

MINERALS TECHNOLOGIES INC  
Form 10-Q  
July 29, 2008

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 June 29, 2008

or

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

Commission File Number 1-3295

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MINERALS TECHNOLOGIES INC.

(Exact name of registrant as specified in its charter)

**DELAWARE**

(State or other jurisdiction of  
incorporation or organization)

25-1190717

(I.R.S. Employer  
Identification No.)

405 Lexington Avenue, New York, New York 10174-0002

(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 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

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reporting company" in Rule 12b-2 of the Exchange Act.

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 July 21, 2008 |
|-------|------------------------------|
|       | 18,907,040                   |

Common Stock, \$0.10 par value

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MINERALS TECHNOLOGIES INC.

INDEX TO FORM 10-Q

|  | <u>Page</u><br><u>No.</u> |
|--|---------------------------|
| <b>PART I. FINANCIAL INFORMATION</b>   |                           |
| Item 1. Financial Statements:  |                           |
| Condensed Consolidated Statements of Income for the three-month and six-month periods ended June 29, 2008 and July 1, 2007 (Unaudited) | 3                         |
| Condensed Consolidated Balance Sheets as of June 29, 2008 (Unaudited) and December 31, 2007  | 4                         |
| Condensed Consolidated Statements of Cash Flows for the six-month periods ended June 29, 2008 and July 1, 2007 (Unaudited)             | 5                         |
| Notes to Condensed Consolidated Financial Statements (Unaudited)   | 6                         |
| Review Report of Independent Registered Public Accounting Firm   | 15                        |
| Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations  | 16                        |
| Item 3. Quantitative and Qualitative Disclosures about Market Risk   | 24                        |
| Item 4. Controls and Procedures  | 25                        |
| <b>PART II. OTHER INFORMATION</b>  |                           |
| Item 1. Legal Proceedings  | 25                        |
| Item 1A. Risk Factors  | 26                        |
| Item 2. Unregistered Sales of Equity Securities and Use of Proceeds  | 27                        |
| Item 4. Submission of Matters to a Vote of Security Holders  |                           |
| Item 6. Exhibits   | 27                        |
| Signature  | 28                        |



## PART 1. FINANCIAL INFORMATION

## ITEM 1. Financial Statements

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

| (in thousands, except per share data)                        | Three Months Ended |                  | Six Months Ended |                  |
|--|--------------------|------------------|------------------|------------------|
|  | June 29,<br>2008   | July 1,<br>2007  | June 29,<br>2008 | July 1,<br>2007  |
| Net sales  | \$ 299,794         | \$ 271,432       | \$ 577,314       | \$ 536,915       |
| Cost of goods sold   | <u>237,512</u>     | <u>211,318</u>   | <u>454,297</u>   | <u>420,281</u>   |
| Production margin  | 62,282             | 60,114           | 123,017          | 116,634          |
| Marketing and administrative expenses                        | 26,590             | 26,570           | 52,630           | 53,469           |
| Research and development expenses                            | 6,014              | 6,600            | 12,134           | 13,528           |
| Restructuring and other costs                                | <u>899</u>         | <u>--</u>        | <u>2,331</u>     | <u>--</u>        |
| Income from operations                                       | 28,779             | 26,944           | 55,922           | 49,637           |
| Non-operating income (deductions), net                       | <u>(724)</u>       | <u>(1,749)</u>   | <u>(2,238)</u>   | <u>(4,428)</u>   |
| Income before provision for taxes                            |                    |                  |                  |                  |
| on income, minority interests and<br>discontinued operations | 28,055             | 25,195           | 53,684           | 45,209           |
| Provision for taxes on income                                | 8,653              | 8,245            | 16,598           | 14,808           |
| Minority interests   | <u>713</u>         | <u>823</u>       | <u>1,566</u>     | <u>1,671</u>     |
| Income from continuing operations                            | 18,689             | 16,127           | 35,520           | 28,730           |
| Income (loss) from discontinued operations,<br>net of tax    | <u>4,646</u>       | <u>(1,753)</u>   | <u>5,022</u>     | <u>(3,535)</u>   |
| Net income   | <u>\$ 23,335</u>   | <u>\$ 14,374</u> | <u>\$ 40,542</u> | <u>\$ 25,195</u> |
| <b>Earnings per share:</b>                                   |                    |                  |                  |                  |
| Basic:   |                    |                  |                  |                  |
| Income from continuing<br>operations                         | \$ 0.99            | \$ 0.84          | \$ 1.87          | \$ 1.50          |
| Income (loss) from<br>discontinued operations                | <u>0.24</u>        | <u>(0.09)</u>    | <u>0.26</u>      | <u>(0.18)</u>    |
| Basic earnings per<br>share                                  | <u>\$ 1.23</u>     | <u>\$ 0.75</u>   | <u>\$ 2.13</u>   | <u>\$ 1.32</u>   |
| Diluted:   |                    |                  |                  |                  |
| Income from continuing<br>operations                         | \$ 0.98            | \$ 0.83          | \$ 1.86          | \$ 1.48          |
| Income (loss) from<br>discontinued operations                | <u>0.24</u>        | <u>(0.09)</u>    | <u>0.26</u>      | <u>(0.18)</u>    |
| Diluted earnings per<br>share                                | <u>\$ 1.22</u>     | <u>\$ 0.74</u>   | <u>\$ 2.12</u>   | <u>\$ 1.30</u>   |
| Cash dividends declared per common share                     | <u>\$ 0.05</u>     | <u>\$ 0.05</u>   | <u>\$ 0.10</u>   | <u>\$ 0.10</u>   |

**Shares used in computation of earnings  
per share:**

|         |        |        |        |        |
|---------|--------|--------|--------|--------|
| Basic   | 18,937 | 19,202 | 19,006 | 19,133 |
| Diluted | 19,065 | 19,457 | 19,114 | 19,358 |

See accompanying Notes to Condensed Consolidated Financial Statements.

MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES  
CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS

| (thousands of dollars)   | June 29,<br>2008*   | December<br>31,<br>2007** |
|--|---------------------|---------------------------|
| Current assets:  |                     |                           |
| Cash and cash equivalents  | \$ 138,979          | \$ 128,985                |
| Short-term investments, at cost which approximates market  | 13,210              | 9,697                     |
| Accounts receivable, net   | 211,906             | 180,868                   |
| Inventories  | 128,654             | 103,373                   |
| Prepaid expenses and other current assets  | 27,289              | 22,773                    |
| Assets held for disposal   | <u>22,099</u>       | <u>27,614</u>             |
| Total current assets   | 542,137             | 473,310                   |
| Property, plant and equipment, less accumulated depreciation and depletion -<br>June 29, 2008 - 907,639; December 31, 2007 - \$862,457 | 479,182             | 489,386                   |
| Goodwill   | 71,816              | 71,964                    |
| Prepaid pension costs  | 54,625              | 53,667                    |
| Other assets and deferred charges  | <u>35,481</u>       | <u>40,566</u>             |
| Total assets   | <u>\$ 1,183,241</u> | <u>\$ 1,128,893</u>       |

LIABILITIES AND SHAREHOLDERS' EQUITY

|  |                     |                     |
|--|---------------------|---------------------|
| Current liabilities:                       |                     |                     |
| Short-term debt                            | \$ 19,368           | \$ 9,518            |
| Current maturities of long-term debt       | 397                 | 7,210               |
| Accounts payable                           | 78,016              | 66,084              |
| Restructuring liabilities                  | 4,695               | 14,479              |
| Other current liabilities                  | 59,091              | 65,057              |
| Liabilities of assets held for disposal    | <u>3,312</u>        | <u>4,801</u>        |
| Total current liabilities                  | 164,879             | 167,149             |
| Long-term debt                             | 101,221             | 111,006             |
| Other non-current liabilities              | <u>113,872</u>      | <u>99,565</u>       |
| Total liabilities                          | <u>379,972</u>      | <u>377,720</u>      |
| Shareholders' equity:                      |                     |                     |
| Common stock                               | 2,881               | 2,854               |
| Additional paid-in capital                 | 309,733             | 294,367             |
| Retained earnings                          | 840,733             | 802,096             |
| Accumulated other comprehensive gain       | 67,445              | 45,365              |
| Less common stock held in treasury         | <u>(417,523)</u>    | <u>(393,509)</u>    |
| Total shareholders' equity                 | <u>803,269</u>      | <u>751,173</u>      |
| Total liabilities and shareholders' equity | <u>\$ 1,183,241</u> | <u>\$ 1,128,893</u> |

\* Unaudited

\*\* Condensed from audited financial statements

See accompanying Notes to Condensed Consolidated Financial Statements.



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MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

|  | Six Months Ended  |                  |
|--|-------------------|------------------|
|  | June 29,<br>2008  | July 1,<br>2007  |
| <b>(thousands of dollars)</b>  |                   |                  |
| <b>Operating Activities:</b>   |                   |                  |
| Net income   | \$ 40,542         | \$ 25,195        |
| Income (loss) from discontinued operations   | <u>5,023</u>      | <u>(3,535)</u>   |
| Income from continuing operations  | 35,519            | 28,730           |
| Adjustments to reconcile net income to net cash<br>provided by operating activities: |                   |                  |
| Depreciation, depletion and amortization   | 40,837            | 43,192           |
| Payments relating to restructuring activities  | (11,800)          | --               |
| Tax benefits related to stock incentive programs                                     | 1,643             | 1,830            |
| Other non-cash items   | 5,594             | 4,278            |
| Net changes in operating assets and liabilities                                      | <u>(35,676)</u>   | <u>(1,894)</u>   |
| Net cash provided by continuing operations   | 36,117            | 76,136           |
| Net cash provided by (used in) discontinued operations                               | <u>2,003</u>      | <u>(3,841)</u>   |
| Net cash provided by operating activities  | <u>38,120</u>     | <u>72,295</u>    |
| <b>Investing Activities:</b>   |                   |                  |
| Purchases of property, plant and equipment   | (19,906)          | (23,942)         |
| Proceeds from sale of short-term investments   | 520               | 8,527            |
| Purchases of short-term investments  | <u>(4,076)</u>    | <u>(9,840)</u>   |
| Net cash used in investing activities - continuing operations                        | (23,462)          | (25,255)         |
| Net cash provided by (used in) investing activities -<br>discontinued operations     | <u>7,440</u>      | <u>(2,832)</u>   |
| Net cash used in investing activities  | <u>(16,022)</u>   | <u>(28,087)</u>  |
| <b>Financing Activities:</b>   |                   |                  |
| Proceeds from issuance of long-term debt   | --                | 7,741            |
| Repayment of long-term debt  | (16,845)          | (2,509)          |
| Net proceeds (repayment) of short-term debt  | 9,988             | (35,450)         |
| Purchase of common shares for treasury   | (23,717)          | (7,291)          |
| Proceeds from issuance of stock under option plan                                    | 10,921            | 11,922           |
| Excess tax benefits related to stock incentive programs                              | 610               | 560              |
| Cash dividends paid  | <u>(1,904)</u>    | <u>(1,914)</u>   |
| Net cash used in financing activities  | <u>(20,947)</u>   | <u>(26,941)</u>  |
| Effect of exchange rate changes on cash and<br>cash equivalents                      | <u>8,843</u>      | <u>868</u>       |
| Net increase in cash and cash equivalents  | 9,994             | 18,135           |
| Cash and cash equivalents at beginning of period                                     | <u>128,985</u>    | <u>67,929</u>    |
| Cash and cash equivalents at end of period   | <u>\$ 138,979</u> | <u>\$ 86,064</u> |

**Supplemental disclosure of cash flow information:**

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|   |                  |                 |
|---|------------------|-----------------|
| Interest paid                                     | \$ <u>2,755</u>  | \$ <u>4,992</u> |
| Income taxes paid                                 | \$ <u>11,378</u> | \$ <u>9,283</u> |
| Non-cash financing activities:                    |                  |                 |
| Treasury stock purchases settled after period-end | \$ <u>297</u>    | \$ <u>--</u>    |

See accompanying Notes to Condensed Consolidated Financial Statements.

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

Note 1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared by management 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, 2007. 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 six-month periods ended June 29, 2008 are not necessarily indicative of the results that may be expected for the year ending December 31, 2008.

Note 2. Summary of Significant Accounting Policies

*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, allowance for doubtful accounts, valuation of inventories, valuation of long-lived assets, goodwill and other intangible assets, pension plan assumptions, income tax, valuation allowances, and litigation and environmental liabilities. Actual results could differ from those estimates.

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 dilutive potential common shares outstanding.

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

|  | Three Months Ended  |                 | Six Months Ended    |                 |
|--|---------------------|-----------------|---------------------|-----------------|
|  | June<br>29,<br>2008 | July 1,<br>2007 | June<br>29,<br>2008 | July 1,<br>2007 |
| <b>Basic EPS</b><br>(in millions, except per share data) |                     |                 |                     |                 |
| Income from continuing operations                        | \$ 18.7             | \$ 16.1         | \$ 35.5             | \$ 28.7         |
| Income (loss) from discontinued operations               | <u>4.6</u>          | <u>(1.7)</u>    | <u>5.0</u>          | <u>(3.5)</u>    |
| Net income   | <u>\$ 23.3</u>      | <u>\$ 14.4</u>  | <u>\$ 40.5</u>      | <u>\$ 25.2</u>  |
| Weighted average shares outstanding                      | 18,937              | 19,202          | 19,006              | 19,133          |

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|  |                |                |                |                |
|--|----------------|----------------|----------------|----------------|
| Basic earnings per share from continuing operations          | \$ 0.99        | \$ 0.84        | \$ 1.87        | \$ 1.50        |
| Basic earnings (loss) per share from discontinued operations | <u>0.24</u>    | <u>(0.09)</u>  | <u>0.26</u>    | <u>(0.18)</u>  |
| Basic earnings per share                                     | <u>\$ 1.23</u> | <u>\$ 0.75</u> | <u>\$ 2.13</u> | <u>\$ 1.32</u> |

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

|  | Three Months Ended  |                 | Six Months Ended |                 |
|--|---------------------|-----------------|------------------|-----------------|
|  | June<br>29,<br>2008 | July 1,<br>2007 | June 29,<br>2008 | July 1,<br>2007 |
| <b>Diluted EPS</b><br>(in millions, except per share data)     |                     |                 |                  |                 |
| Income from continuing operations                              | \$ 18.7             | \$ 16.1         | \$ 35.5          | \$ 28.7         |
| Income (loss) from discontinued operations                     | 4.6                 | (1.7 )          | 5.0              | (3.5 )          |
| Net income   | <u>\$ 23.3</u>      | <u>\$ 14.4</u>  | <u>\$ 40.5</u>   | <u>\$ 25.2</u>  |
| Weighted average shares outstanding                            | 18,937              | 19,202          | 19,006           | 19,133          |
| Dilutive effect of stock options and stock units               | <u>128</u>          | <u>255</u>      | <u>108</u>       | <u>225</u>      |
| Weighted average shares outstanding, adjusted                  | <u>19,065</u>       | <u>19,457</u>   | <u>19,114</u>    | <u>19,358</u>   |
| Diluted earnings per share from continuing operations          | \$ 0.98             | \$ 0.83         | \$ 1.86          | \$ 1.48         |
| Diluted earnings (loss) per share from discontinued operations | <u>0.24</u>         | <u>(0.09 )</u>  | <u>0.26</u>      | <u>(0.18 )</u>  |
| Diluted earnings per share                                     | <u>\$ 1.22</u>      | <u>\$ 0.74</u>  | <u>\$ 2.12</u>   | <u>\$ 1.30</u>  |

The weighted average diluted common shares outstanding for the six months ended June 29, 2008 and July 1, 2007 excludes the dilutive effect of 240,300 options and 203,567 options, respectively, as such options had an exercise price in excess of the average market value of the Company's common stock during such period.

#### Note 4. Discontinued Operations

During the third quarter of 2007, the Company conducted an in-depth strategic review of its operations. This review resulted in a realignment of its operations, which included the exiting of certain businesses.

Accordingly, during the fourth quarter of 2007, the Company classified its Synsil operations and its plants at Mount Vernon, Indiana and Wellsville, Ohio as discontinued operations. These operations were part of the Company's Specialty Minerals segment. The assets of these operations are held for disposal. During the second quarter of 2008, the Company sold two of its idle Synsil operations in Chester, South Carolina and Woodville, Ohio for approximately \$7.5 million. This resulted in a pre-tax gain of approximately \$6.5 million (\$4.3 million after-tax). The Company expects the sale of the remaining assets to be completed during 2008. The Company does not anticipate the ongoing operating cash flows of these operations to be significant.

The following table details selected financial information for the discontinued operations in the consolidated statements of operations. The amounts exclude general corporate overhead and interest expense which were previously allocated to the entities comprising discontinued operations.

Three Months Ended

Six Months Ended

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| <b>Thousands of Dollars</b>                               | <u>June 29,<br/>2008</u> | <u>July 1,<br/>2007</u> | <u>June 29,<br/>2008</u> | <u>July 1,<br/>2007</u> |
|---|--------------------------|-------------------------|--------------------------|-------------------------|
| Net sales   | \$ 6.4                   | \$ 8.0                  | \$ 12.7                  | \$ 16.1                 |
| Production margin   | 0.7                      | (1.5 )                  | 1.5                      | (3.1 )                  |
| Expenses  | 0.2                      | 1.2                     | 0.5                      | 2.4                     |
| Restructuring and other costs (reversals)                 | (0.2 )                   | --                      | (0.3 )                   | --                      |
| Gain on sale of assets                                    | <u>6.5</u>               | <u>--</u>               | <u>6.5</u>               | <u>--</u>               |
| Income (loss) from operations                             | \$ <u>7.2</u>            | \$ <u>(2.7 )</u>        | \$ <u>7.8</u>            | \$ <u>(5.5 )</u>        |
| Other income  | <u>--</u>                | <u>--</u>               | <u>--</u>                | <u>0.1</u>              |
| Provision (benefit) for taxes on income                   | <u>2.6</u>               | <u>(0.9 )</u>           | <u>2.8</u>               | <u>(1.9 )</u>           |
| Income (loss) from discontinued operations,<br>net of tax | <u><u>4.6</u></u>        | <u><u>(1.8 )</u></u>    | <u><u>5.0</u></u>        | <u><u>(3.5 )</u></u>    |

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

The major classes of assets and liabilities held for disposal in the consolidated balance sheets are as follows:

| <b>Millions of Dollars</b>              | <u>June 29,</u><br><u>2008</u> | <u>Dec. 31,</u><br><u>2007</u> |
|---|--------------------------------|--------------------------------|
| Assets:                                 |                                |                                |
| Accounts receivable                     | \$ 2.6                         | \$ 4.3                         |
| Inventories                             | 7.8                            | 10.2                           |
| Property, plant and equipment, net      | 10.1                           | 11.5                           |
| Goodwill                                | 1.6                            | 1.6                            |
| Other assets                            | <u>--</u>                      | <u>--</u>                      |
| Assets held for disposal                | <u>\$ 22.1</u>                 | <u>\$ 27.6</u>                 |
| Liabilities:                            |                                |                                |
| Accounts payable                        | \$ 2.2                         | \$ 2.9                         |
| Accrued liabilities                     | <u>1.1</u>                     | <u>1.9</u>                     |
| Liabilities of assets held for disposal | <u>\$ 3.3</u>                  | <u>\$ 4.8</u>                  |

#### Note 5. Income Taxes

Effective January 1, 2007, the Company adopted the provisions of FASB Interpretation No. 48 (FIN 48), "Accounting for Uncertainty in Income Taxes." FIN 48 specifies the way companies are to account for uncertainty in income tax reporting and prescribes a recognition threshold and measurement attribute for tax positions taken or expected to be taken in a tax return. As a result of the adoption of FIN 48, the Company recognized a \$1.9 million decrease in the liability for unrecognized income tax benefits, resulting in an increase to the January 1, 2007 balance of retained earnings.

As of June 29, 2008, the Company had approximately \$10.9 million of total unrecognized income tax benefits. Included in this amount were a total of \$6.5 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, we do 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 prior to the adoption of FIN 48 and upon the adoption of FIN 48 is to recognize interest and penalties accrued, relating to unrecognized income tax benefits as part of its provision for income taxes. The Company accrued approximately \$0.2 million and \$0.5 million during the second quarter and first half of 2008, respectively, and has an accrued balance of \$3.4 million of interest and penalties accrued as of June 29, 2008.

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 U.S. federal, state, local, and European income tax examinations by tax authorities for years prior to 2003.





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

## Note 6. Inventories

The following is a summary of inventories by major category:

| (millions of dollars)  | June 29,<br>2008 | December 31,<br>2007 |
|------------------------|------------------|----------------------|
| Raw materials          | \$ 60.0          | \$ 42.0              |
| Work-in-process        | 9.5              | 8.1                  |
| Finished goods         | 37.0             | 31.2                 |
| Packaging and supplies | 22.2             | 22.1                 |
| Total inventories      | <u>\$ 128.7</u>  | <u>\$ 103.4</u>      |

## Note 7. Goodwill and Other Intangible Assets

The Company accounts for goodwill and other intangible assets in accordance with SFAS No. 142, "Goodwill and Other Intangible Assets." Under SFAS No. 142, goodwill and other intangible assets with indefinite lives are not amortized, but instead are tested for impairment, at least annually, in accordance with the provisions of SFAS No. 142.

The carrying amount of goodwill was \$71.8 million, and \$72.0 million as of June 29, 2008 and December 31, 2007, respectively. The net change in goodwill since January 1, 2008 was primarily attributable to the effect of foreign exchange.

Acquired intangible assets subject to amortization as of June 29, 2008 and December 31, 2007 were as follows:

| (millions of dollars)  | June 29, 2008               |                             | December 31, 2007           |                             |
|------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
|                        | Gross<br>Carrying<br>Amount | Accumulated<br>Amortization | Gross<br>Carrying<br>Amount | Accumulated<br>Amortization |
|                        | 7.8                         | 3.1                         | 7.9                         | 2.7                         |
| Patents and trademarks | \$ 10.8                     | \$ 1.7                      | \$ 11.1                     | \$ 1.4                      |
| Customer lists         | 0.4                         | 0.1                         | 0.4                         | 0.1                         |
| Other                  | <u>\$ 19.0</u>              | <u>\$ 4.9</u>               | <u>\$ 19.4</u>              | <u>\$ 4.2</u>               |

The weighted average amortization period for acquired intangible assets subject to amortization is approximately 15 years. Estimated amortization expense is \$1.2 million for each of the next five years through 2012.

Included in other assets and deferred charges is an intangible asset of approximately \$4.6 million which represents the non-current unamortized amount paid to a customer in connection with contract extensions at eight PCC satellite facilities. In addition, a current portion of \$1.8 million is included in prepaid expenses and other current assets. Such amounts will be amortized as a reduction of sales over the remaining lives of the customer contracts. Approximately

\$0.4 million was amortized in the second quarter of 2008. Estimated amortization as a reduction of sales is as follows: remainder of 2008 - \$0.9 million; 2009 - \$1.5 million; 2010 - \$1.2 million; 2011 - \$0.9 million; 2012 - \$0.6 million; with smaller reductions thereafter over the remaining lives of the contracts.

Note 8. Restructuring Costs

Following an in-depth review of all our operations and development of a new strategic focus, the Company recorded a pre-tax charge of \$16.0 million for restructuring and other costs during the second half of 2007. This charge consists of severance and other employee benefit costs, contract termination costs and other exit costs. Additional restructuring costs of \$0.9 million and \$2.3 million were recorded in the second quarter and first six

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

months of 2008, respectively. The restructuring will result in a total workforce reduction of approximately 249 employees, of which 185 reductions have been implemented as of June 29, 2008.

A reconciliation of the restructuring liability, as of June 29, 2008, is as follows:

| (millions of dollars)                    | Balance as of<br>December 31,<br>2007 | Additional<br>Provisions | Cash<br>Expenditures | Other           | Balance as of<br>June 29,<br>2008 |
|--|---------------------------------------|--------------------------|----------------------|-----------------|-----------------------------------|
| Severance and other<br>employee benefits | \$ 12.6                               | \$ 1.8                   | \$ (11.2)            | \$ (0.3)        | \$ 2.9                            |
| Contract termination costs               | 1.8                                   | --                       | --                   | --              | 1.8                               |
| Other exit costs                         | 0.1                                   | 0.5                      | (0.6)                | --              | --                                |
|  | <u>\$ 14.5</u>                        | <u>\$ 2.3</u>            | <u>\$ (11.8)</u>     | <u>\$ (0.3)</u> | <u>\$ 4.7</u>                     |

Note 9. Long-Term Debt and Commitments

The following is a summary of long-term debt:

| (millions of dollars)                                      | June 29,<br>2008 | Dec. 31,<br>2007 |
|--|------------------|------------------|
| 5.53% Series 2006A Senior Notes                            |                  |                  |
| Due October 5, 2013  | \$ 50.0          | \$ 50.0          |
| Floating Rate Series 2006A Senior Notes                    |                  |                  |
| Due October 5, 2013  | 25.0             | 25.0             |
| Variable/Fixed Rate Industrial                             |                  |                  |
| Development Revenue Bonds Due 2009                         | 4.0              | 4.0              |
| Economic Development Authority Refunding                   |                  |                  |
| Revenue Bonds Series 1999 Due 2010                         | 4.6              | 4.6              |
| Variable/Fixed Rate Industrial                             |                  |                  |
| Development Revenue Bonds Due August 1, 2012               | 8.0              | 8.0              |
| Variable/Fixed Rate Industrial                             |                  |                  |
| Development Revenue Bonds Series 1999 Due November 1, 2014 | 8.2              | 8.2              |
| Variable/Fixed Rate Industrial                             |                  |                  |
| Development Revenue Bonds Due March 31, 2020               | --               | 5.0              |
| Variable Rate Renminbi Denominated                         |                  |                  |
| Loan Agreement Due 2009                                    | --               | 4.8              |
| Installment obligations                                    | 1.4              | 7.9              |
| Other borrowings   | 0.4              | 0.7              |

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|                          |       |                 |                 |
|--------------------------|-------|-----------------|-----------------|
|                          | Total | 101.6           | 118.2           |
| Less: Current maturities |       | <u>0.4</u>      | <u>7.2</u>      |
| Long-term debt           |       | <u>\$ 101.2</u> | <u>\$ 111.0</u> |

As of June 29, 2008, the Company had \$193.8 million of uncommitted short-term bank credit lines, of which approximately \$19.4 million were in use.

During the first quarter of 2007, the Company entered into a series of Renminbi ("RMB") denominated loan agreements through two of its consolidated joint ventures in China with the Communication Bank of China totaling RMB 60.0 million. During 2007, the Company repaid RMB 25.0 million of principal related to these loans. During the first quarter of 2008, the Company repaid the remaining RMB 35.0 million related to these loans. The interest rate on these loans was approximately 7.56% for the first quarter of 2008.

On June 9, 2000 the Company entered into a twenty-year, taxable, Variable/Fixed Rate Industrial Development Revenue Bond agreement to finance a portion of the construction of a merchant manufacturing facility for the production of Specialty PCC in Brookhaven, Mississippi. This facility has ceased operations during the first quarter of 2008 and the Company repaid this obligation on March 31, 2008.

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

## Note 10. Pension Plans

The Company and its subsidiaries have pension plans covering substantially all eligible employees on a contributory or non-contributory basis.

## Components of Net Periodic Benefit Cost

| (millions of dollars)          | Pension Benefits    |                 |                     |                 |
|--------------------------------|---------------------|-----------------|---------------------|-----------------|
|                                | Three Months Ended  |                 | Six Months Ended    |                 |
|                                | June<br>29,<br>2008 | July 1,<br>2007 | June<br>29,<br>2008 | July 1,<br>2007 |
| Service cost                   | \$ 2.0              | \$ 2.2          | \$ 4.2              | \$ 4.6          |
| Interest cost                  | 2.9                 | 2.8             | 6.2                 | 6.0             |
| Expected return on plan assets | (4.7 )              | (4.5 )          | (9.9 )              | (9.5 )          |
| Amortization:                  |                     |                 |                     |                 |
| Prior service cost             | 0.4                 | 0.7             | 0.7                 | 1.1             |
| Recognized net actuarial loss  | 0.5                 | 0.8             | 1.1                 | 1.7             |
| Net periodic benefit cost      | <u>\$ 1.1</u>       | <u>\$ 2.0</u>   | <u>\$ 2.3</u>       | <u>\$ 3.9</u>   |

| (millions of dollars)          | Other Benefits      |                 |                     |                 |
|--------------------------------|---------------------|-----------------|---------------------|-----------------|
|                                | Three Months Ended  |                 | Six Months Ended    |                 |
|                                | June<br>29,<br>2008 | July 1,<br>2007 | June<br>29,<br>2008 | July 1,<br>2007 |
| Service cost                   | \$ 0.6              | \$ 0.7          | \$ 1.2              | \$ 1.4          |
| Interest cost                  | 0.6                 | 0.6             | 1.2                 | 1.2             |
| Expected return on plan assets | --                  | --              | --                  | --              |
| Amortization:                  |                     |                 |                     |                 |
| Prior service cost             | 0.1                 | 0.1             | 0.3                 | 0.3             |
| Recognized net actuarial loss  | 0.1                 | 0.3             | 0.1                 | 0.5             |
| Net periodic benefit cost      | <u>\$ 1.4</u>       | <u>\$ 1.7</u>   | <u>\$ 2.8</u>       | <u>\$ 3.4</u>   |

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 \$10 million to its pension plan and \$2 million to its other post retirement benefit plans in 2008. As of June 29, 2008, \$1.2 million has been contributed to the pension fund and approximately \$0.9 million has been contributed to the post retirement benefit plans.

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

## Note 11. Comprehensive Income

The following are the components of comprehensive income:

| (millions of dollars)                                   | Three Months Ended  |                 | Six Months Ended    |                 |
|---|---------------------|-----------------|---------------------|-----------------|
|   | June<br>29,<br>2008 | July 1,<br>2007 | June<br>29,<br>2008 | July 1,<br>2007 |
| Net income  | \$ 23.3             | \$ 14.4         | \$ 40.5             | \$ 25.2         |
| Other comprehensive income, net of tax:                 |                     |                 |                     |                 |
| Foreign currency translation adjustments                | 1.6                 | 7.8             | 20.8                | 15.0            |
| Pension and postretirement plan adjustments             | 0.6                 | 1.0             | 1.2                 | 2.1             |
| Cash flow hedges:                                       |                     |                 |                     |                 |
| Net derivative gains (losses) arising during the period | (0.1 )              | --              | 0.1                 | (0.1 )          |
| Reclassification adjustment                             | --                  | --              | --                  | 0.1             |
| Comprehensive income                                    | <u>\$ 25.4</u>      | <u>\$ 23.2</u>  | <u>\$ 62.6</u>      | <u>\$ 42.3</u>  |

The components of accumulated other comprehensive gain, net of related tax, are as follows:

| (millions of dollars)                    | June 29,<br>2008 | December 31,<br>2007 |
|--|------------------|----------------------|
| Foreign currency translation adjustments | \$ 102.5         | \$ 81.7              |
| Unrecognized pension costs               | (35.1 )          | (36.2 )              |
| Net loss on cash flow hedges             | --               | (0.1 )               |
| Accumulated other comprehensive gain     | <u>\$ 67.4</u>   | <u>\$ 45.4</u>       |

## Note 12. Accounting for Asset Retirement Obligations

SFAS No. 143, "Accounting for Asset Retirement Obligations" establishes the financial accounting and reporting obligations associated with the retirement of long-lived assets and the associated asset retirement costs. The Company records asset retirement obligations in which the Company will be required to retire tangible long-lived assets. These are primarily related to its PCC satellite facilities and mining operations. The Company has also adopted the provisions of FASB Interpretation No. 47, "Accounting for Conditional Asset Retirement Obligations," related to conditional asset retirement obligations at its facilities. The Company has recorded asset retirement obligations at all of its facilities except where there are no legal or contractual obligations. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset.

The following is a reconciliation of asset retirement obligations as of June 29, 2008:

(millions of dollars)

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|   |                |
|---|----------------|
| Asset retirement liability, December 31, 2007 | \$ 12.9        |
| Accretion expense                             | 0.4            |
| Foreign currency translation                  | <u>0.2</u>     |
| Asset retirement liability, June 29, 2008     | <u>\$ 13.5</u> |

Approximately \$0.4 million is included in other current liabilities and \$13.1 million is included in other non-current liabilities in the Condensed Consolidated Balance Sheet as of June 29, 2008.



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

## Note 13. Non-Operating Income and Deductions

| (millions of dollars)                  | Three Months Ended  |                 | Six Months Ended    |                 |
|--|---------------------|-----------------|---------------------|-----------------|
|  | June<br>29,<br>2008 | July 1,<br>2007 | June<br>29,<br>2008 | July 1,<br>2007 |
| Interest income                        | \$ 1.0              | \$ 0.6          | \$ 2.1              | \$ 1.1          |
| Interest expense                       | (1.1)               | (2.6)           | (2.6)               | (5.1)           |
| Foreign exchange gains (losses)        | (0.3)               | 0.2             | (1.1)               | (0.1)           |
| Other deductions                       | (0.3)               | 0.1             | (0.6)               | (0.2)           |
| Non-operating income (deductions), net | \$ (0.7)            | \$ (1.7)        | \$ (2.2)            | \$ (4.3)        |

## Note 14. Segment and Related Information

Segment information for the three and six-month periods ended June 29, 2008 and July 1, 2007 were as follows:

|                    | Net Sales          |                 |                  |                 |
|--------------------|--------------------|-----------------|------------------|-----------------|
|                    | Three Months Ended |                 | Six Months Ended |                 |
|                    | June 29,<br>2008   | July 1,<br>2007 | June 29,<br>2008 | July 1,<br>2007 |
| Specialty Minerals | \$ 189.1           | \$ 180.8        | \$ 369.9         | \$ 356.8        |
| Refractories       | 110.7              | 90.6            | 207.4            | 180.1           |
| Total              | \$ 299.8           | \$ 271.4        | \$ 577.3         | \$ 536.9        |

|                    | Income from Operations |                 |                  |                 |
|--------------------|------------------------|-----------------|------------------|-----------------|
|                    | Three Months Ended     |                 | Six Months Ended |                 |
|                    | June 29,<br>2008       | July 1,<br>2007 | June 29,<br>2008 | July 1,<br>2007 |
| Specialty Minerals | \$ 20.1                | \$ 18.4         | \$ 38.5          | \$ 34.4         |
| Refractories       | 8.9                    | 8.5             | 17.8             | 15.2            |
| Total              | \$ 29.0                | \$ 26.9         | \$ 56.3          | \$ 49.6         |

The carrying amount of goodwill by reportable segment as of June 29, 2008 and December 31, 2007 was as follows:

Goodwill  


---

Three Months Ended

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|                    | June 29,<br>2008 | December<br>31, 2007 |
|--------------------|------------------|----------------------|
| Specialty Minerals | \$ 15.3          | \$ 15.3              |
| Refractories       | <u>56.5</u>      | <u>56.7</u>          |
| Total              | <u>\$ 71.8</u>   | <u>\$ 72.0</u>       |

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

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 before provision for taxes on  
income, minority interests and  
discontinued operations:**

|   | Three Months Ended  |                 | Six Months Ended    |                 |
|---|---------------------|-----------------|---------------------|-----------------|
|   | June<br>29,<br>2008 | July 1,<br>2007 | June<br>29,<br>2008 | July 1,<br>2007 |
| Income from operations for reportable segments  | \$ 29.0             | \$ 26.9         | \$ 56.3             | \$ 49.6         |
| Unallocated corporate expenses  | (0.2)               | --              | (0.4)               | --              |
| Consolidated income from operations   | 28.8                | 26.9            | 55.9                | 49.6            |
| Non-operating income (deductions) from operations   | (0.7)               | (1.7)           | (2.2)               | (4.4)           |
| Income before provision for taxes on income,<br>minority interests and<br>discontinued operations | <u>\$ 28.1</u>      | <u>\$ 25.2</u>  | <u>\$ 53.7</u>      | <u>\$ 45.2</u>  |

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

|                          | Three Months Ended |                 | Six Months Ended    |                 |
|--------------------------|--------------------|-----------------|---------------------|-----------------|
|                          | June 29,<br>2008   | July 1,<br>2007 | June<br>29,<br>2008 | July 1,<br>2007 |
| Paper PCC                | \$ 142.2           | \$ 133.9        | \$ 280.0            | \$ 267.6        |
| Specialty PCC            | 15.8               | 15.6            | 31.1                | 30.5            |
| Talc                     | 9.5                | 9.7             | 18.7                | 19.1            |
| Ground Calcium Carbonate | 21.6               | 21.6            | 40.1                | 39.6            |
| Refractory Products      | 89.8               | 73.1            | 168.9               | 144.7           |
| Metallurgical Products   | 20.9               | 17.5            | 38.5                | 35.4            |
| Net sales                | <u>\$ 299.8</u>    | <u>\$ 271.4</u> | <u>\$ 577.3</u>     | <u>\$ 536.9</u> |

REVIEW REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders  
Minerals Technologies Inc.:

We have reviewed the condensed consolidated balance sheet of Minerals Technologies Inc. and subsidiary companies as of June 29, 2008 and the related condensed consolidated statements of income for the three-month and six-month periods ended June 29, 2008 and July 1, 2007, and the related condensed consolidated statements of cash flows for the six-month periods ended June 29, 2008 and July 1, 2007. 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 to financial data 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 subsidiary companies as of December 31, 2007, and the related consolidated statements of income, shareholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated February 27, 2008, 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, 2007 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  
July 29, 2008



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

Income and Expense Items  
as a Percentage of Net Sales

|  | Three Months Ended  |                 | Six Months Ended |                 |
|--|---------------------|-----------------|------------------|-----------------|
|  | June<br>29,<br>2008 | July 1,<br>2007 | June 29,<br>2008 | July 1,<br>2007 |
| Net sales                                  | 100.0 %             | 100.0 %         | 100.0 %          | 100.0 %         |
| Cost of goods sold                         | <u>79.2</u>         | <u>77.9</u>     | <u>78.7</u>      | <u>78.3</u>     |
| Production margin                          | 20.8                | 22.1            | 21.3             | 21.7            |
| Marketing and administrative expenses      | 8.9                 | 9.8             | 9.1              | 10.0            |
| Research and development expenses          | 2.0                 | 2.4             | 2.1              | 2.5             |
| Restructuring and other costs              | <u>0.3</u>          | <u>--</u>       | <u>0.4</u>       | <u>--</u>       |
| Income from operations                     | <u>9.6</u>          | <u>9.9</u>      | <u>9.7</u>       | <u>9.2</u>      |
| Income from continuing operations          | <u>6.2</u>          | <u>5.9</u>      | <u>6.1</u>       | <u>5.4</u>      |
| Income (loss) from discontinued operations | <u>1.6</u>          | <u>(0.6)</u>    | <u>0.9</u>       | <u>(0.7)</u>    |
| Net income                                 | <u>7.8 %</u>        | <u>5.3 %</u>    | <u>7.0 %</u>     | <u>4.7 %</u>    |

## Executive Summary

Consolidated sales for the second quarter of 2008 increased 10% over the prior year to \$299.8 million from \$271.4 million. Foreign exchange had a favorable impact on sales growth of approximately \$14.1 million or 5 percentage points of growth. Operating income increased 7% to \$28.8 million from \$26.9 million in the prior year. Income from continuing operations increased 16% to \$18.7 million from \$16.1 million in the prior year. Net income increased 62% to \$23.3 million from \$14.4 million. Included in discontinued operations is a gain of \$4.6 million primarily related to the sale of two of our idle Synsil facilities.

Second quarter results were positively affected by the effects of foreign exchange, benefits derived from the restructuring program announced in the third quarter of 2007, increased selling prices in all product lines, particularly in our Refractories segment, expense and manufacturing cost savings and volume growth in the Metallurgical product line. This was partially offset by the continued decline in the residential construction and automotive markets affecting the Processed Minerals product line and significant raw material and energy cost increases in both segments.

The Company will continue to focus on innovation and new product development and other opportunities for continued growth as follows:

- &#8226 Increasing our sales of PCC for paper by further penetration of the markets for paper filling at both freesheet and groundwood mills;
- &#8226 Development of the filler-fiber composite program, to increase the fill-rate for uncoated freesheet paper, which continues to undergo large-scale paper machine trials.
- &#8226 Further development of the Company's PCC coating products for use in the satellite model.
- &#8226 Leverage the Company's expertise in crystal engineering, especially in helping papermakers customize PCC morphologies for specific paper applications.
- &#8226 Development of unique calcium carbonates used in the manufacture of novel biopolymers, an emerging market opportunity.
- &#8226 Rapid deployment of value-added formulations of refractory materials that not only reduce costs but improve performance.
- &#8226 Continuing our penetration in emerging markets through our manufacturing facility in China and our 2006 acquisition in Turkey, both within the Refractories segment.

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

We face some significant risks and challenges in the future:

- Our success depends in part on the performance of the industries we serve, particularly papermaking and steel making. Some of our customers may continue to experience consolidations and shutdowns;
- Consolidations in the paper and steel industries concentrate purchasing power in the hands of fewer customers, increasing pricing pressure on suppliers such as Minerals Technologies Inc.;
- Most of our Paper PCC sales are subject to long-term contracts that may be terminated pursuant to their terms, or may be renewed on terms less favorable to us;
- Our filler-fiber composite technology continues in development through customer trials, but has yet to be proven on a long-term commercial scale;
- We are subject to rapid escalations on raw materials and energy costs in all product lines, including shipping costs, particularly for materials sourced from China;
- We are subject to potential shortages in supply of magnesium oxide sourced from China due to limited availability of export licenses;
- Our Processed Minerals and Specialty PCC product lines are highly influenced by the ongoing weakness in the domestic building, construction and automotive markets; and
- As we expand our operations abroad we face the inherent risks of doing business in many foreign countries, including foreign exchange risk, import and export restrictions, and security concerns.

## Results of Operations

### Sales

| (millions of dollars) | Second<br>Quarter<br>2008 | % of<br>Total<br>Sales | Growth      | Second<br>Quarter<br>2007 | % of<br>Total<br>Sales |
|-----------------------|---------------------------|------------------------|-------------|---------------------------|------------------------|
| <b>Net Sales</b>      |                           |                        |             |                           |                        |
| U.S                   | \$ 158.3                  | 52.8 %                 | 6 %         | \$ 148.7                  | 54.8 %                 |
| International         | 141.5                     | 47.2 %                 | 15 %        | 122.7                     | 45.2 %                 |
| Net sales             | <u>\$ 299.8</u>           | <u>100.0 %</u>         | <u>10 %</u> | <u>\$ 271.4</u>           | <u>100.0 %</u>         |
| Paper PCC             | \$ 142.2                  | 47.4 %                 | 6 %         | \$ 133.9                  | 49.3 %                 |
| Specialty PCC         | <u>15.8</u>               | <u>5.3 %</u>           | <u>1 %</u>  | <u>15.6</u>               | <u>5.8 %</u>           |



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|                             |    |                     |                       |                    |    |                     |                       |
|-----------------------------|----|---------------------|-----------------------|--------------------|----|---------------------|-----------------------|
| PCC Products                | \$ | <u>158.0</u>        | <u>52.7 %</u>         | <u>6 %</u>         | \$ | <u>149.5</u>        | <u>55.1 %</u>         |
| Talc                        | \$ | <u>9.5</u>          | <u>3.2 %</u>          | <u>(2) %</u>       | \$ | <u>9.7</u>          | <u>3.5 %</u>          |
| Ground Calcium Carbonate    |    | <u>21.6</u>         | <u>7.2 %</u>          | <u>-- %</u>        |    | <u>21.6</u>         | <u>8.0 %</u>          |
| Processed Minerals Products | \$ | <u>31.1</u>         | <u>10.4 %</u>         | <u>(1) %</u>       | \$ | <u>31.3</u>         | <u>11.5 %</u>         |
| Specialty Minerals Segment  | \$ | <u>189.1</u>        | <u>63.1 %</u>         | <u>5 %</u>         | \$ | <u>180.8</u>        | <u>66.6 %</u>         |
| Refractory Products         | \$ | <u>89.8</u>         | <u>29.9 %</u>         | <u>23 %</u>        | \$ | <u>73.1</u>         | <u>26.9 %</u>         |
| Metallurgical Products      |    | <u>20.9</u>         | <u>7.0 %</u>          | <u>19 %</u>        |    | <u>17.5</u>         | <u>6.5 %</u>          |
| Refractories Segment        | \$ | <u>110.7</u>        | <u>36.9 %</u>         | <u>22 %</u>        | \$ | <u>90.6</u>         | <u>33.4 %</u>         |
| Net sales                   | \$ | <u><u>299.8</u></u> | <u><u>100.0 %</u></u> | <u><u>10 %</u></u> | \$ | <u><u>271.4</u></u> | <u><u>100.0 %</u></u> |

Worldwide net sales in the second quarter of 2008 increased 10% from the previous year to \$299.8 million. Foreign exchange had a favorable impact on sales of approximately \$14.1 million or 5 percentage points of growth. Sales in the Specialty Minerals segment, which includes the PCC and Processed Minerals product lines, increased 5% to \$189.1 million compared with \$180.8 million for the same period in 2007. Sales in the Refractories segment grew 22% over the previous year to \$110.7 million.

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Worldwide net sales of PCC, which is primarily used in the manufacturing process of the paper industry, increased 6% in the second quarter to \$158.0 million from \$149.5 million in the prior year. Foreign exchange had a favorable impact on sales of approximately 5 percentage points of growth. Paper PCC sales grew 6% to \$142.2 million in the second quarter of 2008 from \$133.9 million in the prior year. However, total Paper PCC volumes declined slightly. Weakness in the North American and European markets was partially offset by volume growth, particularly in Asia, and the impact of foreign currency. Sales of Specialty PCC increased 1% to \$15.8 million from \$15.6 million in the prior year.

Net sales of Processed Minerals products decreased 1% in the second quarter to \$31.1 million from \$31.3 million in the second quarter of 2007. This decrease was attributable primarily to the continued weakness in the residential and commercial construction markets, as well as the automotive market.

Net sales in the Refractories segment in the second quarter of 2008 increased 22% to \$110.7 million from \$90.6 million in the prior year. This segment was positively affected by increased selling prices to mitigate significant raw material increases, a more favorable product mix in the Refractory product line, and volume growth in the metallurgical product line. In addition, foreign exchange had a favorable impact on sales of \$6.0 million or approximately 7 percentage points of growth. Sales of refractory products and systems to steel and other industrial applications increased 23 percent to \$89.8 million from \$73.1 million. Sales of metallurgical products within the Refractories segment increased 19 percent to \$20.9 million as compared with \$17.5 million in the same period last year. This increase was primarily attributable to higher volumes and favorable mix, particularly in North America.

Net sales in the United States increased 6% to \$158.3 million in the second quarter of 2008. International sales in the second quarter of 2008 increased 15% to \$141.5 million, primarily due to foreign exchange.

| Operating Costs and Expenses<br>(millions of dollars) | Second          | Second          |        |
|---|-----------------|-----------------|--------|
|   | Quarter<br>2008 | Quarter<br>2007 | Growth |
| Cost of goods sold                                    | \$ 237.5        | \$ 211.3        | 12 %   |
| Marketing and administrative                          | \$ 26.6         | \$ 26.6         | -- %   |
| Research and development                              | \$ 6.0          | \$ 6.6          | (9) %  |
| Restructuring and other costs                         | \$ 0.9          | \$ --           | * %    |

\*

Percentage not meaningful

Cost of goods sold was 79.2% of sales compared with 77.9% of sales in the prior year. In the Specialty Minerals segment, production margin increased 1% as compared with 5% sales growth. This segment has been affected by weakness in the Processed Minerals product line and paper machine and paper mill shutdowns, partially offset by the recovery of raw material costs, the benefits of the restructuring program, foreign exchange and manufacturing cost savings initiatives. In the Refractories segment, production margin increased 7% as compared with the 22% sales growth. This segment has been affected by increased raw material costs, partially offset by price increases, the benefits of the restructuring program, and the impact of foreign exchange.

Marketing and administrative costs remained flat in the second quarter at \$26.6 million and represented 8.9% of net sales as compared with 9.8% of net sales in the prior year. This decline was due to the benefits of the restructuring program and other cost savings initiatives.

Research and development expenses decreased 9% to \$6.0 million and represented 2.0% of net sales as compared with 2.4% of net sales in the prior year.

Restructuring and other costs during the second quarter relate to additional provisions for severance and other employee benefits.

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| <b>Income from Operations</b><br>(millions of dollars) | Second<br>Quarter<br>2008 | Second<br>Quarter<br>2007 | Growth |
|--|---------------------------|---------------------------|--------|
|--|---------------------------|---------------------------|--------|

|                        |         |         |     |
|------------------------|---------|---------|-----|
| Income from operations | \$ 28.8 | \$ 26.9 | 7 % |
|------------------------|---------|---------|-----|

Income from operations in the second quarter of 2008 increased 7% to \$28.8 million from \$26.9 million in the prior year. Income from operations represented 9.6% of net sales in the second quarter of 2008 compared with 9.9% in the second quarter of 2007.

Income from operations for the Specialty Minerals segment increased 9% to \$20.1 million and was 10.6% of its net sales. Operating income for this segment was impacted by the aforementioned factors affecting production margin but were offset by lower expense levels than in the prior year. Operating income for the Refractories segment increased 5% and was 8.1% of its net sales as compared with 9.4% of its net sales in 2007.

| <b>Non-Operating Deductions</b><br>(millions of dollars) | Second<br>Quarter<br>2008 | Second<br>Quarter<br>2007 | Growth |
|--|---------------------------|---------------------------|--------|
|--|---------------------------|---------------------------|--------|

|                               |          |          |        |
|-------------------------------|----------|----------|--------|
| Non-operating deductions, net | \$ (0.7) | \$ (1.7) | (59) % |
|-------------------------------|----------|----------|--------|

In the second quarter of 2008, net non-operating deductions decreased 58% to \$0.7 million. This decrease was primarily attributable to lower interest expense due to lower interest rates and reduced debt levels. In addition, higher interest income was generated in connection with increased cash on hand.

| <b>Provision for Taxes on Income</b><br>(millions of dollars) | Second<br>Quarter<br>2008 | Second<br>Quarter<br>2007 | Growth |
|---|---------------------------|---------------------------|--------|
|---|---------------------------|---------------------------|--------|

|                               |        |        |     |
|-------------------------------|--------|--------|-----|
| Provision for taxes on income | \$ 8.7 | \$ 8.2 | 6 % |
|-------------------------------|--------|--------|-----|

The effective tax rate decreased to 30.8% in the second quarter of 2008 from 32.7% in the prior year, primarily due to a change in the geographic mix of earnings.

| <b>Income from Continuing Operations</b><br>(millions of dollars) | Second<br>Quarter<br>2008 | Second<br>Quarter<br>2007 | Growth |
|---|---------------------------|---------------------------|--------|
|---|---------------------------|---------------------------|--------|

|                                   |         |         |      |
|-----------------------------------|---------|---------|------|
| Income from continuing operations | \$ 18.7 | \$ 16.1 | 16 % |
|-----------------------------------|---------|---------|------|

Income from continuing operations increased 16% to \$18.7 million from \$16.1 million in the prior year.

| <b>Income (Loss) from Discontinued Operations</b><br>(millions of dollars) | Second<br>Quarter<br>2008 | Second<br>Quarter<br>2007 | Growth |
|--|---------------------------|---------------------------|--------|
|--|---------------------------|---------------------------|--------|

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|  |    |     |    |       |     |
|--|----|-----|----|-------|-----|
| Income (loss) from discontinued operations | \$ | 4.6 | \$ | (1.8) | * % |
|--|----|-----|----|-------|-----|

\*

Percentage not meaningful

In the second quarter of 2008 the Company recognized income from discontinued operations of \$4.6 million as compared with a loss in the prior year of \$1.8 million. Included in income from discontinued operations for 2008 is a gain of approximately \$4.3 million, net of tax, for the sale of our idle Woodville and Chester facilities. The loss in the prior year was primarily attributable to the results of operations of *SYNSIL*<sup>&#174</sup>.

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| Net Income<br>(millions of dollars) | Second<br>Quarter | Second<br>Quarter |        |
|-------------------------------------|-------------------|-------------------|--------|
|                                     | 2008              | 2007              | Growth |
| Net income                          | \$ 23.3           | \$ 14.4           | 62 %   |

Net income increased 62% in the second quarter of 2008 to \$23.3 million. Diluted earnings per common share increased 65% to \$1.22 per share in the second quarter of 2008 as compared with \$0.74 per share in the prior year.

Six months ended June 29, 2008 as compared with six months ended July 1, 2007

| (millions of dollars)       | First<br>Half<br>2008 | % of<br>Total<br>Sales | Growth      | First<br>Half<br>2007 | % of<br>Total<br>Sales |
|-----------------------------|-----------------------|------------------------|-------------|-----------------------|------------------------|
| <b>Net Sales</b>            |                       |                        |             |                       |                        |
| U.S                         | \$ 306.8              | 53.1 %                 | 5 %         | \$ 293.5              | 54.7 %                 |
| International               | 270.5                 | 46.9 %                 | 11 %        | 243.4                 | 45.3 %                 |
| Net sales                   | <u>\$ 577.3</u>       | <u>100.0 %</u>         | <u>8 %</u>  | <u>\$ 536.9</u>       | <u>100.0 %</u>         |
| Paper PCC                   | \$ 280.0              | 48.5 %                 | 5 %         | \$ 267.6              | 49.8 %                 |
| Specialty PCC               | 31.1                  | 5.4 %                  | 2 %         | 30.5                  | 5.7 %                  |
| PCC Products                | <u>\$ 311.1</u>       | <u>53.9 %</u>          | <u>4 %</u>  | <u>\$ 298.1</u>       | <u>55.5 %</u>          |
| Talc                        | \$ 18.7               | 3.2 %                  | (2) %       | \$ 19.1               | 3.5 %                  |
| Ground Calcium Carbonate    | 40.1                  | 7.0 %                  | 1 %         | 39.6                  | 7.4 %                  |
| Processed Minerals Products | <u>\$ 58.8</u>        | <u>10.2 %</u>          | <u>-- %</u> | <u>\$ 58.7</u>        | <u>10.9 %</u>          |
| Specialty Minerals Segment  | <u>\$ 369.9</u>       | <u>64.1 %</u>          | <u>4 %</u>  | <u>\$ 356.8</u>       | <u>66.4 %</u>          |
| Refractory Products         | \$ 168.9              | 29.2 %                 | 17 %        | \$ 144.7              | 27.0 %                 |
| Metallurgical Products      | 38.5                  | 6.7 %                  | 9 %         | 35.4                  | 6.6 %                  |
| Refractories Segment        | <u>\$ 207.4</u>       | <u>35.9 %</u>          | <u>15 %</u> | <u>\$ 180.1</u>       | <u>33.6 %</u>          |
| Net sales                   | <u>\$ 577.3</u>       | <u>100.0 %</u>         | <u>8 %</u>  | <u>\$ 536.9</u>       | <u>100.0 %</u>         |

Worldwide net sales in the first half of 2008 increased 8% from the previous year to \$577.3 million. Foreign exchange had a favorable impact on sales of approximately \$26.1 million or 5 percentage points of growth. Sales in the Specialty Minerals segment, which includes the PCC and Processed Minerals product lines, increased 4% to \$369.9 million compared with \$356.8 million for the same period in 2007. Sales in the Refractories segment grew 15% over the previous year to \$207.4 million.

Worldwide net sales of PCC, which is primarily used in the manufacturing process of the paper industry, increased 4% in the first half to \$311.1 million from \$298.1 million in the prior year. Foreign exchange had a favorable impact on sales of approximately 5 percentage points of growth. Paper PCC sales grew 5% to \$280.0 million in the first half of 2008 from \$267.6 million in the prior year. However, total paper PCC volumes declined 2 percent. Weakness in the North American and European markets were partially offset by volume growth in Asia. Sales of Specialty PCC

increased 2% to \$31.1 million from \$30.5 million in the prior year.

Net sales of Processed Minerals products remained flat over prior year in the first half of 2008 at \$58.8 million. This product line continues to be affected by weakness in the residential and commercial construction markets, as well as the automotive market.

Net sales in the Refractories segment in the first half of 2008 increased 15% to \$207.4 million from \$180.1 million in the prior year. This segment was positively impacted by price increases to recover significant raw material increases, favorable product mix in the refractory product line, and volume growth in the metallurgical product line.

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In addition, foreign exchange had a favorable impact on sales of \$11.5 million or approximately 6 percentage points of growth. Sales of refractory products and systems to steel and other industrial applications increased 17 percent to \$168.9 million from \$144.7 million. Sales of metallurgical products within the Refractories segment increased 9 percent to \$38.5 million as compared with \$35.4 million in the same period last year. This increase was primarily attributable to higher volumes and favorable product mix in North America.

Net sales in the United States increased 5% to \$306.8 million in the first half of 2008. International sales in the first half of 2008 increased 11% to \$270.5 million, primarily due to foreign exchange.

| Operating Costs and Expenses<br>(millions of dollars) | First Half |          |        |
|---|------------|----------|--------|
|   | First Half |          |        |
|   | 2008       | 2007     | Growth |
| Cost of goods sold                                    | \$ 454.3   | \$ 420.3 | 8 %    |
| Marketing and administrative                          | \$ 52.6    | \$ 53.5  | (2) %  |
| Research and development                              | \$ 12.1    | \$ 13.5  | (10) % |
| Restructuring and other costs                         | \$ 2.3     | \$ --    | * %    |
| *   |            |          |        |

Percentage not meaningful

Cost of goods sold was 78.7% of sales compared with 78.3% of sales in the prior year. In the Specialty Minerals segment, production margin increased 3% as compared with 4% sales growth. This segment has been affected by weakness in the Processed Minerals product line and paper machine and paper mill shutdowns, partially offset by the recovery of raw material costs, the benefits of the restructuring program, foreign exchange and manufacturing cost savings initiatives. In the Refractories segment, production margin increased 9% as compared with the 15% sales growth. This segment has been affected by increased raw material costs, partially offset by the benefits of the restructuring program, price increases and the impact of foreign exchange.

Marketing and administrative costs decreased 2% in the first half to \$52.6 million and represented 9.1% of net sales as compared with 10.0% of net sales in the prior year. This reduction was due to the benefits of the restructuring program and other cost savings initiatives.

Research and development expenses decreased 10% to \$12.1 million and represented 2.1% of net sales as compared with 2.5% of net sales in the prior year.

Restructuring and other costs during the first half relate to additional provisions for severance and other employee benefits and to exit costs associated with facilities that are not operating.

| Income from Operations<br>(millions of dollars) | First   | First   | Growth |
|---|---------|---------|--------|
|   | Half    | Half    |        |
|   | 2008    | 2007    |        |
| Income from operations                          | \$ 55.9 | \$ 49.6 | 13 %   |

Income from operations in the first half of 2008 increased 13% to \$55.9 million from \$49.6 million in the prior year. Income from operations represented 9.7% of net sales in the first half of 2008 compared with 9.2% in the first half of 2007.



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Income from operations for the Specialty Minerals segment increased 12% to \$38.5 million and was 10.4% of its net sales. Operating income for this segment was impacted by the aforementioned factors affecting production margin but were offset by lower expense levels than in the prior year. Operating income for the Refractories segment increased 17% and was 8.6% of its net sales as compared with 8.5% of its net sales in 2007.

| <b>Non-Operating Deductions</b><br><b>(millions of dollars)</b> | First<br>Half<br>2008 | First<br>Half<br>2007 | Growth |
|---|-----------------------|-----------------------|--------|
| Non-operating income (deductions), net                          | \$ (2.2)              | \$ (4.4)              | (49) % |

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In the first half of 2008, net non-operating deductions decreased 49% to \$(2.2) million. This decrease was primarily attributable to lower interest expense relating to lower interest rates and reduced debt levels. In addition, higher interest income was generated on increased cash balances.

| <b>Provision for Taxes on Income</b><br>(millions of dollars) | First<br>Half<br>2008 | First<br>Half<br>2007 | Growth |
|---|-----------------------|-----------------------|--------|
| Provision for taxes on income                                 | \$ 16.6               | \$ 14.8               | 12 %   |

The effective tax rate decreased to 30.9% in the first half of 2008 from 32.8% in the prior year due to a change in the geographic mix of earnings.

| <b>Income from Continuing Operations</b><br>(millions of dollars) | First<br>Half<br>2008 | First<br>Half<br>2007 | Growth |
|---|-----------------------|-----------------------|--------|
| Income from continuing operations                                 | \$ 35.5               | \$ 28.7               | 24 %   |

Income from continuing operations increased 24% to \$35.5 million from \$28.7 million in the prior year.

| <b>Income (Loss) from Discontinued Operations</b><br>(millions of dollars) | First<br>Half<br>2008 | First<br>Half<br>2007 | Growth |
|--|-----------------------|-----------------------|--------|
| Income (loss) from discontinued operations                                 | \$ 5.0                | \$ (3.5)              | * %    |

\*

Percentage not meaningful

In the first half of 2008 the Company recognized income from discontinued operations of \$5.0 million as compared with a loss in the prior year of \$(3.5) million. Included in income from discontinued operations for 2008 is a gain of approximately \$4.3 million, net of tax, for the sale of our idle Woodville and Chester facilities. The loss in the prior year was primarily attributable to the results of operations of *SYNSIL*&#174;.

| <b>Net Income</b><br>(millions of dollars) | First<br>Half<br>2008 | First<br>Half<br>2007 | Growth |
|--|-----------------------|-----------------------|--------|
| Net income                                 | \$ 40.5               | \$ 25.2               | 61 %   |

Net income increased 61% in the first half of 2008 to \$40.5 million. Diluted earnings per common share increased 63% to \$2.12 per share in the first half of 2008 as compared with \$1.30 per share in the prior year.

#### Liquidity and Capital Resources

Cash flows in the first six months of 2008 provided from operations were applied principally to fund capital expenditures, repay debt and repurchase common shares for treasury. Cash provided from operating activities amounted to \$38.1 million in the first six months of 2008 as compared with \$72.3 million for the same period last year. The decrease in cash provided from operations was due to payments related to restructuring activities and an increase in working capital when compared with the prior year. Working capital is defined as trade accounts receivable, trade accounts payable and inventories. The working capital increase was primarily due to an increase in accounts receivable, raw materials inventories and the effects of foreign exchange. Our days of working capital

increased by 5 days in the second quarter of 2008 from the fourth quarter of 2007, but decreased 8 days from the prior year's second quarter.

Our accounts receivable increased 16% from December 31, 2007 as compared with a 9% increase in sales over the fourth quarter of 2007. However, sales increased at an accelerated rate during the latter part of the second quarter of 2008 as compared with the same period in the fourth quarter of 2007 due to the cyclical nature of some of our product lines. This, as well as foreign currency, contributed to the increase in accounts receivable. As a result,

our days of sales outstanding increased 3 days from the year-end levels and decreased 2 days from the prior year's second quarter.

Our inventory levels also increased from year-end levels as the Company accelerated purchases of higher priced raw materials imported from China due to the build up of magnesium oxide in anticipation of production curtailment related to the Beijing Olympics in China. As a result, our days of inventory on hand were 4 days higher in the second quarter of 2008 as compared to the fourth quarter of 2007.

On October 25, 2005, the Company's Board of Directors authorized the Company's management to repurchase, at its discretion, up to \$75 million in additional shares over the next three-year period. As of March 30, 2008, the Company repurchased 1,307,598 shares under this program at an average price of \$57.36 per share. This program was completed in February 2008.

On October 24, 2007, the Company's Board of Directors authorized the Company's management to repurchase, at its discretion, up to \$75 million of additional shares over the next two-year period. As of June 29, 2008, 305,174 shares have been purchased under this program at an average price of approximately \$62.65 per share.

On July 24, 2008, our Board of Directors declared a regular quarterly dividend on our common stock of \$0.05 per share. No dividend will be payable unless declared by the Board and unless funds are legally available for payment.

We have \$193.8 million in uncommitted short-term bank credit lines, of which \$19.4 million were in use at June 29, 2008. We anticipate that capital expenditures for 2008 should approximate \$75 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, 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 2008 - \$0.4 million; 2009 - \$4.0 million; 2010 - \$4.6 million; 2011 - \$-- million; 2012 - \$8.0 million; thereafter - \$84.6 million.

#### Prospective Information and Factors That May Affect Future Results

The Securities and Exchange Commission encourages companies to disclose forward-looking information so that investors can better understand companies' future prospects and make informed investment decisions. This report may contain forward-looking statements that set out anticipated results based on management's plans and assumptions. Words such as "believes," "expects," "plans," "anticipates," "estimates" and words and terms of similar substance, used in connection with any discussion of future operating or financial performance identify these forward-looking statements.

Although we believe we have been prudent in our plans and assumptions, we cannot guarantee that the outcomes suggested in any forward-looking statement will be realized. Achievement of future results is subject to risks, uncertainties and inaccurate assumptions. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Investors should bear this in mind as they consider forward-looking statements and should refer to the discussion of certain risks, uncertainties and assumptions entitled "Cautionary Factors That May Affect Future Results" in Exhibit 99 to this Quarterly Report.

#### Recently Issued Accounting Standards

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 141 (revised 2007), "Business Combinations" ("Statement No. 141(R)"). Statement No. 141(R) changes the requirements for an acquirer's

recognition and measurement of the assets acquired and the liabilities assumed in a business combination. Statement No. 141(R) is effective for annual periods beginning after December 15, 2008 and should be applied prospectively for all business combinations entered into after the date of adoption.

In December 2007, the FASB issued Financial Accounting Standards No. 160, "Noncontrolling Interests in Consolidated Financial Statements - an amendment of ARB No. 51" ("Statement No. 160"). Statement No. 160 requires (i) that noncontrolling (minority) interests be reported as a component of shareholders' equity, (ii) that net income attributable to the parent and to the noncontrolling interest be separately identified in the consolidated

statement of operations, (iii) that changes in a parent's ownership interest while the parent retains its controlling interest be accounted for as equity transactions, (iv) that any retained noncontrolling equity investment upon the deconsolidation of a subsidiary be initially measured at fair value, and (v) that sufficient disclosures are provided that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners.. Statement No. 160 is effective for annual periods beginning after December 15, 2008 and should be applied prospectively. However, the presentation and disclosure requirements of the statement shall be applied retrospectively for all periods presented. The adoption of the provisions of Statement No. 160 is not anticipated to materially impact the Company's consolidated financial position and results of operations.

In February 2008, the FASB issued FSP FAS 157-1, "Application of FASB No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements that Address Fair Value Measurements for Purposes of Lease Classification or Measurement under Statement 13" and FSP FAS 157-2, "Effective Date of FASB Statement No. 157." FSP 157-1 excludes fair measurements for purposes of lease classification or measurement under FASB Statement 13 from the fair value measurement under FASB Statement 157. FSP 157-2 defers the effective date of Statement 157 for non-financial assets and non-financial liabilities to fiscal years beginning after November 15, 2008.

In March 2008, the FASB issued Statement of Financial Accounting Standards No. 161, "Disclosures About Derivative Instruments and Hedging Activities -- an amendment of FASB Statement No. 133." This statement amends the disclosure requirements under SFAS 133 and requires companies with derivative instruments to provide enhanced disclosures that would enable financial statement users to understand how derivative instruments affect a company's financial position, financial performance and cash flows. This statement is effective for fiscal years beginning on or after November 15, 2008, with early adoption encouraged.

#### 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, allowance for doubtful accounts, valuation of inventories, valuation of long-lived assets, pension plan assumptions, stock-based compensation assumptions, 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 can not 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. Approximately 60% of our bank debt bear interest at variable rates; therefore our results of operations would only be affected by interest rate changes to 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.

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 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 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. We have open forward exchange contracts to purchase approximately \$5.5 million of foreign currencies as of June 29, 2008. The contracts mature between July 2008 and January of 2009. The fair value of these instruments at June 29, 2008 was an asset of \$0.2 million.

#### 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 the Company's disclosure controls and procedures are effective in timely alerting them to material information relating to the Company (including its consolidated subsidiaries) required to be included in the Company's periodic filings with the Securities and Exchange Commission.

##### Changes in Internal Control Over Financial Reporting

The Company is in the process of implementing a global enterprise resource planning ("ERP") system to manage its business operations. As of June 29, 2008, all of our domestic locations were using the new system. The worldwide implementation is expected to be completed over the next few years and involves changes in systems that include internal controls. Although the transition has proceeded to date without material adverse effects, the possibility exists that our migration to the new ERP system could adversely affect the Company's internal controls over financial reporting and procedures. We are reviewing each system as it is being implemented and the controls affected by the implementation of the new systems, and are making appropriate changes to affected internal controls as we implement the new systems. We believe that the controls as modified are appropriate and functioning effectively.

There was no change in the Company's internal control over financial reporting (other than the ongoing implementation of the ERP system discussed above) during the quarter ended June 29, 2008 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

## PART II. OTHER INFORMATION

#### ITEM 1. Legal Proceedings

As previously reported, 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 307 pending silica cases and 26 pending asbestos cases. To date, 1,158 silica cases and 1 asbestos case have been dismissed. 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 not settled any silica or asbestos lawsuits to date. 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 was approximately \$0.1 million. 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.

## Environmental Matters

On April 9, 2003, the Connecticut Department of Environmental Protection ("DEP") 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") at a portion of the site. The following is the present status of the remediation efforts:

### &#8226; Building Decontamination.

We have completed the investigation of building contamination and submitted a report characterizing the contamination. We are awaiting review and approval of this report by the regulators. Based on the results of this investigation, we believe that the contamination may be adequately addressed by means of encapsulation through painting of exposed surfaces, pursuant to the Environmental Protection Agency's ("EPA") regulations and have accrued such liabilities as discussed below. However, this conclusion remains uncertain pending completion of the phased remediation decision process required by the regulations.

&#8226; *Groundwater.* We have completed investigations of potential groundwater contamination and are preparing a report on the investigations finding that there is no PCB contamination, but some oil contamination of the groundwater. We expect the regulators to require confirmatory long term groundwater monitoring at the site.

### &#8226; Soil.

We have completed the investigation of soil contamination and submitted a report characterizing contamination to the regulators. Based on the results of this investigation, we believe that the contamination may be left in place and monitored, pursuant to a site-specific risk assessment, which is underway. However, this conclusion is subject to completion of a phased remediation decision process required by applicable regulations.

We believe that the most likely form of remediation will be to leave existing contamination in place, encapsulate it, and monitor the effectiveness of the encapsulation.

We estimate that the cost of the likely remediation above would approximate \$400,000, and that amount has been recorded as a liability on our books and records.

The Company is evaluating options for upgrading the wastewater treatment facilities at its Adams, Massachusetts, plant. This work is being undertaken pursuant to an administrative Consent Order issued by the Massachusetts Department of Environmental Protection on June 18, 2002. The Order required payment of a civil fine in the amount of \$18,500, the investigation of options for ensuring that the facility's wastewater treatment ponds will not result in discharge to groundwater, and closure of a historic lime solids disposal area. The Company informed the Massachusetts Department of Environmental Protection of proposed improvements to the wastewater treatment system on June 29, 2007, and is committed to implementing the improvements by June 1, 2012. Preliminary engineering reviews indicate that the estimated cost of these upgrades to operate this facility beyond 2012 may be between \$6 million and \$8 million. The Company estimates that remediation costs would approximate \$500,000, which has been accrued as of June 29, 2008.

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

## ITEM 1A. Risk Factors

There have been no material changes to our risk factors from those disclosed in our 2007 Annual Report on Form 10-K. For a description of Risk Factors, see Exhibit 99 attached to this report.

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

## Issuer Purchases of Equity Securities

| <b>Period</b>       | <b>Total Number of Shares Purchased</b> | <b>Average Price Paid Per Share</b> | <b>Total Number of Shares Purchased as Part of the Publicly Announced Program</b> | <b>Dollar Value of Shares that May Yet be Purchased Under the Program</b> |
|---------------------|---|-------------------------------------|---|---|
| March 31 - April 27 | 46,500                                  | \$ 63.83                            | 260,574   | \$ 58,942,946   |
| April 28 - May 25   | 27,200                                  | \$ 68.87                            | 287,774   | \$ 57,069,643   |
| May 26 - June 29    | 17,400                                  | \$ 68.35                            | 305,174   | \$ 55,880,314   |
| Total               | 91,100                                  | \$ 66.20                            |   |   |

On October 25, 2005, the Company's Board of Directors authorized the Company's management to repurchase, at its discretion, up to \$75 million in additional shares over the next three-year period. As of March 30, 2008, the Company repurchased 1,307,598 shares under this program at an average price of \$57.36 per share. This program was completed in February 2008.

On October 24, 2007, the Company's Board of Directors authorized the Company's management to repurchase, at its discretion, up to \$75 million of additional shares over the next two-year period. As of June 29, 2008, 305,174 shares have been purchased under this program at an average price of approximately \$62.65 per share.

## ITEM 4. Submission of Matters to a Vote of Security Holders

At the Annual Meeting of Stockholders held on May 28, 2008, the following two items were submitted to a vote of the stockholders of the Company:

- Votes regarding the election of three directors were as follows:

| <u>Term Expiring in 2011</u> | <u>Votes For</u> | <u>Votes Withheld</u> |
|------------------------------|------------------|-----------------------|
| Paula H.J. Cholmondeley      | 16,019,274       | 981,450               |
| Duane R. Dunham              | 16,558,802       | 441,922               |
| Steven J. Golub              | 16,265,187       | 735,537               |

- Votes regarding ratification of the appointment of KPMG LLP as the independent registered public accounting firm of the Company for the 2008 fiscal year were as follows:

16,745,386 votes for approval

251,319 votes against

26,397 abstentions

ITEM 6. Exhibits

| <u>Exhibit No.</u> | <u>Exhibit Title</u>  |
|--------------------|---|
| 15                 | Letter Regarding Unaudited Interim Financial Information.                                     |
| 31.1               | Rule 13a-14(a)/15d-14(a) Certification executed by the Company's principal executive officer. |
| 31.2               | Rule 13a-14(a)/15d-14(a) Certification executed by the Company's principal financial officer. |
| 32                 | Section 1350 Certifications.  |
| 99                 | Statement of Cautionary Factors That May Affect Future Results.                               |

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/John A. Sorel

John A. Sorel  
Senior Vice  
President-Finance  
and  
Chief Financial  
Officer  
(principal financial  
officer)

July 29, 2008