$2.60               | \$1.99               |
| Discontinued operations                          | -                                    | -                    | -                    | 0.06                 |
| Net income                                       | \$0.83                               | \$1.06               | \$2.60               | \$2.05               |

Options to purchase 395,545 shares and 173,068 shares of common stock for the three-month and nine-month periods ended September 27, 2015 and September 28, 2014, respectively, were not included in the computation of diluted earnings per share because they were anti-dilutive, as the exercise prices of the options were greater than the average market price of the common shares.

## Note 4. Restructuring Charges

During 2014, the Company announced a restructuring program that will result in a 10% permanent reduction of its workforce. The reductions include elimination of duplicate corporate functions, deployment of our shared service model, and consolidation and alignment of various corporate functions and regional locations across the Company.

At September 27, 2015, we had \$7.0 million included within accrued liabilities within our Condensed Consolidated Balance Sheets for cash expenditures needed to satisfy remaining obligations under these workforce reduction initiatives. The Company expects to pay these amounts by the end of March 2016.

The following table is a reconciliation of our restructuring liability balance as of September 27, 2015:

|  | (millions<br>of<br>dollars) |
|--|-----------------------------|
| Restructuring liability, December 31, 2014 | \$ 14.6                     |
| Additional provisions                      | 6.2                         |
| Cash payments                              | (10.9 )                     |
| Other adjustments                          | (2.9 )                      |
| Restructuring liability, Sept. 27, 2015    | \$ 7.0                      |

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

The following table outlines the amount of restructuring charges recorded within the Consolidated Statements of Income.

| (millions of dollars)                 | Three  |       | Nine Months |        |
|---------------------------------------|--------|-------|-------------|--------|
|                                       | Months |       | Ended       |        |
|                                       | Ended  | Ended | Ended       | Ended  |
|                                       | Sept.  | Sept. | Sept.       | Sept.  |
|                                       | 27,    | 28,   | 27,         | 28,    |
|                                       | 2015   | 2014  | 2015        | 2014   |
| Restructuring Charges                 | \$5.2  | \$5.8 | \$6.2       | \$11.8 |
| Impairment of Assets                  | 5.3    | -     | 21.1        | -      |
| Total restructuring and other charges | \$10.5 | \$5.8 | \$27.3      | \$11.8 |

During the third quarter and first nine months of 2015, the Company incurred impairment charges of \$5.3 million and \$21.1 million, respectively, for underutilized equipment which was abandoned by the Company for its Coiled Tubing business, within the Energy Services segment. During the third quarter and first nine months of 2015, the Company recorded restructuring charges of \$5.2 million and \$6.2 million, respectively, for lease termination costs, reduction in force, and inventory write-offs associated with exiting the Coiled Tubing service line and restructuring other on-shore service lines within the Energy Services segment.

## Note 5. Discontinued Operations

During the second quarter of 2013, the Company ceased its operations at its Paper PCC merchant plant in Walsum, Germany and reclassified such operations as discontinued. These operations were part of the Company's Specialty Minerals segment.

During the nine months ended September 28, 2014, the Company reversed a facility closure accrual of \$1.8 million, net of \$0.6 million tax expense, resulting from the settlement of a contractual obligation.

## Note 6. Income Taxes

As of September 27, 2015, the Company had approximately \$6.2 million of total unrecognized income tax benefits. Included in this amount were a total of \$3.7 million of unrecognized income tax benefits that, if recognized, would affect the Company's effective tax rate. While it is expected that the amount of unrecognized tax benefits will change in the next 12 months, the Company does not expect the change to have a significant impact on the results of operations or the financial position of the Company.

The Company's accounting policy is to recognize interest and penalties accrued relating to unrecognized income tax benefits as part of its provision for income taxes. The Company had a net increase of approximately \$0.1 million and \$0.4 million during the three and nine months ended September 27, 2015, respectively, and had an accrued balance of \$1.7 million of interest and penalties as of September 27, 2015.

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

prior to 2007.

12

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

## Note 7. Inventories

The following is a summary of inventories by major category:

|                        | Sept.<br>27,<br>2015  | December 31,<br>2014 |
|------------------------|-----------------------|----------------------|
|                        | (millions of dollars) |                      |
| Raw materials          | \$79.3                | \$ 85.9              |
| Work-in-process        | 5.7                   | 6.7                  |
| Finished goods         | 88.3                  | 88.7                 |
| Packaging and supplies | 30.3                  | 30.5                 |
| Total inventories      | \$203.6               | \$ 211.8             |

## Note 8. Goodwill and Other Intangible Assets

Goodwill and other intangible assets with indefinite lives are not amortized, but instead are assessed for impairment, at least annually. The carrying amount of goodwill was \$789.2 million, and \$770.9 million as of September 27, 2015 and December 31, 2014, respectively. The net change in goodwill since December 31, 2014 was attributable to the finalization of the accounting related to the acquisition of AMCOL and to the effects of foreign exchange.

Acquired intangible assets subject to amortization as of September 27, 2015 and December 31, 2014 were as follows:

|                        | Weighted<br>Average<br>Useful<br>Life<br>(Years) | September 27, 2015          |                             | December 31, 2014           |                             |
|------------------------|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
|                        |  | Gross<br>Carrying<br>Amount | Accumulated<br>Amortization | Gross<br>Carrying<br>Amount | Accumulated<br>Amortization |
|                        |  | (millions of dollars)       |                             |                             |                             |
| Tradenames             | 34   | \$199.8                     | \$ 8.0                      | \$191.2                     | \$ 3.7                      |
| Technology             | 12   | 18.8                        | 2.2                         | 18.7                        | 1.0                         |
| Patents and trademarks | 17   | 6.4                         | 4.3                         | 6.4                         | 4.0                         |
| Customer relationships | 30   | 4.5                         | 0.5                         | 4.4                         | 0.1                         |
| Customer lists         | <u>15</u>  | 2.9                         | 2.8                         | 2.9                         | 2.7                         |
|                        | 28   | \$232.4                     | \$ 17.8                     | \$223.6                     | \$ 11.5                     |

During the nine month period ended September 27, 2015, intangible assets increased approximately \$8.8 million relating to the finalization of the AMCOL opening balance sheet. The weighted average amortization period for acquired intangible assets subject to amortization is approximately 28 years. Estimated amortization expense is \$8.2 million for 2015–2016, \$8.0 million for 2017, \$7.8 million for 2018-2020 and \$184.6 million thereafter.

## Note 9. Long-Term Debt and Commitments

The following is a summary of long-term debt:

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|   | Sept. 27,<br>2015     | December 31,<br>2014 |
|---|-----------------------|----------------------|
|   | (millions of dollars) |                      |
| Term Loan Facility, net of unamortized discount of \$12.2 million due May 9, 2021 | \$1,315.8             | \$ 1,454.0           |
| China Loan Facilities   | 12.0                  | 1.8                  |
| Total   | \$1,327.8             | \$ 1,455.8           |
| Less: Current maturities  | 2.2                   | 0.3                  |
| Long-term debt  | \$1,325.6             | \$ 1,455.5           |

Index

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

On May 9, 2014, in connection with the acquisition of AMCOL, the Company entered into a credit agreement providing for the \$1,560 million Term Facility and a \$200 million senior secured revolving credit facility (the “Revolving Facility” and, together with the Term Facility, the “Facilities”).

On June 23, 2015, the Company entered into an amendment to the credit agreement to reprice the \$1.378 billion then outstanding on the Term Facility. As amended, the Term Facility has a \$1,078 million floating rate tranche and a \$300 million fixed rate tranche. The maturity date for loans under the Term Facility was not changed by the amendment. The loans outstanding under the Term Facility will mature on May 9, 2021 and the loans outstanding (if any) and commitments under the Revolving Facility will mature and terminate, as the case may be, on May 9, 2019. After the amendment, loans under the variable rate tranche of the Term Facility bear interest at a rate equal to an adjusted LIBOR rate (subject to a floor of 0.75%) plus an applicable margin equal to 3.00% per annum. Loans under the fixed rate tranche of the Term Facility bear interest at a rate of 4.75%. Loans under the Revolving Facility will bear interest at a rate equal to an adjusted LIBOR rate plus an applicable margin equal to 1.75% per annum. Such rates are subject to decrease by up to 25 basis points in the event that, and for so long as, the Company’s net leverage ratio (as defined in the credit agreement) is less than certain thresholds. The variable rate tranche of the Term Facility was issued at par and has a 1% required amortization per year. The fixed rate tranche of the Term Facility was issued at a 0.25% discount. The Company will pay certain fees under the credit agreement, including customary annual administration fees. The loans under the fixed rate tranche of the Term Facility are subject to prepayment premiums in the event of certain prepayments prior to the third anniversary of the effective date of the amendment. The obligations of the Company under the Facilities are unconditionally guaranteed jointly and severally by, subject to certain exceptions, all material domestic subsidiaries of the Company (the “Guarantors”) and secured, subject to certain exceptions, by a security interest in substantially all of the assets of the Company and the Guarantors.

The credit agreement contains certain customary affirmative and negative covenants that limit or restrict the ability of the Company and its restricted subsidiaries to enter into certain transactions or take certain actions. In addition, the credit agreement contains a financial covenant that requires the Company, if on the last day of any fiscal quarter loans or letters of credit were outstanding under the Revolving Facility (excluding up to \$15 million of letters of credit), to maintain a maximum net leverage ratio (as defined in the credit agreement) of, initially, 5.25 to 1.00 for the four fiscal quarter period preceding such day. Such maximum net leverage ratio requirement is subject to decrease during the duration of the facility to a minimum level (when applicable) of 3.50 to 1.00. As of September 27, 2015, there were no loans and \$9.3 million in letters of credit outstanding under the Revolving Facility. The Company is in compliance with all the covenants associated with this Revolving Facility as of the end of the period covered by this report.

During 2014, the Company entered into three committed loan facilities for the funding of new manufacturing facilities in China. The loan facilities were for a combined 73.8 million RMB and \$1.8 million. During the third quarter of 2015, the Company entered into an additional committed loan facility for the funding of these facilities. The loan facility is for 27.8 million RMB. As of September 27, 2015, the Company has borrowed, on a combined basis, \$13.3 million on these facilities, of which \$12.1 is outstanding. Principal will be repaid in accordance with the payment schedules beginning in 2015 and ending in 2019.

During the first nine months of 2015, the Company repaid \$140.2 million on its Term Loan facility.

As of September 27, 2015, the Company had \$35.4 million in uncommitted short-term bank credit lines, of which approximately \$6.2 million was in use.

Note 10. Benefit Plans



The Company and its subsidiaries have pension plans covering the majority of eligible employees on a contributory or non-contributory basis. The Company also provides postretirement health care and life insurance benefits for the majority of its U.S. retired employees. Disclosures for the U.S. plans have been combined with those outside of the U.S. as the international plans do not have significantly different assumptions, and together represent less than 25% of our total benefit obligation.

In May 2014, as a part of its acquisition of AMCOL businesses, the Company assumed AMCOL's qualified defined benefit pension plan and supplementary pension plan (SERP). The defined benefit pension plan covered substantially all of AMCOL's domestic employees hired before January 1, 2004. The SERP plan provides benefit in excess of qualified plan limitation for certain employees. For more information on the AMCOL acquisition, see Note 2 to the Condensed Consolidated Financial Statements.

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

## Components of Net Periodic Benefit Cost

|                                | Pension Benefits      |                |                   |                |
|--------------------------------|-----------------------|----------------|-------------------|----------------|
|                                | Three Months Ended    |                | Nine Months Ended |                |
|                                | Sept. 27, 2015        | Sept. 28, 2014 | Sept. 27, 2015    | Sept. 28, 2014 |
|                                | (millions of dollars) |                |                   |                |
| Service cost                   | \$2.8                 | \$2.1          | \$8.1             | \$6.5          |
| Interest cost                  | 3.7                   | 4.0            | 11.6              | 10.8           |
| Expected return on plan assets | (4.9)                 | (5.0)          | (14.9)            | (14.2)         |
| Amortization:                  |                       |                |                   |                |
| Prior service cost             | 0.1                   | 0.3            | 0.6               | 0.9            |
| Recognized net actuarial loss  | 3.2                   | 1.9            | 8.9               | 5.4            |
| Net periodic benefit cost      | \$4.9                 | \$3.3          | \$14.3            | \$9.4          |

|                                      | Other Benefits        |                |                   |                |
|--------------------------------------|-----------------------|----------------|-------------------|----------------|
|                                      | Three Months Ended    |                | Nine Months Ended |                |
|                                      | Sept. 27, 2015        | Sept. 28, 2014 | Sept. 27, 2015    | Sept. 28, 2014 |
|                                      | (millions of dollars) |                |                   |                |
| Service cost                         | \$0.1                 | \$-            | \$0.3             | \$0.3          |
| Interest cost                        | 0.1                   | 0.1            | 0.3               | 0.3            |
| Amortization:                        |                       |                |                   |                |
| Prior service cost                   | (0.7)                 | (0.8)          | (2.3)             | (2.3)          |
| Recognized net actuarial (gain)/loss | (0.1)                 | (0.1)          | (0.1)             | (0.2)          |
| Net periodic benefit cost            | \$(0.6)               | \$(0.8)        | \$(1.8)           | \$(1.9)        |

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

## Employer Contributions

The Company expects to contribute approximately \$9.0 million to its pension plans and \$1.0 million to its other postretirement benefit plans in 2015. As of September 27, 2015, \$7.2 million has been contributed to the pension plans and approximately \$0.3 million has been contributed to the other postretirement benefit plans.

## Note 11. Comprehensive Income

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

|   | Three Months Ended    |                | Nine Months Ended |                |
|---|-----------------------|----------------|-------------------|----------------|
|   | Sept. 27, 2015        | Sept. 28, 2014 | Sept. 27, 2015    | Sept. 28, 2014 |
| Amounts Reclassified Out of Accumulated Other Comprehensive Income (Loss) |                       |                |                   |                |
|   | (millions of dollars) |                |                   |                |
| Amortization of pension items:  |                       |                |                   |                |
| Pre-tax amount  | \$2.5                 | \$1.3          | \$7.1             | \$3.8          |
| Tax   | (0.9)                 | (0.5)          | (2.5)             | (1.3)          |
| Net of tax  | \$1.6                 | \$0.8          | \$4.6             | \$2.5          |

The pre-tax amounts in the table above are included within the components of net periodic pension benefit cost (see Note 10) and the tax amounts are included within provision for taxes on income line within Condensed Consolidated Statements of Income.

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

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

|  | Foreign<br>Currency<br>Translation<br>Adjustment | Unrecognized<br>Pension<br>Costs | Net<br>Gain on<br>Cash<br>Flow<br>Hedges | Total     |
|--|--|----------------------------------|--|-----------|
|  | (millions of dollars)                            |                                  |  |           |
| Balance as of December 31, 2014                            | \$(33.4)   | \$ (82.1 )                       | \$ 2.6                                   | \$(112.9) |
| Other comprehensive income (loss) before reclassifications | (65.0)   | -                                | -  | (65.0 )   |
| Amounts reclassified from AOCI                             | -  | 4.6                              | -  | 4.6       |
| Net current period other comprehensive income(loss)        | (65.0)   | 4.6                              | -  | (60.4 )   |
| Balance as of September 27, 2015                           | \$(98.4)   | \$ (77.5 )                       | \$ 2.6                                   | \$(173.3) |

## Note 12. Accounting for Asset Retirement Obligations

The Company records asset retirement obligations for situations in which the Company will be required to incur costs to retire tangible long-lived assets. The fair value of the liability for an asset retirement obligation is recognized in the period in which it is incurred if a reasonable estimate of fair value can be made.

The Company also records liabilities related to land reclamation as a part of asset retirement obligations. The Company mines various minerals using a surface mining process that requires the removal of overburden. In certain areas and under various governmental regulations, the Company is obligated to restore the land comprising each mining site to its original condition at the completion of the mining activity. The obligation is adjusted to reflect the passage of time, mining activities, and changes in estimated future cash outflows.

The following is a reconciliation of asset retirement obligations as of September 27, 2015:

|  | (millions<br>of<br>dollars) |
|--|-----------------------------|
| Asset retirement liability, December 31, 2014  | \$ 23.0                     |
| Accretion expense                              | 2.5                         |
| Reversals                                      | (0.5 )                      |
| Payments                                       | (1.5 )                      |
| Foreign currency translation                   | (1.3 )                      |
| Asset retirement liability, September 27, 2015 | \$ 22.2                     |

The asset retirement costs are capitalized as part of the carrying amount of the associated asset. The current portion of the liability of approximately \$1.8 million is included in other current liabilities and the long-term portion of the liability of approximately \$20.3 million is included in other non-current liabilities in the Condensed Consolidated Balance Sheet as of September 27, 2015.

Note 13. Contingencies

We are party to a number of lawsuits arising in the normal course of our business.

On May 8, 2013, Armada (Singapore) PTE Limited, an ocean shipping company now in bankruptcy ("Armada") filed a case in federal court in the Northern District of Illinois against AMCOL and certain of its subsidiaries (Armada (Singapore) PTE Limited v. AMCOL International Corp., et al., United States District Court for the Northern District of Illinois, Case No. 13 CV 3455). We acquired AMCOL and its subsidiaries on May 9, 2014. A co-defendant is Ashapura Minechem Limited, a company located in Mumbai, India ("AML"). During the relevant time period, 2008-2010, AMCOL owned slightly over 20% of the outstanding AML stock through December 2009, after which it owned approximately 19%. In 2008, AML entered into two contracts of affreightment ("COA") with Armada for over 60 ship loads of bauxite from India to China. After one shipment, AML made no further shipments, which led Armada to file arbitrations in London against AML, one for each COA. AML did not appear in the London arbitrations and default awards of approximately \$70 million were entered. The litigation filed by Armada against AMCOL and AML relates to these awards, which AML has not paid. The substance of the allegations by Armada is that AML and AMCOL engaged in illegal conduct to thwart Armada's efforts to collect the arbitration award. The counts in the complaint include both violations of the Illinois Fraudulent Transfer laws as well as federal RICO violations. The lawsuit seeks money damages as well injunctive relief. The litigation is in the discovery phase. Fact discovery is currently scheduled to last through January 2016 and expert discovery is currently scheduled to last through mid-2016. We have accrued an estimate of potential damages for the Armada lawsuit, the amount of which was not material to our financial position, results of operations or cash flows.

Index

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

Certain of the Company's subsidiaries are among numerous defendants in a number of cases seeking damages for exposure to silica or to asbestos containing materials. The Company currently has 31 pending silica cases and 12 pending asbestos cases. To date, 1,464 silica cases and 46 asbestos cases have been dismissed, not including any lawsuits against AMCOL or American Colloid Company dismissed prior to our acquisition of AMCOL. One new asbestos case and no new silica cases were filed in the third quarter of 2015. Two asbestos cases and 43 silica cases were dismissed during the third quarter of 2015.

Most of these claims do not provide adequate information to assess their merits, the likelihood that the Company will be found liable, or the magnitude of such liability, if any. Additional claims of this nature may be made against the Company or its subsidiaries. At this time management anticipates that the amount of the Company's liability, if any, and the cost of defending such claims, will not have a material effect on its financial position or results of operations.

The Company has settled only one silica lawsuit, for a nominal amount, and no asbestos lawsuits to date (not including any that may have been settled by AMCOL prior to completion of the acquisition). We are unable to state an amount or range of amounts claimed in any of the lawsuits because state court pleading practices do not require identifying the amount of the claimed damage. The aggregate cost to the Company for the legal defense of these cases since inception continues to be insignificant. The majority of the costs of defense for these cases, excluding cases against AMCOL or American Colloid, are reimbursed by Pfizer Inc. pursuant to the terms of certain agreements entered into in connection with the Company's initial public offering in 1992. Of the 13 pending asbestos cases all except one allege liability based on products sold largely or entirely prior to the initial public offering, and for which the Company is therefore entitled to indemnification pursuant to such agreements. The one exception pertains to a newly filed asbestos case against American Colloid Company. Our experience has been that the Company is not liable to plaintiffs in any of these lawsuits and the Company does not expect to pay any settlements or jury verdicts in these lawsuits.

On February 20, 2015, a collective action lawsuit alleging a failure to comply with the Fair Labor Standards Act ("FLSA") was filed titled David Vidrine vs. CETCO Energy Services Company LLC in the U.S. District Court for the Southern District of Texas, Corpus Christie Division ("Vidrine"). We have accrued an estimate of potential damages for the Vidrine lawsuit, the amount of which was not material to our financial position, results of operations or cash flows.

#### Environmental Matters

On April 9, 2003, the Connecticut Department of Environmental Protection issued an administrative consent order relating to our Canaan, Connecticut, plant where both our Refractories segment and Specialty Minerals segment have operations. We agreed to the order, which includes provisions requiring investigation and remediation of contamination associated with historic use of polychlorinated biphenyls ("PCBs") and mercury at a portion of the site. We have completed the required investigations and submitted several reports characterizing the contamination and assessing site-specific risks. We are awaiting regulators' approval of the risk assessment report, which will form the basis for a proposal by the Company concerning eventual remediation.

We believe that the most likely form of overall site remediation will be to leave the existing contamination in place (with some limited soil removal), encapsulate it, and monitor the effectiveness of the encapsulation. We anticipate that a substantial portion of the remediation cost will be borne by the United States based on its involvement at the site from 1942 – 1964, as historic documentation indicates that PCBs and mercury were first used at the facility at a time of U.S. government ownership for production of materials needed by the military. Pursuant to a Consent Decree entered

on October 24, 2014, the United States paid the Company \$2.3 million in the 4<sup>th</sup> quarter of 2014 to resolve the Company's claim for response costs for investigation and initial remediation activities at this facility through October 24, 2014. Contribution by the United States to any future costs of investigation or additional remediation has, by agreement, been left unresolved. Though the cost of the likely remediation remains uncertain pending completion of the phased remediation decision process, we have estimated that the Company's share of the cost of the encapsulation and limited soil removal described above would approximate \$0.4 million, which has been accrued as of September 27, 2015.

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

The Company is evaluating options for upgrading the wastewater treatment facilities at its Adams, Massachusetts plant. This work has been undertaken pursuant to an administrative Consent Order originally issued by the Massachusetts Department of Environmental Protection (“DEP”) on June 18, 2002. This order was amended on June 1, 2009 and on June 2, 2010. The amended Order includes the investigation by January 1, 2022 of options for ensuring that the facility's wastewater treatment ponds will not result in unpermitted discharge to groundwater. Additional requirements of the amendment include the submittal by July 1, 2022 of a plan for closure of a historic lime solids disposal area. Preliminary engineering reviews completed in 2005 indicate that the estimated cost of wastewater treatment upgrades to operate this facility beyond 2024 may be between \$6 million and \$8 million. The Company estimates that the remaining remediation costs would approximate \$0.4 million, which has been accrued as of September 27, 2015.

The Company and its subsidiaries are not party to any other material pending legal proceedings, other than routine litigation incidental to their businesses.

## Note 14. Non-controlling interests

The following is a reconciliation of beginning and ending total equity, equity attributable to MTI, and equity attributable to non-controlling interests:

|   | Equity Attributable to MTI |            |            |             | Accumulated   | Treasury | Non-controlling | Total    |
|---|----------------------------|------------|------------|-------------|---------------|----------|-----------------|----------|
|   | Common                     | Additional | Retained   | Other       | Comprehensive | Stock    | Interests       |          |
|   | Stock                      | Paid-in    | Earnings   | Income      |               |          |                 |          |
|   |                            | Capital    |            | (Loss)      |               |          |                 |          |
|   | (millions of dollars)      |            |            |             |               |          |                 |          |
| Balance as of December 31, 2014                                   | \$4.8                      | \$ 373.0   | \$ 1,191.8 | \$ (112.9 ) | \$ (593.7 )   | \$       | \$ 25.9         | \$ 888.9 |
| Net income  | -                          | -          | 91.0       | -           | -             | -        | 2.9             | 93.9     |
| Other comprehensive income (loss)                                 | -                          | -          | -          | (60.4 )     | -             | -        | (1.1 )          | (61.5 )  |
| Dividends declared  | -                          | -          | (5.4 )     | -           | -             | -        | -               | (5.4 )   |
| Dividends to non-controlling interest                             | -                          | -          | -          | -           | -             | -        | (0.9 )          | (0.9 )   |
| Issuance of shares pursuant to employee stock compensation plans  | -                          | 1.3        | -          | -           | -             | -        | -               | 1.3      |
| Income tax benefit arising from employee stock compensation plans | -                          | 0.8        | -          | -           | -             | -        | -               | 0.8      |
| Stock based compensation  | -                          | 7.6        | -          | -           | -             | -        | -               | 7.6      |
| Balance as of September 27, 2015                                  | \$4.8                      | \$ 382.7   | \$ 1,277.4 | \$ (173.3 ) | \$ (593.7 )   | \$       | \$ 26.8         | \$ 924.7 |

The income attributable to non-controlling interests for the nine-month periods ended September 27, 2015 and September 28, 2014 was from continuing operations. The remainder of income was attributable to MTI.



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

## Note 15. Segment and Related Information

The Company has 5 reportable segments: Specialty Minerals, Refractories, Performance Materials, Construction Technologies, and Energy Services. See Note 1 to the Condensed Consolidated Financial Statements. Segment information for the three and nine-month periods ended September 27, 2015 and September 28, 2014 were as follows:

|                           | Three Months Ended    |                | Nine Months Ended |                |
|---------------------------|-----------------------|----------------|-------------------|----------------|
|                           | Sept. 27, 2015        | Sept. 28, 2014 | Sept. 27, 2015    | Sept. 28, 2014 |
|                           | (millions of dollars) |                |                   |                |
| Net Sales                 |                       |                |                   |                |
| Specialty Minerals        | \$156.5               | \$163.0        | \$466.9           | \$490.5        |
| Refractories              | 77.4                  | 90.4           | 227.7             | 266.8          |
| Performance Materials     | 126.5                 | 135.6          | 383.5             | 211.4          |
| Construction Technologies | 49.7                  | 69.1           | 140.7             | 106.3          |
| Energy Services           | 40.9                  | 85.4           | 148.8             | 134.0          |
| Total                     | \$451.0               | \$543.5        | \$1,367.6         | \$1,209.0      |
| Income from Operations    |                       |                |                   |                |
| Specialty Minerals        | \$25.0                | \$26.0         | \$75.2            | \$71.4         |
| Refractories              | 7.9                   | 9.7            | 24.5              | 29.0           |
| Performance Materials     | 22.7                  | 18.7           | 72.0              | 23.0           |
| Construction Technologies | 6.1                   | 8.3            | 18.5              | 9.0            |
| Energy Services           | (7.9 )                | 10.2           | (14.2 )           | 16.1           |
| Total                     | \$53.8                | \$72.9         | \$176.0           | \$148.5        |

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

|   | Income from operations before provision for taxes on income |                | Income from operations before provision for taxes on income |                |
|---|---|----------------|---|----------------|
|   | Three Months Ended  |                | Nine Months Ended   |                |
|   | Sept. 27, 2015  | Sept. 28, 2014 | Sept. 27, 2015  | Sept. 28, 2014 |
|   | (millions of dollars)                                       |                |   |                |
| Income from operations for reportable segments        | \$ 53.8   | \$ 72.9        | \$ 176.0  | \$ 148.5       |
| Acquisition Related Transaction and Integration Costs | (2.4 )  | (4.2 )         | (8.5 )  | (16.7 )        |
| Unallocated corporate                                 | (1.5 )  | (1.9 )         | (4.9 )  | (5.6 )         |

|                   |         |         |          |         |
|-------------------|---------|---------|----------|---------|
| expenses          |         |         |          |         |
| Consolidated      |         |         |          |         |
| income from       |         |         |          |         |
| operations        | 49.9    | 66.8    | 162.6    | 126.2   |
| Non-operating     |         |         |          |         |
| deductions, net   | (11.7 ) | (15.1 ) | (44.3 )  | (30.5 ) |
| Income from       |         |         |          |         |
| continuing        |         |         |          |         |
| operations before |         |         |          |         |
| provision for     |         |         |          |         |
| taxes on income   | \$ 38.2 | \$ 51.7 | \$ 118.3 | \$ 95.7 |

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

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

|   | Three Months          |         | Nine Months |           |
|---|-----------------------|---------|-------------|-----------|
|   | Ended                 |         | Ended       |           |
|   | Sept.                 | Sept.   | Sept. 27,   | Sept. 28, |
|   | 27,                   | 28,     | 2015        | 2014      |
|   | 2015                  | 2014    |             |           |
|   | (millions of dollars) |         |             |           |
| Paper PCC                                       | \$106.1               | \$113.4 | \$315.9     | \$341.3   |
| Specialty PCC                                   | 15.8                  | 16.5    | 48.5        | 50.7      |
| Talc  | 13.9                  | 13.8    | 41.9        | 41.7      |
| Ground Calcium Carbonate                        | 20.7                  | 19.3    | 60.6        | 56.8      |
| Refractory Products                             | 60.5                  | 69.7    | 178.3       | 201.4     |
| Metallurgical Products                          | 16.9                  | 20.7    | 49.4        | 65.4      |
| Metalcasting                                    | 63.4                  | 70.0    | 200.3       | 109.4     |
| Household, Personal Care and Specialty Products | 43.0                  | 42.8    | 126.6       | 66.2      |
| Basic Minerals and Other Products               | 20.1                  | 22.8    | 56.6        | 35.8      |
| Environmental Products                          | 21.7                  | 34.5    | 55.2        | 51.8      |
| Building Materials and Other Products           | 28.0                  | 34.6    | 85.5        | 54.5      |
| Energy Services                                 | 40.9                  | 85.4    | 148.8       | 134.0     |
| Total   | \$451.0               | \$543.5 | \$1,367.6   | \$1,209.0 |

Index

REVIEW REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders  
Minerals Technologies Inc.:

We have reviewed the accompanying condensed consolidated balance sheet of Minerals Technologies Inc. and subsidiaries as of September 27, 2015, the related condensed consolidated statements of income and comprehensive income for the three-month and nine-month periods ended September 27, 2015 and September 28, 2014, and the related condensed consolidated statements of cash flows for the nine-month periods ended September 27, 2015 and September 28, 2014. These condensed consolidated financial statements are the responsibility of the Company's management.

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

Based on our review, we are not aware of any material modifications that should be made to the condensed consolidated financial statements referred to above for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Minerals Technologies Inc. and subsidiaries as of December 31, 2014, and the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated February 18, 2015, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2014 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ KPMG LLP

New York, New York  
October 23, 2015

Index

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

Executive Summary

On May 9, 2014, pursuant to the Merger Agreement dated March 10, 2014, the Company acquired AMCOL International Corporation ("AMCOL"). The Company acquired AMCOL by completing a tender offer to purchase AMCOL's outstanding shares of common stock and the subsequent merger of AMCOL with and into a wholly-owned subsidiary of MTI. Upon completion of the merger, AMCOL became a wholly owned direct subsidiary of MTI. Through the tender offer and the merger, the Company paid \$1,519.4 million in cash to acquire all of the outstanding shares of AMCOL. The fair value of total consideration transferred, net of cash acquired was \$1,802.3 million.

With the acquisition of AMCOL, the Company has strengthened its position as a leading international producer of specialty materials and related products and services for industrial and consumer markets. The Company and AMCOL have both been world-renowned innovators in mineralogy, fine particle technology and polymer chemistry. This transaction brings together the global leaders in precipitated calcium carbonate and bentonite, creating an even more robust US-based international minerals supplier.

The 2014 acquisition of AMCOL continues to be highly accretive. All of our business segments, other than Energy Services, recorded double-digit operating margins. Consolidated sales for the third quarter of 2015 were \$451.0 million, down 17% from the \$543.5 million in the prior year. Foreign exchange had a negative impact on sales of \$27.6 million, or 5 percent. The Company's exit from the Coiled Tubing service line of the Energy Services segment in early August 2015 reduced consolidated sales for the third quarter by an additional \$17.4 million or 3 percent as compared with the prior year. Income from operations was \$49.9 million as compared with \$66.8 million in the prior year, a decline of 25%. The combined unfavorable impact on operating income of foreign exchange and the exit from the Coiled Tubing service line was \$6.7 million. Net income was \$29.2 million as compared to \$37.0 million in the prior year. Diluted earnings from continuing operations in the third quarter ended September 27, 2015 were \$0.83 per share.

During the third quarter of 2015, the Company exited its Coiled Tubing service line and restructured its other on-shore service lines within the Energy Services segment due to continued losses indications that there will not be any significant improvement in the market in the near to medium term. Included in pre-tax income and earnings per share were \$2.4 million acquisition integration costs and \$10.5 million in restructuring and impairment charges related to lease termination costs, inventory write-offs and impairment of assets from the exit from the Coiled Tubing and other on-shore service lines, which reduced earnings by \$0.23 per share.

The Company continued to execute on its growth strategies of geographic expansion and new product innovation and development. We are currently commissioning two new satellite PCC plants in China and have three additional satellites under construction. The total capacity being installed with these three new satellite plants is approximately 215,000 tons. The Company continued to see progress in its major growth strategy of developing and commercializing new products in advancing the FulFill® platform of technologies of higher filler loading. In 2015, we signed 5 commercial agreements for FulFill® with two North American paper companies, a European paper company, and two companies in Asia. We presently have twenty three commercial contracts for FulFill®. Our three-year term refractory maintenance agreement with United Steel Company B.S.C. (SULB), in Bahrain is due to expire in the fourth quarter. We recorded sales to SULB of \$2.1 million in the third quarter and \$6.3 million during the nine months ended September 27, 2015. Our Refractories segment entered into two multi-year agreements in 2014 to provide cost-per-ton (CPT) steel refractory maintenance in Europe and in India. We recorded sales of approximately \$0.6 million in third quarter and \$1.8 million during the nine months ended September 27, 2015. These agreements are due to expire in 2016.

Long term debt as of September 27, 2015 was \$1,325.6 million. During the third quarter and first nine months of 2015, we repaid \$50 million and \$140.2 million of our term loan debt, respectively. Since the acquisition of AMCOL, we have repaid over \$240 million of our long-term debt. Cash, cash equivalents and short-term investments were \$228 million as of September 27, 2015. Our intention continues to be to use excess cash flow to repay debt and to de-lever as quickly as possible.

Index

Outlook

In addition to the integration of AMCOL and realization of the potential synergies from the acquired businesses, the Company will also continue to focus on innovation and new product development and other opportunities for sales growth in 2015 from its existing businesses, as follows:

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

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

IndexResults of Operations

Three months ended September 27, 2015 as compared with three months ended September 28, 2014

Consolidated Income Statement Review

|   | Three Months Ended    |                | Growth |   |
|---|-----------------------|----------------|--------|---|
|   | Sept. 27, 2015        | Sept. 28, 2014 |        | % |
|   | (Dollars in millions) |                |        |   |
| Net sales   | \$451.0               | \$543.5        | -17    | % |
| Cost of sales   | 332.1                 | 398.5          | -17    | % |
| Production margin   | 118.9                 | 145.0          | -18    | % |
| Production margin %   | 26.4 %                | 26.7 %         |        |   |
| Marketing and administrative expenses   | 47.9                  | 59.7           | -20    | % |
| Research and development expenses   | 6.2                   | 6.6            | -6     | % |
| Amortization expense of intangible assets acquired                                  | 2.0                   | 1.9            | 5      | % |
| Acquisition related transaction and integration costs                               | 2.4                   | 4.2            | -43    | % |
| Restructuring and other charges   | 10.5                  | 5.8            | 81     | % |
| Income from operations  | 49.9                  | 66.8           | -25    | % |
| Operating margin %  | 11.1 %                | 12.3 %         |        |   |
| Interest expense, net   | (14.5 )               | (16.0 )        | *      |   |
| Extinguishment of debt cost and fees  | -                     | -              | *      |   |
| Other non-operating income (deductions), net  | 2.8                   | 0.9            | 211    | % |
| Total non-operating deductions, net   | (11.7 )               | (15.1 )        | *      |   |
| Income from continuing operations before provision for taxes and equity in earnings | 38.2                  | 51.7           | -26    | % |
| Provision for taxes on income   | 8.4                   | 14.4           | *      |   |
| Effective tax rate  | 22.0 %                | 27.9 %         |        |   |
| Equity in earnings of affiliates, net of tax  | 0.5                   | 0.3            | *      |   |
| Income from continuing operations, net of tax                                       | 30.3                  | 37.6           | -19    | % |
| Income (loss) from discontinued operations, net of tax                              | -                     | 0.2            | -100   | % |
| Net income attributable to non-controlling interests                                | 1.1                   | 0.8            | 38     | % |
| Net income attributable to Minerals Technologies Inc. (MTI)                         | 29.2                  | 37.0           | -21    | % |

\*Not meaningful



Index

## Net Sales

|                                   | Three Months<br>Ended<br>September 27,<br>2015 |                        |             | Three Months<br>Ended<br>September 28,<br>2014 |              |                        |
|-----------------------------------|--|------------------------|-------------|--|--------------|------------------------|
|                                   | Net<br>Sales                                   | % of<br>Total<br>Sales | %<br>Growth |  | Net<br>Sales | % of<br>Total<br>Sales |
|                                   | (Dollars in millions)                          |                        |             |  |              |                        |
| U.S.                              | \$264.9  | 58.7 %                 | -19 %       |  | \$326.3      | 60 %                   |
| International                     | 186.1  | 41.3 %                 | -14 %       |  | 217.2        | 40 %                   |
| Total sales                       | \$451.0  | 100.0%                 | -17 %       |  | \$543.5      | 100 %                  |
| Specialty Minerals Segment        | \$156.5  | 34.7 %                 | -4 %        |  | \$163.0      | 30 %                   |
| Refractories Segment              | 77.4   | 17.2 %                 | -14 %       |  | 90.4         | 17 %                   |
| Performance Materials Segment     | 126.5  | 28.0 %                 | -7 %        |  | 135.6        | 25 %                   |
| Construction Technologies Segment | 49.7   | 11.0 %                 | -28 %       |  | 69.1         | 13 %                   |
| Energy Services Segment           | 40.9   | 9.1 %                  | -52 %       |  | 85.4         | 16 %                   |
| Total sales                       | \$451.0  | 100.0%                 | -17 %       |  | \$543.5      | 100 %                  |

Total sales decreased \$92.5 million or 17% from the previous year to \$451.0 million. Foreign exchange had an unfavorable impact on sales of \$27.6 million or 5 percent. The exit from the Coiled Tubing service line in early August reduced consolidated sales by an additional \$17.4 million or 3 percent.

## Operating Costs and Expenses

Cost of sales was \$332.1 million and 73.6% of sales as compared with \$398.5 million and 73.3% of sales in the prior year. Improved productivity and cost improvements in the Performance Materials and Specialty Minerals segments offset the weak market conditions in the Energy Services and Refractories Segments.

Marketing and administrative costs were down 20% to \$47.9 million and were 10.6% of sales as compared to \$59.7 million and 11.0% of sales in prior year primarily due to cost improvements relating to realization of acquisition synergies.

Research and development expenses were \$6.2 million and represented 1.4 percent of sales compared with \$6.6 million and 1.2 percent of sales in the prior year.

The Company recorded \$2.0 million relating to the amortization of intangible assets acquired and \$2.4 million for transaction and integration costs during the three months ended September 27, 2015.

During the third quarter of 2015, the Company incurred lease termination costs, inventory write-offs, and other restructuring charges of \$10.5 million relating to the exit from its Coiled Tubing product line and restructuring other domestic on-shore service lines, within the Energy Service segment. This product line has continued to experience deteriorating financial performance as a result of the significant reduction in oil prices and overcapacity in the on-shore oil services market.

## Income from Operations

The Company recorded income from operations of \$49.9 million as compared to \$66.8 million in the prior year. The combined unfavorable impact on operating income of foreign exchange and the exit from Coiled Tubing was \$6.7 million. Operating income during the three months ended September 27, 2015, includes acquisition related transaction and integration costs of \$2.4 million, and restructuring and other charges of approximately \$10.5 million. Operating income during the three months ended September 28, 2014, includes acquisition related transaction and integration costs of \$4.2 million, and restructuring charges of \$5.8 million.

Non-Operating Income (Deductions)

Net other deductions were declined 23% to \$11.7 million for the three months ended September 27, 2015 as compared with \$15.1 million in the prior year. This decline relates to lower interest expense in the current quarter due to debt repayment and higher foreign exchange gains as compared with the prior year.

Index

## Provision for Taxes on Income

Provision for taxes on income was \$8.4 million as compared to \$14.4 million in the prior year. The effective tax rate was 22.1% as compared to 27.9% in prior year. The lower effective tax rate was primarily due to a change in the mix of earnings and non-deductible acquisition costs in the prior year.

## Income from Continuing Operations, Net of Tax

Income from continuing operations, net of tax, was \$30.3 million during the three months ended September 27, 2015 compared with \$37.6 million in the prior year.

Segment Review

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

## Specialty Minerals Segment

|                             | Three Months Ended    |                | Growth |   |
|-----------------------------|-----------------------|----------------|--------|---|
|                             | Sept. 27, 2015        | Sept. 28, 2014 |        |   |
| Specialty Minerals Segment  | (millions of dollars) |                |        |   |
| Net Sales                   |                       |                |        |   |
| Paper PCC                   | \$ 106.1              | \$ 113.4       | -6     | % |
| Specialty PCC               | 15.8                  | 16.5           | -4     | % |
| PCC Products                | \$ 121.9              | \$ 129.9       | -6     | % |
| Talc                        | \$ 13.9               | \$ 13.8        | 1      | % |
| Ground Calcium Carbonate    | 20.7                  | 19.3           | 7      | % |
| Processed Minerals Products | \$ 34.6               | \$ 33.1        | 5      | % |
| Total net sales             | \$ 156.5              | \$ 163.0       | -4     | % |
| Income from operations      | \$ 25.0               | \$ 26.0        | -4     | % |
| % of net sales              | 16.0 %                | 16.0 %         |        |   |

Worldwide sales in the Specialty Minerals segment were \$156.5 million as compared with \$163.0 million in the prior year, a decrease of \$6.5 million or 4%. Foreign exchange had an unfavorable impact of \$9.6 million, or 6 percent.

Worldwide net sales of PCC, which is primarily used in the manufacturing process of the paper industry, decreased 6% to \$121.9 million from \$129.9 million in the prior year. Paper PCC sales decreased 6% to \$106.1 million from \$113.4 million, primarily due to the effects of foreign exchange which had an unfavorable impact on sales of \$8.9 million, or 8 percent. Paper PCC volumes grew 3 percent from prior year, primarily due to the start-up of three new facilities in China. Sales of Specialty PCC decreased 4% to \$15.8 million from \$16.5 million in the prior year due to the unfavorable effects of foreign exchange.

Net sales of Processed Minerals products increased 5% to \$34.6 million. Talc sales increased approximately 1 % and Ground Calcium Carbonate sales increased 7% primarily due to increased volumes.

Income from operations for Specialty Minerals was \$25.0 million compared with \$26.0 million in the prior year and remained flat at 16.0% of sales. Operating income was negatively affected by foreign exchange.

Index

## Refractories Segment

|                        | Three Months Ended    |                | Growth |   |
|------------------------|-----------------------|----------------|--------|---|
|                        | Sept. 27, 2015        | Sept. 28, 2014 |        |   |
| Refractories Segment   | (millions of dollars) |                |        |   |
| Net Sales              |                       |                |        |   |
| Refractory Products    | \$60.5                | \$69.7         | -13    | % |
| Metallurgical Products | 16.9                  | 20.7           | -18    | % |
| Total net sales        | \$77.4                | \$90.4         | -14    | % |
| Income from operations | \$7.9                 | \$9.7          | -19    | % |
| % of net sales         | 10.2%                 | 10.7%          |        |   |

Net sales in the Refractories segment decreased 14% to \$77.4 million from \$90.4 million in the prior year. Foreign exchange had an unfavorable impact on sales of \$6.9 million or 8 percent. The remaining sales decrease was primarily due to lower volumes stemming from continued weak global steel demand.

Income from operations decreased 19% to \$7.9 million from \$9.7 million in the prior year due to lower sales and the negative impact of foreign exchange.

## Performance Materials Segment

|   | Three Months Ended    |                | Growth |   |
|---|-----------------------|----------------|--------|---|
|   | Sept. 27, 2015        | Sept. 28, 2014 |        |   |
| Performance Materials Segment                   | (millions of dollars) |                |        |   |
| Net Sales                                       |                       |                |        |   |
| Metalcasting                                    | \$63.4                | \$70.0         | -9     | % |
| Household, Personal Care and Specialty Products | 43.0                  | 42.8           | 0      | % |
| Basic Minerals and Other products               | 20.1                  | 22.8           | -12    | % |
| Total net sales                                 | \$126.5               | \$135.6        | -7     | % |
| Income from operations                          | \$22.7                | \$18.7         | 21     | % |
| % of net sales                                  | 17.9 %                | 13.8 %         |        |   |

The Performance Materials segment has three product lines. The Metalcasting product line produces custom-blended mineral and non-mineral products using sodium and calcium bentonite or chromite to strengthen sand molds for casting auto parts, farm and construction equipment, oil and gas production equipment, power generation turbine casting and rail car components. The Household, Personal Care and Specialty products line contains our pet litter, fabric care, health and beauty and agricultural specialty products. Basic Minerals and Other products contains sales of bentonite, chromite and leonardite to a variety of end markets and industrial applications. This product line also includes sales from our internal transportation and logistics group.

Net sales in the Performance Materials segment decreased 7% to \$126.5 million in the third quarter of 2015 as compared with \$135.6 million in the prior year. Foreign exchange had a negative impact on sales of \$4.4 million or 3 percentage points. Sales in the Metalcasting product line decreased 9% to \$63.4 million from \$70.0 million in the prior year. The sales decrease in this product line was primarily due to weakness in the agricultural sector, particularly in the U.S., and extended foundry outages in China due to the recent slowdown in the automotive industry. Sales in Household, Personal Care and Specialty Products were \$43.0 million, approximately the same as the prior year. However, Pet Care product sales increased 15%, Personal Care products increased 32% and Fabric Care sales in Asia increased significantly. This sales growth was primarily offset by lower Fabric Care sales in Europe. Sales in the Basic Minerals and Other Products product line declined 12% to \$20.1 million from \$22.8 million in the prior year, primarily attributable to lower drilling fluids sales due to lower oil prices and continued weak oil and gas drilling activities.

Index

Income from operations was \$22.7 million and 17.9% of sales as compared with \$18.7 million and 13.8% in the prior year. The strong margin improvement was attributable to improved productivity and cost controls.

## Construction Technologies Segment

|                                       | Three Months Ended    |                | Growth |   |
|---------------------------------------|-----------------------|----------------|--------|---|
|                                       | Sept. 27, 2015        | Sept. 28, 2014 |        |   |
| Construction Technologies Segment     | (millions of dollars) |                |        |   |
| Net Sales                             |                       |                |        |   |
| Environmental Products                | \$21.7                | \$34.5         | -37    | % |
| Building Materials and Other Products | 28.0                  | 34.6           | -19    | % |
| Total net sales                       | \$49.7                | \$69.1         | -28    | % |
| Income from operations                | \$6.1                 | \$8.3          | -27    | % |
| % of net sales                        | 12.3%                 | 12.0%          |        |   |

The Construction Technologies segment has two product lines. The Environmental product line includes bentonite based lining technologies and liquid containment products for environmental projects such as land fill and mine waste disposal sites as well as other environmental remediation applications. The Building Materials and Other Products product line includes various active and passive products for waterproofing of underground structures, commercial building envelopes and tunnels. It also includes drilling products for commercial building and construction foundations and for horizontal directional drilling applications.

Net sales for the Construction Technologies segment declined 28% to \$49.7 million as compared with \$69.1 million in the prior year. Foreign exchange had an unfavorable impact on sales of \$3.8 million, or 6%. Sales in the Environmental products product line declined 37% to \$21.7 million from \$34.5 million in the prior year. Sales for the Building Materials and Other Products product line declined 19% to \$28.0 million from \$34.6 million in the prior year. Income from operations was \$6.1 million and 12.3% of sales as compared with \$8.3 million and 12.0% of sales in the prior year. Sales and operating income in this business segment were affected by fewer large projects as compared to last year.

## Energy Services Segment

|                         | Three Months Ended    |                | Growth |   |
|-------------------------|-----------------------|----------------|--------|---|
|                         | Sept. 27, 2015        | Sept. 28, 2014 |        |   |
| Energy Services Segment | (millions of dollars) |                |        |   |
| Net Sales               | \$40.9                | \$85.4         | -52    | % |
| Income from operations  | \$(7.9)               | \$10.2         | *      |   |
| % of net sales          | *                     | 11.9%          |        |   |

\*Not meaningful

The Energy Services segment provides products and services to the Oil and Gas Industry including a range of on and off shore Water Filtration, Well Testing, Pipeline, and Nitrogen Services primarily in the Gulf of Mexico and the surrounding on-shore areas. During the third quarter, the Company determined to exit the Coiled Tubing service line due to continued losses in this service line and indications that there will not be any significant improvement in the market in the near to medium term.

Net sales for Energy Services declined 52 % to \$40.9 million in the current year as compared with \$85.4 million in the prior year. The exit from the Coiled Tubing service line in early August reduced sales by \$17.4 million or 20 percent, as compared to the prior year. In addition, foreign exchange had a negative impact on sales of \$2.8 million or 3 percent. This segment continues to experience pressure due to weak market conditions in the oil and gas sector.

28

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Index

Loss from operations was \$7.9 million and included severance costs, lease termination costs, inventory write-offs and asset impairment charges aggregating \$10.5 million.

Nine months ended September 27, 2015 as compared with nine months ended September 28, 2014

Consolidated Income Statement Review

|   | Nine Months Ended     |                   | Growth |   |
|---|-----------------------|-------------------|--------|---|
|   | Sept. 27,<br>2015     | Sept. 28,<br>2014 | %      |   |
|   | (Dollars in millions) |                   |        |   |
| Net sales   | \$1,367.6             | \$1,209.0         | 13     | % |
| Cost of sales   | 1,006.0               | 906.0             | 11     | % |
| Production margin   | 361.6                 | 303.0             | 19     | % |
| Production margin %   | 26.4                  | % 25.1            | %      |   |
| Marketing and administrative expenses   | 139.6                 | 127.4             | 10     | % |
| Research and development expenses   | 17.8                  | 18.0              | -1     | % |
| Amortization expense of intangible assets acquired                                  | 5.8                   | 2.9               | 100    | % |
| Acquisition related transaction and integration costs                               | 8.5                   | 16.7              | -49    | % |
| Restructuring and other charges   | 27.3                  | 11.8              | *      |   |
| Income from operations  | 162.6                 | 126.2             | 29     | % |
| Operating margin %  | 11.9                  | % 10.4            | %      |   |
| Interest expense, net   | (45.5 )               | (25.2 )           | 81     | % |
| Extinguishment of debt cost and fees  | (4.5 )                | (5.8 )            | -22    | % |
| Other non-operating income (deductions), net  | 5.7                   | 0.5               | *      |   |
| Total non-operating deductions, net   | (44.3 )               | (30.5 )           | *      |   |
| Income from continuing operations before provision for taxes and equity in earnings | 118.3                 | 95.7              | 24     | % |
| Provision for taxes on income   | 25.8                  | 24.8              | 4      | % |
| Effective tax rate  | 21.8                  | % 25.9            | %      |   |
| Equity in earnings of affiliates, net of tax  | 1.4                   | 0.6               | *      |   |
| Income from continuing operations, net of tax                                       | 93.9                  | 71.5              | 31     | % |
| Income (loss) from discontinued operations, net of tax                              | -                     | 2.0               | -100   | % |
| Net income attributable to non-controlling interests                                | 2.9                   | 2.4               | 21     | % |
| Net income attributable to Minerals Technologies Inc. (MTI)                         | 91.0                  | 71.1              | 28     | % |

\*Not meaningful

Index

## Net Sales

|                                   | Nine Months<br>Ended<br>September 27,<br>2015 |                        |             | Nine Months<br>Ended<br>September 28,<br>2014 |              |                        |
|-----------------------------------|---|------------------------|-------------|---|--------------|------------------------|
|                                   | Net<br>Sales                                  | % of<br>Total<br>Sales | %<br>Growth |   | Net<br>Sales | % of<br>Total<br>Sales |
|                                   | (Dollars in millions)                         |                        |             |   |              |                        |
| U.S.                              | \$806.3                                       | 59.0 %                 | 14 %        |   | \$704.6      | 58 %                   |
| International                     | 561.3   | 41.0 %                 | 11 %        |   | 504.4        | 42 %                   |
| Total sales                       | \$1,367.6                                     | 100.0 %                | 13 %        |   | \$1,209.0    | 100 %                  |
| Specialty Minerals Segment        | \$466.9                                       | 34.1 %                 | -5 %        |   | \$490.5      | 41 %                   |
| Refractories Segment              | 227.7   | 16.6 %                 | -15 %       |   | 266.8        | 22 %                   |
| Performance Materials Segment     | 383.5   | 28.0 %                 | 81 %        |   | 211.4        | 17 %                   |
| Construction Technologies Segment | 140.7   | 10.3 %                 | 32 %        |   | 106.3        | 9 %                    |
| Energy Services Segment           | 148.8   | 10.9 %                 | 11 %        |   | 134.0        | 11 %                   |
| Total sales                       | \$1,367.6                                     | 100.0 %                | 13 %        |   | \$1,209.0    | 100 %                  |

As a result of the acquisition of AMCOL on May 9, 2014, the financial results of the acquired businesses (consisting of Performance Materials, Construction Technologies and Energy Services segments) reflect 143 days in the nine months of 2014. The results of such businesses reflect 270 days in the nine months ended September 27, 2015.

Total sales increased \$158.6 million or 13 % from the previous year to \$1,367.6 million. Foreign exchange had an unfavorable impact on sales of \$65.5 million or 5 percent.

## Operating Costs and Expenses

Production margin for the nine months ended September 27, 2015 was \$361.6 million and represented 26.4% of sales as compared with \$303.0 million and 25.1% of sales in the prior year. Production margins improved due to achievement of acquisition synergies and the Company's ongoing Operational Excellence initiatives and productivity improvements.

Marketing and administrative costs were \$139.6 million and 10.2% of sales compared to \$127.4 million and 10.5% of sales in prior year. All of the increases related to the acquired businesses, partially offset by acquisition synergies achieved.

Research and development expenses were \$17.8 million and represented 1.3 percent of sales for the nine months ended September 27, 2015. Research and development expenses in the prior year were \$18.0 million and represented 1.5 percent of sales. All of the increases related to the acquired businesses.

The Company recorded \$5.8 million relating to the amortization of intangible assets acquired and recorded a \$8.5 million for integration costs resulting from the acquisition during the nine months ended September 27, 2015. The Company also recorded restructuring and impairment charges of \$27.3 million relating primarily to the exit from our Coiled Tubing product line and restructuring of other on-shore service lines within the Energy Services segment.

During the nine months ended September 28, 2014, the Company recorded \$11.8 million in severance-related and other restructuring charges and \$16.7 million for acquisition transaction and integration costs.

Income from Operations

The Company recorded income from operations of \$162.6 million as compared to \$126.2 million in the prior year. Operating income for the nine months ended September 27, 2015 includes acquisition integration costs of \$5.8 million and restructuring and other charges of \$27.3 million. Operating income in the prior year includes a one-time non-cash inventory step-up charge of \$5.6 million, acquisition related transaction and integration costs of \$16.7 million, and restructuring and other charges of approximately \$11.8 million.

Index

## Non-Operating Income (Deductions)

In May 2014, the Company entered into a \$1.56 billion Term Facility to fund the acquisition of AMCOL business (see Note 9 to the Condensed Consolidated Financial Statements). The increase in debt level from resulted in the \$20.3 million increase in interest expense compared to prior year.

In the second quarter of 2015, the Company repriced the outstanding balance of its Term Facility and recorded \$4.5 million in non-cash debt modification costs and other debt modification fees. In the second quarter of 2014, the Company recorded \$5.8 million for premiums on debt extinguishment relating to the purchase of AMCOL.

Other non-operating income increased by \$5.2 million as compared to prior year and relates to higher foreign exchange gains in the current year.

## Provision for Taxes on Income

Provision for taxes for the nine months ended September 27, 2015 was \$25.8 million as compared to \$24.8 million in the prior year. The effective tax rate was 21.8% as compared to 25.9% in prior year. The lower effective tax rate was primarily due to a change in the mix of earnings, higher depletion deductions and non-deductible acquisition costs in the prior year.

## Income from Continuing Operations, Net of Tax

Income from continuing operations, net of tax, was \$93.9 million during the nine months ended September 27, 2015 as compared with \$71.5 million in the prior year.

Segment Review

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

## Specialty Minerals Segment

|                             | Nine Months<br>Ended     |                      | Growth |   |
|-----------------------------|--------------------------|----------------------|--------|---|
| Specialty Minerals Segment  | Sept.<br>27,<br>2015     | Sept.<br>28,<br>2014 |        |   |
|                             | (millions of<br>dollars) |                      |        |   |
| Net Sales                   |                          |                      |        |   |
| Paper PCC                   | \$315.9                  | \$341.3              | -7     | % |
| Specialty PCC               | 48.5                     | 50.7                 | -4     | % |
| PCC Products                | \$364.4                  | \$392.0              | -7     | % |
| Talc                        | \$41.9                   | \$41.7               | 0      | % |
| Ground Calcium Carbonate    | 60.6                     | 56.8                 | 7      | % |
| Processed Minerals Products | \$102.5                  | \$98.5               | 4      | % |
| Total net sales             | \$466.9                  | \$490.5              | -5     | % |
| Income from operations      | \$75.2                   | \$71.4               | 5      | % |

% of net sales                      16.1 %   14.6 %

Worldwide sales in the Specialty Minerals segment were \$466.9 million as compared with \$490.5 million in the prior year, a decrease of 5%. Foreign exchange had an unfavorable impact on sales of \$25.5 million or 5%.

Worldwide net sales of PCC, which is primarily used in the manufacturing process of the paper industry, decreased 7% to \$364.4 million from \$392.0 million in the prior year. Paper PCC sales decreased 7% to \$315.9 million and sales of Specialty PCC decreased 4% to \$48.5 million from \$50.7 million in the prior year. The decrease in sales was due to the unfavorable impact of foreign exchange.

Index

Net sales of Processed Minerals products increased 4 % to \$102.5 million from \$98.5 million in the prior year. Talc sales increased slightly and Ground Calcium Carbonate sales increased 7% due to higher volumes.

Income from operations was \$75.2 million and 16.1% of net sales compared to \$71.4 million and 14.6% of sales in prior year due to improved profitability in the Processed Minerals product line and cost and expense control.

## Refractories Segment

| Refractories Segment   | Nine Months<br>Ended     |                      | Growth |
|------------------------|--------------------------|----------------------|--------|
|                        | Sept.<br>27,<br>2015     | Sept.<br>28,<br>2014 |        |
|                        | (millions of<br>dollars) |                      |        |
| Net Sales              |                          |                      |        |
| Refractory Products    | \$178.3                  | \$201.4              | -11 %  |
| Metallurgical Products | 49.4                     | 65.4                 | -24 %  |
| Total net sales        | \$227.7                  | \$266.8              | -15 %  |
| Income from operations | \$24.5                   | \$29.0               | -16 %  |
| % of net sales         | 10.8 %                   | 10.9 %               |        |

Net sales in the Refractories segment decreased 15% to \$227.7 million from \$266.8 million in the prior year. Foreign exchange had a negative impact on sales of \$19.3 million or 7%. The remaining sales decrease was primarily due to lower volumes stemming from continued global weak steel demand.

Income from operations was \$24.5 million and 10.8% of sales as compared with \$29.0 million and 10.9% of sales. The decrease in income from operations was due to lower volumes and the unfavorable impact of foreign exchange, both partially offset by cost control.

## Performance Materials Segment

| Performance Materials Segment                   | Nine Months<br>Ended     |                      | Growth |
|---|--------------------------|----------------------|--------|
|   | Sept.<br>27,<br>2015     | Sept.<br>28,<br>2014 |        |
|   | (millions of<br>dollars) |                      |        |
| Net Sales                                       |                          |                      |        |
| Metalcasting                                    | \$200.3                  | \$109.4              | 83 %   |
| Household, Personal Care and Specialty Products | \$126.6                  | 66.2                 | 91 %   |
| Basic Minerals and Other products               | 56.6                     | 35.8                 | 58 %   |
| Total net sales                                 | \$383.5                  | \$211.4              | 81 %   |
| Income from operations                          | \$72.0                   | \$23.0               | 213 %  |
| % of net sales                                  | 18.8 %                   | 10.9 %               |        |



Index

## Construction Technologies Segment

|                                       | Nine Months<br>Ended     |                      | Growth |   |
|---------------------------------------|--------------------------|----------------------|--------|---|
|                                       | Sept.<br>27,<br>2015     | Sept.<br>28,<br>2014 |        |   |
|                                       | (millions of<br>dollars) |                      |        |   |
| Construction Technologies Segment     |                          |                      |        |   |
| Net Sales                             |                          |                      |        |   |
| Environmental Products                | \$55.2                   | \$51.8               | 7      | % |
| Building Materials and Other Products | 85.5                     | 54.5                 | 57     | % |
| Total net sales                       | \$140.7                  | \$106.3              | 32     | % |
| Income from operations                | \$18.5                   | \$9.0                | 106    | % |
| % of net sales                        | 13.1                     | % 8.5                | %      | % |

## Energy Services Segments

|                         | Nine Months<br>Ended     |                      | Growth |   |
|-------------------------|--------------------------|----------------------|--------|---|
|                         | Sept.<br>27,<br>2015     | Sept.<br>28,<br>2014 |        |   |
|                         | (millions of<br>dollars) |                      |        |   |
| Energy Services Segment |                          |                      |        |   |
| Net Sales               | \$148.8                  | \$134.0              | 11     | % |
| Income from operations  | \$(14.2)                 | \$16.1               | *      |   |
| % of net sales          | -9.5                     | % 12.0               | %      | % |

Liquidity and Capital Resources

Cash provided from operating activities in the first nine months of 2015 was \$194.7 million. Cash flows provided from operations in the first nine months of 2015 were principally used to repay debt, fund capital expenditures and pay the Company's dividend to common shareholders.

On May 9, 2014, in connection with the acquisition of AMCOL, the Company entered into a credit agreement providing for the \$1,560 million Term Facility and a \$200 million senior secured revolving credit facility (the "Revolving Facility" and, together with the Term Facility, the "Facilities"). The net proceeds of the Term Facility, together with the Company's cash on hand, were used as cash consideration for the acquisition of AMCOL and to refinance certain existing indebtedness of the Company (including the Company's 3.46% Series A Senior Notes due October 7, 2020 and 4.13% Series B Senior Notes due October 7, 2023) and AMCOL and to pay fees and expenses in connection with the foregoing. Loans under the Revolving Facility will be used for working capital and other general corporate purposes of the Company and its subsidiaries. As of September 27, 2015, the Revolving Facility remained unused. Our intention is to use excess cash flow to repay debt and to de-lever as quickly as possible. During the third quarter and first nine months of 2015, the Company repaid \$50 million and \$140.2 million in principal amount of its term loan debt, respectively.



On June 23, 2015, the Company entered into an amendment to the credit agreement to reprice the \$1.378 billion then outstanding on the Term Facility. As amended, the Term Facility has a \$1,078 million floating rate tranche and a \$300 million fixed rate tranche. The maturity date for loans under the Term Facility was not changed by the amendment. The loans outstanding under the Term Facility will mature on May 9, 2021 and the loans outstanding (if any) and commitments under the Revolving Facility will mature and terminate, as the case may be, on May 9, 2019. After the amendment, loans under the variable rate tranche of the Term Facility bear interest at a rate equal to an adjusted LIBOR rate (subject to a floor of 0.75%) plus an applicable margin equal to 3.00% per annum. Loans under the fixed rate tranche of the Term Facility bear interest at a rate of 4.75%. Loans under the Revolving Facility will bear interest at a rate equal to an adjusted LIBOR rate plus an applicable margin equal to 1.75% per annum. Such rates are subject to decrease by up to 25 basis points in the event that, and for so long as, the Company's net leverage ratio (as defined in the credit agreement) is less than certain thresholds. The variable rate tranche of the Term Facility was issued at par and has a 1% required amortization per year. The fixed rate tranche of the Term Facility was issued at a 0.25% discount. The Company will pay certain fees under the credit agreement, including customary annual administration fees. The loans under the fixed rate tranche of the Term Facility are subject to prepayment premiums in the event of certain prepayments prior to the third anniversary of the effective date of the amendment. The obligations of the Company under the Facilities are unconditionally guaranteed jointly and severally by, subject to certain exceptions, all material domestic subsidiaries of the Company (the "Guarantors") and secured, subject to certain exceptions, by a security interest in substantially all of the assets of the Company and the Guarantors.

Index

The credit agreement contains certain customary affirmative and negative covenants that limit or restrict the ability of the Company and its restricted subsidiaries to enter into certain transactions or take certain actions. In addition, the credit agreement contains a financial covenant that requires the Company, if on the last day of any fiscal quarter loans or letters of credit were outstanding under the Revolving Facility (excluding up to \$15 million of letters of credit), to maintain a maximum net leverage ratio (as defined in the credit agreement) of, initially, 5.25 to 1.00 for the four fiscal quarter period preceding such day. Such maximum net leverage ratio requirement is subject to decrease during the duration of the facility to a minimum level (when applicable) of 3.50 to 1.00. As of September 27, 2015, there were no loans and \$9.3 million in letters of credit outstanding under the Revolving Facility. The Company is in compliance with all the covenants associated with this Revolving Facility as of the end of the period covered by this report.

During 2014, the Company entered into three committed loan facilities for the funding of new manufacturing facilities in China. The loan facilities were for a combined 73.8 million RMB and \$1.8 million. During the third quarter of 2015, the Company entered into an additional committed loan facility for the funding of these facilities. The loan facility is for 27.8 million RMB. As of September 27, 2015, the Company has borrowed, on a combined basis, \$13.3 million on these facilities, of which \$12.1 is outstanding. Principal will be repaid in accordance with the payment schedules beginning in 2015 and ending in 2019.

The Company had \$35.4 million in uncommitted short-term bank credit lines, of which \$6.2 million were in use at September 27, 2015. The credit lines are primarily outside the U.S. and are generally one year in term at competitive market rates at large well-established institutions. The Company typically uses its available credit lines to fund working capital requirements or local capital spending needs. We anticipate that capital expenditures for 2015 should be between \$85.0 million and \$100.0 million, principally related to the construction of PCC plants and other opportunities that meet our strategic growth objectives. We expect to meet our other long-term financing requirements from internally generated funds, committed and uncommitted bank credit lines and, where appropriate, project financing of certain satellite plants. The aggregate maturities of long-term debt are as follows: remainder of 2015 - \$0.2 million; 2016 - \$2.2 million; 2017 - \$4.5 million; 2018 - \$4.3 million; 2019 - \$0.9 million; thereafter - \$1,328.0 million.

On September 19, 2013, the Company's Board of Directors authorized the Company's management to repurchase, at its discretion, up to \$150 million of the Company's shares over a two-year period commencing October 2, 2013. As of September 27, 2015, 139,900 shares have been repurchased under this program for \$7.5 million, or an average price of approximately \$53.33 per share.

On September 16, 2015, the Company's Board of Directors authorized the Company's management to repurchase, at its discretion, up to \$150 million of the Company's shares over a two-year period commencing upon the expiration of the prior two-year program in October 2015.

The Company is required to make future payments under various contracts, including debt agreements and lease agreements. The Company also has commitments to fund its pension plans and provide payments for other postretirement benefit plans. During the nine months ended September 27, 2015, there were no material changes in the Company's contractual obligations. For an in-depth discussion of the Company's contractual obligations, see "Liquidity and Capital Resources" in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's Annual Report on Form 10-K for the year ended December 31, 2014.

## Index

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

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

Forward-looking statements are necessarily based on assumptions, estimates and limited information available at the time they are made. A broad variety of risks and uncertainties, both known and unknown, as well as the inaccuracy of assumptions and estimates, can affect the realization of the expectations or forecasts in these statements. Many of these risks and uncertainties are difficult to predict or are beyond the Company’s control. Consequently, no forward-looking statement can be guaranteed. Actual future results may vary materially. Significant factors affecting the expectations and forecasts are set forth under “Item 1A — Risk Factors” in the Company’s Annual Report on Form 10-K for the year ended December 31, 2014, and in Exhibit 99 to this Quarterly Report on Form 10-Q.

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

### Recently Issued Accounting Standards

Changes to accounting principles generally accepted in the United States of America (U.S. GAAP) are established by the Financial Accounting Standards Board (FASB) in the form of accounting standards updates (ASUs) to the FASB’s Accounting Standards Codification.

The Company considers the applicability and impact of all ASUs. ASUs not listed below were assessed and determined to be either not applicable or are expected to have minimal impact on our consolidated financial position and results of operations.

#### Reporting discontinued operations and disclosures of disposals of components of an entity

In April 2014, the FASB ASU No. 2014-08, “Presentation of Financial Statements and Property, Plant and Equipment: Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity. This ASU changes the requirements for reporting discontinued operations. It requires only the disposals of components of an entity that represent a strategic shift that has (or will have) a major effect on an entity’s operations and financial results to be reported as discontinued operations. This ASU also requires additional disclosures for discontinued operations and adds new disclosure requirements for individually significant dispositions that do not qualify as discontinued operations. The adoption of this ASU on January 1, 2015 did not have any impact on the Company’s consolidated financial statements as the Company has not initiated any disposals since the adoption date.

### Revenue from Contracts with Customers

In May 2014, the FASB issued ASU No. 2014-09, “Revenue from Contracts with Customers” which will supersede nearly all existing revenue recognition guidance under U.S. GAAP. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be

entitled to in exchange for those goods or services. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of time value of money in the transaction price, and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The guidance also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The guidance is effective for the interim and annual periods beginning on or after December 15, 2017. The guidance permits the use of either a retrospective or cumulative effect transition method. The Company has not yet selected a transition method and is currently evaluating the impact of this ASU on the Company's consolidated financial statements and related disclosures.

Index

Interest – Imputation of Interest

In April 2015, the FASB issued ASU No. 2015-03, “Interest- Imputation of Interest” to simplify the presentation of debt issuance costs. The provisions of this ASU require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. This ASU does not change the recognition and measurement guidance for debt issuance costs. This ASU is effective for fiscal years beginning after December 15, 2015. The Company will reclassify approximately \$24 million from other long term assets to long term debt on its balance sheet at December 31, 2015.

Critical Accounting Policies

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

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

ITEM 3. Quantitative and Qualitative Disclosures about Market Risk

Market risk represents the risk of loss that may impact our financial position, results of operations or cash flows due to adverse changes in market prices and foreign currency and interest rates. We are exposed to market risk because of changes in foreign currency exchange rates as measured against the U.S. dollar. We do not anticipate that near-term changes in exchange rates will have a material impact on our future earnings or cash flows. However, there can be no assurance that a sudden and significant decline in the value of foreign currencies would not have a material adverse effect on our financial condition and results of operations. All of our bank debt bears interest at variable rates; therefore our results of operations would be affected by interest rate changes to the extent of such outstanding bank debt. An immediate 10 percent change in interest rates would not have a material effect on our results of operations over the next fiscal year. A one-percent change in interest rates would cost \$4.6 million in incremental interest charges on an annual basis.

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

The Company had no significant derivative financial instruments outstanding at September 27, 2015.

Index

ITEM 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

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

Changes in Internal Control Over Financial Reporting

Except as described above, there were no changes in the Company's internal control over financial reporting during the quarter ended September 27, 2015 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Index

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

The Company and its subsidiaries are the subject of various pending legal actions in the ordinary course of their businesses. Except as described below, none of such legal proceedings are material.

Armada Litigation

On May 8, 2013, Armada (Singapore) PTE Limited, an ocean shipping company now in bankruptcy ("Armada") filed a case in federal court in the Northern District of Illinois against AMCOL International Corporation and certain of its subsidiaries ( Armada (Singapore) PTE Limited v. AMCOL International Corp., et al., United States District Court for the Northern District of Illinois, Case No. 13 CV 3455). We acquired AMCOL and its subsidiaries on May 9, 2014. A co-defendant is Ashapura Minechem Limited, a company located in Mumbai, India ("AML"). During the relevant time period, 2008-2010, AMCOL owned slightly over 20% of the outstanding AML stock through December 2009, after which it owned approximately 19%. In 2008, AML entered into two contracts of affreightment ("COA") with Armada for over 60 ship loads of bauxite from India to China. After one shipment, AML made no further shipments, which led Armada to file arbitrations in London against AML, one for each COA. AML did not appear in the London arbitrations and default awards of approximately \$70 million were entered. The litigation filed by Armada against AMCOL and AML relates to these awards, which AML has not paid. The substance of the allegations by Armada is that AML and AMCOL engaged in illegal conduct to thwart Armada's efforts to collect the arbitration award. The counts in the complaint include both violations of the Illinois Fraudulent Transfer laws as well as federal RICO violations. The lawsuit seeks money damages as well injunctive relief. The litigation is in the discovery phase. Fact discovery is currently scheduled to last through January 2016 and expert discovery is currently scheduled to last through mid-2016. We have accrued an estimate of potential damages for the Armada lawsuit, the amount of which was not material to our financial position, results of operations or cash flows.

Other

On February 20, 2015, a collective action lawsuit alleging a failure to comply with the Fair Labor Standards Act ("FLSA") was filed titled David Vidrine vs. CETCO Energy Services Company LLC in the U.S. District Court for the Southern District of Texas, Corpus Christie Division ("Vidrine"). We have accrued an estimate of potential damages for the Vidrine lawsuit, the amount of which was not material to our financial position, results of operations or cash flows.

Silica and Asbestos Litigation

Certain of the Company's subsidiaries are among numerous defendants in a number of cases seeking damages for exposure to silica or to asbestos containing materials. The Company currently has 31 pending silica cases and 12 pending asbestos cases. To date, 1,464 silica cases and 46 asbestos cases have been dismissed, not including any lawsuits against AMCOL or American Colloid Company dismissed prior to our acquisition of AMCOL. One new asbestos case and no new silica cases were filed in the third quarter of 2015. Two asbestos cases and 43 silica cases were dismissed during the third quarter of 2015.

Most of these claims do not provide adequate information to assess their merits, the likelihood that the Company will be found liable, or the magnitude of such liability, if any. Additional claims of this nature may be made against the Company or its subsidiaries. At this time management anticipates that the amount of the Company's liability, if any, and the cost of defending such claims, will not have a material effect on its financial position or results of operations.

The Company has settled only one silica lawsuit, for a nominal amount, and no asbestos lawsuits to date (not including any that may have been settled by AMCOL prior to completion of the acquisition). We are unable to state an amount or range of amounts claimed in any of the lawsuits because state court pleading practices do not require identifying the amount of the claimed damage. The aggregate cost to the Company for the legal defense of these cases since inception continues to be insignificant. The majority of the costs of defense for these cases, excluding cases against AMCOL or American Colloid, are reimbursed by Pfizer Inc. pursuant to the terms of certain agreements entered into in connection with the Company's initial public offering in 1992. Of the 13 pending asbestos cases all except one allege liability based on products sold largely or entirely prior to the initial public offering, and for which the Company is therefore entitled to indemnification pursuant to such agreements. The one exception pertains to a newly filed asbestos case against American Colloid Company. Our experience has been that the Company is not liable to plaintiffs in any of these lawsuits and the Company does not expect to pay any settlements or jury verdicts in these lawsuits.



Index

Environmental Matters

On April 9, 2003, the Connecticut Department of Environmental Protection issued an administrative consent order relating to our Canaan, Connecticut, plant where both our Refractories segment and Specialty Minerals segment have operations. We agreed to the order, which includes provisions requiring investigation and remediation of contamination associated with historic use of polychlorinated biphenyls ("PCBs") and mercury at a portion of the site. We have completed the required investigations and submitted several reports characterizing the contamination and assessing site-specific risks. We are awaiting regulators' approval of the risk assessment report, which will form the basis for a proposal by the Company concerning eventual remediation.

We believe that the most likely form of overall site remediation will be to leave the existing contamination in place (with some limited soil removal), encapsulate it, and monitor the effectiveness of the encapsulation. We anticipate that a substantial portion of the remediation cost will be borne by the United States based on its involvement at the site from 1942 – 1964, as historic documentation indicates that PCBs and mercury were first used at the facility at a time of U.S. government ownership for production of materials needed by the military. Pursuant to a Consent Decree entered on October 24, 2014, the United States paid the Company \$2.3 million in the 4<sup>th</sup> quarter of 2014 to resolve the Company's claim for response costs for investigation and initial remediation activities at this facility through October 24, 2014. Contribution by the United States to any future costs of investigation or additional remediation has, by agreement, been left unresolved. Though the cost of the likely remediation remains uncertain pending completion of the phased remediation decision process, we have estimated that the Company's share of the cost of the encapsulation and limited soil removal described above would approximate \$0.4 million, which has been accrued as of September 27, 2015.

The Company is evaluating options for upgrading the wastewater treatment facilities at its Adams, Massachusetts plant. This work has been undertaken pursuant to an administrative Consent Order originally issued by the Massachusetts Department of Environmental Protection ("DEP") on June 18, 2002. This order was amended on June 1, 2009 and on June 2, 2010. The amended Order includes the investigation by January 1, 2022 of options for ensuring that the facility's wastewater treatment ponds will not result in unpermitted discharge to groundwater. Additional requirements of the amendment include the submittal by July 1, 2022 of a plan for closure of a historic lime solids disposal area. Preliminary engineering reviews completed in 2005 indicate that the estimated cost of wastewater treatment upgrades to operate this facility beyond 2024 may be between \$6 million and \$8 million. The Company estimates that the remaining remediation costs would approximate \$0.4 million, which has been accrued as of September 27, 2015.

ITEM 1A. Risk Factors

For a description of Risk Factors, see Exhibit 99 attached to this report. There have been no material changes to our risk factors from those disclosed in our 2014 Annual Report on Form 10-K.

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

On September 19, 2013, the Company's Board of Directors authorized the Company's management to repurchase, at its discretion, up to \$150 million of the Company's shares over a two-year period commencing on October 2, 2013. As of September 27, 2015, 139,900 shares were repurchased under this program for \$7.5 million, or an average price of approximately \$53.33 per share. The Company did not repurchase any shares during the three and nine month periods ended September 27, 2015.

On September 16, 2015, the Company's Board of Directors authorized the Company's management to repurchase, at its discretion, up to \$150 million of the Company's shares over a two-year period commencing upon the expiration of the prior two-year program in October 2015.

ITEM 3. Default Upon Senior Securities

Not applicable.

39

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Index

ITEM 4. Mine Safety Disclosures

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

ITEM 5. Other Information

None

40

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Index

ITEM 6. Exhibits

Exhibit No. Exhibit Title

|             |   |
|-------------|---|
| <u>10.1</u> | Third Amendment to the AMCOL International Corporation Nonqualified Deferred Compensation Plan, as amended, dated August 21, 2015           |
| <u>10.2</u> | Second Amendment to Amended and Restated Supplementary Pension Plan for Employees of AMCOL International Corporation, dated August 21, 2015 |
| <u>15</u>   | Letter Regarding Unaudited Interim Financial Information.   |
| <u>31.1</u> | Rule 13a-14(a)/15d-14(a) Certification executed by the Company's principal executive officer.   |
| <u>31.2</u> | Rule 13a-14(a)/15d-14(a) Certification executed by the Company's principal financial officer.   |
| <u>32</u>   | Section 1350 Certifications.  |
| <u>95</u>   | Information concerning Mine Safety Violations   |
| <u>99</u>   | Risk Factors  |
| 101.INS     | XBRL Instance Document  |
| 101.SCH     | XBRL Taxonomy Extension Schema  |
| 101.CAL     |   |

|         |                      |
|---------|----------------------|
|         | XBRL Taxonomy        |
|         | Extension            |
|         | Calculation          |
|         | Linkbase             |
|         | XBRL Taxonomy        |
| 101.DEF | Extension Definition |
|         | Linkbase             |
|         | XBRL Taxonomy        |
| 101.LAB | Extension Label      |
|         | Linkbase             |
|         | XBRL Taxonomy        |
| 101.PRE | Extension            |
|         | Presentation         |
|         | Linkbase             |

41

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Index

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Minerals Technologies Inc.

By: /s/Douglas T. Dietrich  
Douglas T. Dietrich  
Senior Vice President, Finance and Treasury,  
Chief Financial Officer

October 23, 2015