

MINERALS TECHNOLOGIES INC
Form 10-Q
July 26, 2013
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 30, 2013

or

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

Commission File Number 1-11430

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

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

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

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

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

YES NO

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

YES NO

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b2 of the Exchange Act.

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

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

YES NO

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

Class	Outstanding at July 15, 2013
Common Stock, \$0.10 par value	34,662,751

MINERALS TECHNOLOGIES INC.

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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 30, 2013	July 1, 2012	June 30, 2013	July 1, 2012
Net sales	\$256,844	\$251,358	\$507,357	\$505,916
Cost of goods sold	197,995	194,562	392,625	393,511
Production margin	58,849	56,796	114,732	112,405
Marketing and administrative expenses	21,644	21,631	44,456	44,304
Research and development expenses	4,826	5,025	9,644	10,072
Income from operations	32,379	30,140	60,632	58,029
Non-operating deductions, net	(1,472)	(767)	(1,339)	(1,366)
Income from continuing operations before provision for taxes	30,907	29,373	59,293	56,663
Provision for taxes on income	8,221	8,682	16,267	16,755
Income from continuing operations, net of tax	22,686	20,691	43,026	39,908
Loss from discontinued operations, net of tax	(4,947)	(452)	(5,683)	(1,061)
Consolidated net income	17,739	20,239	37,343	38,847
Loss: income attributable to non-controlling interests	619	524	1,467	1,100
Net income attributable to Minerals Technologies Inc. (MTI)	17,120	19,715	35,876	37,747
Earnings (Loss) per share:				
Basic:				
Income from continuing operations attributable to MTI	\$0.63	\$0.57	\$1.19	\$1.09
Loss from discontinued operations attributable to MTI	(0.14)	(0.01)	(0.16)	(0.03)
	\$0.49	\$0.56	\$1.03	\$1.06

Basic earnings per share attributable to
MTI

Diluted:

Income from continuing operations attributable to MTI	\$0.63	\$0.57	\$1.18	\$1.09
Loss from discontinued operations attributable to MTI	(0.14)	(0.01)	(0.16)	(0.03)
Diluted earnings per share attributable to MTI	\$0.49	\$0.56	\$1.02	\$1.06

Cash dividends declared per common share	\$0.050	\$0.025	\$0.10	\$0.05
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Shares used in computation of earnings per share:

Basic	34,799	35,448	34,897	35,442
Diluted	35,031	35,580	35,141	35,590

See accompanying Notes to Condensed Consolidated Financial Statements.

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

(thousands of dollars)	Three Months Ended		Six Months Ended	
	June 30, 2013	July 1, 2012	June 30, 2013	July 1, 2012
Consolidated net income	\$17,739	\$20,239	\$37,343	\$38,847
Other comprehensive income, net of tax:				
Foreign currency translation adjustments	(7,826)	(16,066)	(22,611)	(6,967)
Pension and postretirement plan adjustments	1,983	1,831	3,749	3,652
Cash flow hedges:				
Net derivative gains (losses) arising during the period	(72)	1,213	514	679
Comprehensive income	11,824	7,217	18,995	36,211
Comprehensive (income) loss attributable to non-controlling interest	211	132	(168)	(811)
Comprehensive income attributable to MTI	\$12,035	\$7,349	\$18,827	\$35,400

See accompanying Notes to Condensed Consolidated Financial Statements.

MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES
CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS

(thousands of dollars)	June 30, 2013*	December 31, 2012**
Current assets:		
Cash and cash equivalents	\$458,065	\$454,092
Short-term investments, at cost which approximates market	15,898	14,178
Accounts receivable, net	205,917	193,328
Inventories	89,044	84,569
Prepaid expenses and other current assets	16,913	18,318
Total current assets	785,837	764,485
Property, plant and equipment, less accumulated depreciation and depletion – June 30, 2013- \$949,973; December 31, 2012 - \$944,283		
	308,803	317,669
Goodwill	64,592	65,829
Other assets and deferred charges	54,439	63,206
Total assets	\$1,213,671	\$1,211,189

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:

Short-term debt	\$7,021	\$7,111
Current maturities of long-term debt	75,566	76,977
Accounts payable	110,765	98,371
Other current liabilities	63,446	67,639
Total current liabilities	256,798	250,098

Long-term debt

	8,200	8,478
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Accrued Pension and Post-Retirement Benefits

	107,192	108,035
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Other non-current liabilities

	25,926	30,859
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Total liabilities

	398,116	397,470
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Shareholders' equity:

Common stock	4,723	4,700
Additional paid-in capital	353,158	345,929
Retained earnings	1,065,249	1,032,869
Accumulated other comprehensive loss	(68,247)	(51,198)
Less common stock held in treasury	(562,040)	(541,889)

Total MTI shareholders' equity	792,843	790,411
Non-controlling interest	22,712	23,308
Total shareholders' equity	815,555	813,719
Total liabilities and shareholders' equity	\$ 1,213,671	\$ 1,211,189

* 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	
(thousands of dollars)	June 30, 2013	July 1, 2012
Operating Activities:		
Consolidated net income	\$37,343	\$38,847
Loss from discontinued operations	(5,683)	(1,061)
Income from continuing operations	43,026	39,908
Adjustments to reconcile net income		
	to net cash provided by operating activities:	
Depreciation, depletion and amortization	23,481	25,350
Payments relating to restructuring activities	--	(826)
Pension plan funding	(4,155)	(7,852)
Tax benefits related to stock incentive programs	489	154
Other non-cash items	7,541	3,997
Net changes in operating assets and liabilities	(10,528)	5,911
Net cash provided by continuing operations	59,854	66,642
Net cash used in discontinued operations	(2,839)	(1,836)
Net cash provided by operating activities	57,015	64,806
Investing Activities:		
Purchases of property, plant and equipment	(21,659)	(23,834)
Proceeds from sale of short-term investments	1,309	1,494
Purchases of short-term investments	(3,640)	(3,074)
Net cash used in investing activities	(23,990)	(25,414)
Financing Activities:		
	(1,705)	(280)

Repayment of long-term debt		
Net issuance (repayment) of short-term debt.....	43	(1,597)
Purchase of common shares for treasury	(19,281)	(5,504)
Proceeds from issuance of stock under option plan	4,643	2,354
Excess tax benefits related to stock incentive programs	274	--
Dividends paid to non-controlling interest.....	(763)	(3,249)
Cash dividends paid	(3,495)	(1,775)
Net cash used in financing activities	(20,284)	(10,051)
Effect of exchange rate changes on cash and cash equivalents	(8,768)	(3,034)
Net increase in cash and cash equivalents	3,973	26,307
Cash and cash equivalents at beginning of period	454,092	395,152
Cash and cash equivalents at end of period	\$458,065	\$421,459
Supplemental disclosure of cash flow information:		
Interest paid	\$1,711	\$1,737
Income taxes paid	\$12,533	\$14,092
Non-cash financing activities:		
Treasury stock purchases settled after period-end	\$870	\$474

SSee 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, 2012. 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 30, 2013 are not necessarily indicative of the results that may be expected for the year ending December 31, 2013.

Certain reclassifications were made to prior year amounts to conform to current year presentation.

On November 14, 2012 the Company's Board of Directors authorized a two-for-one stock split of the Company's outstanding common stock, which was effected in the form of a 100-percent stock distribution payable on December 11, 2012 to shareholders of record on November 27, 2012. Treasury shares were not treated as outstanding shares in the stock split. The par-value of the Company's stock remained at \$0.10 per share. Unless otherwise noted, all share amounts and per share calculations in this quarterly report on Form 10-Q have been adjusted for all periods presented to reflect the impact of this split and to provide data on a comparable basis.

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, 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 potentially dilutive common shares outstanding.

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

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

	Three Months Ended June		Six Months Ended June	
	30, 2013	July 1, 2012	30, 2013	July 1, 2012
Basic EPS (in millions, except per share data)				
Income from continuing operations attributable to MTI	\$22.0	\$20.2	\$41.6	\$38.8
Loss from discontinued operations attributable to MTI	(4.9)	(0.5)	(5.7)	(1.1)
Net income attributable to MTI	\$17.1	\$19.7	\$35.9	\$37.7
Weighted average shares outstanding	34.8	35.4	34.9	35.4
Basic earnings per share from continuing operations attributable to MTI	\$0.63	\$0.57	\$1.19	\$1.09
Basic loss per share from discontinued operations attributable to MTI	(0.14)	(0.01)	(0.16)	(0.03)
Basic earnings per share attributable to MTI	\$0.49	\$0.56	\$1.03	\$1.06
	Three Months Ended June		Six Months Ended June	
	30, 2013	July 1, 2012	30, 2013	July 1, 2012
Diluted EPS (in millions, except per share data)				
Income from continuing operations attributable to MTI	\$22.0	\$20.2	\$41.6	\$38.8
Loss from discontinued operations attributable to MTI	(4.9)	(0.5)	(5.7)	(1.1)
Net income attributable to MTI	\$17.1	\$19.7	\$35.9	\$37.7
Weighted average shares outstanding	34.8	35.4	34.9	35.4
Dilutive effect of stock options and stock units	0.2	0.1	0.2	0.2
Weighted average shares outstanding, adjusted	35.0	35.5	35.1	35.6
Diluted earnings per share from continuing operations attributable to MTI	\$0.63	\$0.57	\$1.18	\$1.09
Diluted loss per share from discontinued operations attributable to MTI	(0.14)	(0.01)	(0.16)	(0.03)
Diluted earnings per share attributable to MTI	\$0.49	\$0.56	\$1.02	\$1.06

Options to purchase 239,770 shares and 305,131 shares of common stock for the three-month and six-month periods ended June 30, 2013 and July 1, 2012, respectively, were not included in the computation of diluted earnings per share because they were anti-dilutive, as the exercise prices of the options were greater than the average market price of the common shares.

Note 4. Discontinued Operations

During the second quarter of 2013, the Company ceased its operations at its Paper PCC merchant plant in Walsum, Germany and reclassified such operations as discontinued. The remaining assets at this facility are not material and will be disposed. All prior periods have been restated to reflect such reclassification. These operations were part of the Company's Specialty Minerals segment.

The following table provides selected financial information for the Walsum plant included within discontinued operations in the Consolidated Statements of Income. The amounts exclude general corporate overhead and interest expense which were previously allocated to the entity comprising the discontinued operations.

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

(millions of dollars)	Three Months Ended		Six Months Ended	
	June 30, 2013	July 1, 2012	June 30, 2013	July 1, 2012
Net sales	\$0.8	\$2.6	\$1.6	\$5.2
Production margin	(1.2)	(0.5)	(2.2)	(1.1)
Expenses	0.2	0.2	0.3	0.5
Facility closure costs	5.9	0.0	5.9	0.0
Loss from operations	\$(7.3)	\$(0.7)	\$(8.4)	\$(1.6)
Benefit for taxes on income	\$(2.4)	\$(0.2)	\$(2.7)	\$(0.5)
Loss from discontinued operations, net of tax	\$(4.9)	\$(0.5)	\$(5.7)	\$(1.1)

Note 5. Income Taxes

As of June 30, 2013, the Company had approximately \$3.6 million of total unrecognized income tax benefits. Included in this amount were a total of \$2.3 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 is to recognize interest and penalties accrued relating to unrecognized income tax benefits as part of its provision for income taxes. The Company had a net decrease of approximately \$0.5 million and \$0.4 million during the second quarter and first half of 2013, respectively, and has an accrued balance of \$0.6 million of interest and penalties as of June 30, 2013.

The Company operates in multiple taxing jurisdictions, both within and outside the U.S. In certain situations, a taxing authority may challenge positions that the Company has adopted in its income tax filings. The Company, with a few exceptions (none of which are material), is no longer subject to income tax examinations by tax authorities for years prior to 2007.

Note 6. Inventories

The following is a summary of inventories by major category:

(millions of dollars)	June 30, 2013	December 31, 2012
Raw materials	\$33.2	\$30.8
Work-in-process	7.2	6.5
Finished goods	27.5	26.5
Packaging and supplies	21.1	20.8
Total inventories	\$89.0	\$84.6

Note 7. Goodwill and Other Intangible Assets

Goodwill and other intangible assets with indefinite lives are not amortized, but instead are assessed for impairment, at least annually. The carrying amount of goodwill was \$64.6 million, and \$65.8 million as of June 30, 2013 and December 31, 2012, respectively. The net change in goodwill since December 31, 2012 was attributable to the effect of foreign exchange.

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

Acquired intangible assets subject to amortization as of June 30, 2013 and December 31, 2012 were as follows:

(millions of dollars)	June 30, 2013		December 31, 2012	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Patents and trademarks	\$6.0	3.6	6.0	3.4
Customer lists	2.9	2.5	2.9	2.4
	\$8.9	6.1	8.9	5.8

The weighted average amortization period for acquired intangible assets subject to amortization is approximately 15 years. Estimated amortization expense is \$0.6 million for 2013 and \$0.4 million each of the next five years through 2018.

Included in other assets and deferred charges is an intangible asset of approximately \$0.5 million which represents the non-current unamortized amount paid to a customer in connection with contract extensions at seven PCC satellite facilities. In addition, a current portion of \$0.4 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 \$0.1 million was amortized in the second quarter of 2013. Estimated amortization as a reduction of sales is as follows: remainder of 2013 - \$0.2 million; 2014 - \$0.4 million; 2015 - \$0.1 million.

Note 8. Long-Term Debt and Commitments

The following is a summary of long-term debt:

(millions of dollars)	June 30, 2013	December 31, 2012
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 Series 1999 Due November 1, 2014	8.2	8.2
Installment obligations	--	1.4
Other borrowings	0.6	0.9
Total	83.8	85.5
Less: Current maturities	75.6	77.0
Long-term debt	\$8.2	\$ 8.5

On May 31, 2013, the Company paid \$1.4 million for its installment obligations on land and limestone ore reserves acquired from the Cushenbury Mine Trust.

As of June 30, 2013, the Company had \$190.4 million of uncommitted short-term bank credit lines, of which approximately \$7.0 million was in use.

Note 9. Benefit Plans

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

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

Components of Net Periodic Benefit Cost

(millions of dollars)	Pension Benefits			
	Three Months Ended		Six Months Ended	
	June 30, 2013	July 1, 2012	June 30, 2013	July 1, 2012
Service cost	\$2.3	\$2.3	\$4.6	\$4.7
Interest cost	2.8	2.9	5.6	5.8
Expected return on plan assets	(3.7)	(3.5)	(7.4)	(7.0)
Amortization:				
Prior service cost	0.3	0.3	0.6	0.6
Recognized net actuarial loss	3.4	3.4	6.8	6.8
Net periodic benefit cost	\$5.1	\$5.4	\$10.2	\$10.9

(millions of dollars)	Other Benefits			
	Three Months Ended		Six Months Ended	
	June 30, 2013	July 1, 2012	June 30, 2013	July 1, 2012
Service cost	\$0.2	\$0.1	\$0.3	\$0.3
Interest cost	0.1	0.1	0.2	0.2
Amortization:				
Prior service cost	(0.8)	(0.8)	(1.6)	(1.6)
Net periodic benefit cost	\$(0.5)	\$(0.6)	\$(1.1)	\$(1.1)

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

Employer Contributions

The Company expects to contribute approximately \$10 million to its pension plans and \$1 million to its other post retirement benefit plans in 2013. As of June 30, 2013, \$3.9 million has been contributed to the pension plans and approximately \$0.3 million has been contributed to the other post retirement benefit plans.

Note 10. Comprehensive Income

The following are the reclassifications out of accumulated other comprehensive income, net of related tax:

(millions of dollars)	Six Months Ended	June 30,
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	2013	
Amortization of prior service cost	\$(0.5)
Amortization of actuarial gains (losses)	4.2	
Total reclassifications from accumulated other comprehensive income	\$3.7	

The above amounts are included in net periodic pension costs. Please see note 9 to the condensed consolidated financial statements.

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

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

(millions of dollars)	Foreign Currency Translation Adjustments	Unrecognized Pension Costs	Net Gain on Cash Flow Hedges	Total
Balance as of December 31, 2012	\$ 32.0	\$ (85.3)	\$ 2.1	\$(51.2)
Other comprehensive income (loss) before reclassifications	(21.2)	--	0.5	(20.7)
Amounts reclassified from AOCI	--	3.7	--	3.7
Net current period other comprehensive income(loss)	(21.2)	3.7	0.5	(17.0)
Balance as of June 30, 2013	\$ 10.8	\$ (81.6)	\$ 2.6	\$(68.2)

Note 11. Accounting for Asset Retirement Obligations

The Company records asset retirement obligations for situations in which the Company will be required to incur costs to retire tangible long-lived assets. These are primarily related to its PCC satellite facilities and mining operations. The Company has also recorded the provisions 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 30, 2013:

(millions of dollars)	
Asset retirement liability, December 31, 2012	\$ 15.0
Accretion expense	0.4
Additional obligations	0.2
Reversals	(0.4)
Payments	(0.1)
Foreign currency translation	(0.2)
Asset retirement liability, June 30, 2013	\$ 14.9

The current portion of the liability of approximately \$1.5 million is included in other current liabilities and the long-term portion of the liability of approximately \$13.4 million is included in other non-current liabilities in the Condensed Consolidated Balance Sheet as of June 30, 2013.

Note 12. Legal Proceedings

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 72 pending silica cases and 12 pending asbestos cases. To date, 1,394 silica cases and 33 asbestos cases have been dismissed. Two new asbestos cases were filed in the second quarter of 2013. 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 continues to be insignificant. The majority of the costs of defense are reimbursed by Pfizer Inc pursuant to the terms of certain agreements entered into in connection with the Company's initial public offering in 1992. Of the 12 pending asbestos cases, all allege liability based on products sold largely or entirely prior to the initial public offering, and for which the Company is therefore entitled to indemnification pursuant to such agreements. Our

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

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 issued an administrative consent order relating to our Canaan, Connecticut, plant where both our Refractories segment and Specialty Minerals segment have operations. We agreed to the order, which includes provisions requiring investigation and remediation of contamination associated with historic use of polychlorinated biphenyls ("PCBs") and mercury at a portion of the site. We have completed the required investigations and submitted several reports characterizing the contamination. We are now conducting a site-specific risk assessment required by the regulators.

We believe that the most likely form of overall site remediation will be to leave the existing contamination in place (with some limited soil removal), encapsulate it, and monitor the effectiveness of the encapsulation. We anticipate that a substantial portion of the remediation cost will be borne by the United States based on its involvement at the site from 1942 – 1964, as historic documentation indicates that PCBs and mercury were first used at the facility at a time of U.S. government ownership for production of materials needed by the military. Though the cost of the likely remediation remains uncertain pending completion of the phased remediation decision process, we have estimated that the Company's share of the cost of the encapsulation and limited soil removal described above would approximate \$0.4 million, which has been accrued as of June 30, 2013.

The Company is evaluating options for upgrading the wastewater treatment facilities at its Adams, Massachusetts plant. This work has been undertaken pursuant to an administrative Consent Order originally issued by the Massachusetts Department of Environmental Protection ("DEP") on June 18, 2002. This order was amended on June 1, 2009 and on June 2, 2010. The amended Order includes the investigation by January 1, 2022 of options for ensuring that the facility's wastewater treatment ponds will not result in unpermitted discharge to groundwater.

Additional requirements of the amendment include the submittal by July 1, 2022 of a plan for closure of a historic lime solids disposal area. Preliminary engineering reviews completed in 2005 indicate that the estimated cost of wastewater treatment upgrades to operate this facility beyond 2024 may be between \$6 million and \$8 million. The Company estimates that the remaining remediation costs would approximate \$0.4 million, which has been accrued as of June 30, 2013.

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

Note 13. Non-Operating Income and Deductions, Net

(millions of dollars)	Three Months Ended		Six Months Ended	
	June 30, 2013	July 1, 2012	June 30, 2013	July 1, 2012
Interest income	\$0.7	\$0.8	\$1.4	\$1.8
Interest expense	(0.8)	(0.8)	(1.6)	(1.6)
Foreign exchange losses	(1.3)	(0.3)	(0.6)	(0.7)
Other deductions	(0.1)	(0.5)	(0.5)	(0.9)
Non-operating deductions, net	\$(1.5)	\$(0.8)	\$(1.3)	\$(1.4)

Note 14 . Non-controlling interests

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

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

(millions of dollars)	Equity Attributable to MTI						Total
	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Non-controlling Interests	
Balance as of December 31, 2012	\$4.7	\$ 345.9	\$1,032.9	\$ (51.2)	\$(541.9)	\$ 23.3	\$813.7
Net income	--	--	35.9	--	--	1.5	37.4
Other comprehensive income	--	--	--	(17.0)	--	(1.3)	(18.3)
Dividends declared	--	--	(3.5)	--	--	--	(3.5)
Dividends to non-controlling interest	--	--	--	--	--	(0.8)	(0.8)
Employee benefit transactions	--	4.6	--	--	--	--	4.6
Income tax benefit arising from employee stock option plans	--	0.8	--	--	--	--	0.8
Purchase of common stock for treasury	--	--	--	--	(20.1)	--	(20.1)
Stock based compensation	--	1.8	--	--	--	--	1.8
Balance as of June 30, 2013	\$4.7	\$ 353.2	\$1,065.2	\$ (68.2)	\$(562.0)	\$ 22.7	\$815.6

The income attributable to non-controlling interests for the six-month periods ended June 30, 2013 and July 1, 2012 was from continuing operations. The remainder of income was attributable to MTI. There were no changes in MTI's ownership interest for the period ended June 30, 2013 as compared with December 31, 2012.

Note 15. Segment and Related Information

Segment information for the three and six-month periods ended June 30, 2013 and July 1, 2012 were as follows:
 (millions of dollars) Net Sales

	Three Months Ended		Six Months Ended	
	June 30, 2013	July 1, 2012	June 30, 2013	July 1, 2012
Specialty Minerals	\$168.3	\$165.5	\$335.3	\$330.6
Refractories	88.5	85.9	172.1	175.3
Total	\$256.8	\$251.4	\$507.4	\$505.9

(millions of dollars) Income from Operations

Three Months Ended	Six Months Ended
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	June 30, 2013	July 1, 2012	June 30, 2013	July 1, 2012
Specialty Minerals	\$25.2	\$22.7	\$48.5	\$43.5
Refractories	8.5	8.7	15.4	17.8
Total	\$33.7	\$31.4	\$63.9	\$61.3

The carrying amount of goodwill by reportable segment as of June 30, 2013 and December 31, 2012 was as follows:

(millions of dollars) Goodwill

	Three Months Ended	
	June 30, 2013	December 31, 2012
Specialty Minerals	\$13.7	\$14.1
Refractories	50.9	51.7
Total	\$64.6	\$65.8

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:

(millions of dollars)	Income from operations before provision for taxes on income:			
	Three Months Ended		Six Months Ended	
	June 30, 2013	July 1, 2012	June 30, 2013	July 1, 2012
Income from operations for reportable segments	\$33.7	\$31.4	\$63.9	\$61.3
Unallocated corporate expenses	(1.3)	(1.3)	(3.3)	(3.3)
Consolidated income from operations	32.4	30.1	60.6	58.0
Non-operating deductions, net	(1.5)	(0.8)	(1.3)	(1.4)
Income from continuing operations, before provision for taxes on income	\$30.9	\$29.3	\$59.3	\$56.6

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

(millions of dollars)	Three Months Ended		Six Months Ended	
	June 30, 2013	July 1, 2012	June 30, 2013	July 1, 2012
Paper PCC	\$118.3	\$116.7	\$238.8	\$235.8
Specialty PCC	17.3	17.0	34.2	33.4
Talc	13.0	13.1	25.4	25.2
Ground Calcium Carbonate	19.7	18.7	36.9	36.2
Refractory Products	67.2	65.4	129.6	134.5
Metallurgical Products	21.3	20.5	42.5	40.8
Net sales	\$256.8	\$251.4	\$507.4	\$505.9

REVIEW REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders
Minerals Technologies Inc.:

We have reviewed the accompanying condensed consolidated balance sheet of Minerals Technologies Inc. and subsidiaries as of June 30, 2013, the related condensed consolidated statements of income and comprehensive income for the three-month and six-month periods ended June 30, 2013 and July 1, 2012, and the related condensed consolidated statements of cash flows for the six-month periods ended June 30, 2013 and July 1, 2012. These condensed consolidated financial statements are the responsibility of the Company's management.

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

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

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Minerals Technologies Inc. and subsidiaries as of December 31, 2012, and the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated February 22, 2013, 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, 2012 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 26, 2013
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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 30, 2013	July 1, 2012	June 30, 2013	July 1, 2012
Net sales	100.0	% 100.0	% 100.0	% 100.0
Cost of goods sold	77.1	77.4	77.4	77.8
Production margin	22.9	22.6	22.6	22.2
Marketing and administrative expenses	8.4	8.6	8.7	8.8
Research and development expenses	1.9	2.0	1.9	2.0
Income from operations	12.6	12.0	12.0	11.5
Income from continuing operations	8.6	8.0	8.2	7.7
Loss from discontinued operations	(1.9) (0.2) (1.1) (0.2
Net income	6.7	% 7.8	% 7.1	% 7.5

Executive Summary

The Company achieved record earnings from continuing operations for the second quarter and first half of 2013. Earnings from continuing operations in the second quarter of 2013 were \$0.63 per share, an increase of 11% over the previous record of \$0.57 per share reported in the second quarter of 2012. The results reflected continued solid financial performance.

Worldwide sales for the second quarter of 2013 increased 2% from the prior year to \$256.8 million from \$251.4 million. Foreign exchange had an unfavorable impact on sales of approximately \$3.7 million or 1 percentage point.

The Company continued to advance the execution of its growth strategies of geographic expansion and new product innovation and development. During the second quarter of 2013, we experienced volume growth of 7% in our Paper PCC operations in Asia due primarily to three new satellites which began operations since the first quarter of last year. Our agreement with United Steel Company B.S.C. (SULB), in Bahrain, which began operations in the third quarter of 2012, generated sales of \$4.9 million in the second quarter of 2013. We expect to generate approximately \$10 million per year of revenue over the 3 year term of the contract. The Company continues to see progress in our major growth strategy of developing and commercializing new products in advancing our FulFill® platform of technologies of higher filler loading. We presently have thirteen commercial contracts for FulFill®. We expect the contribution of our FulFill® program to operating income between \$2.5 million and \$3.0 million in 2013.

Income from operations grew 7% to a Company record of \$32.4 million in the second quarter of 2013 from \$30.1 million in the second quarter of 2012. Our Specialty Minerals segment reported a second quarter record operating income of \$25.2 million, an 11% increase over the prior year. However, our Refractories segment continues to be affected by weak steel conditions in our two largest markets, North America and Europe. Operating Income for this segment declined 2% to \$8.5 million in the second quarter of 2013. The Company's Operational Excellence initiatives contributed 2% productivity improvements over the prior year.

The Company discontinued its operations at its merchant PCC facility at Walsum, Germany in the second quarter. In connection with the Company's 2007 restructuring of its European coating PCC operations, the Company recorded

an impairment charge related to its Walsum facility. This facility continued to operate well below capacity levels into 2013. The Company recorded a pre-tax charge for closure costs of this facility in the second quarter of \$5.9 million. The loss from discontinued operations in the second quarter of 2013 was \$0.14 per share compared with \$0.01 per share in 2012. All prior periods have been restated to reflect the reclassification as a discontinued operation.

The Company's balance sheet as of June 30, 2013 continues to be very strong. Cash, cash equivalents and short-term investments were approximately \$474 million. We have available lines of credit of \$190.4 million and our debt to equity ratio was 10.0%. Our cash flows from operations were approximately \$34 million in the second quarter of 2013.

We face some significant risks and challenges in the future:

The industries we serve, primarily paper, steel, construction and automotive, have been adversely affected by the uncertain global economic climate, primarily in Europe. Although these markets have stabilized, our global business could be adversely affected by further decreases in economic activity. Our Refractories segment primarily serves the steel industry. North America and Europe steel production in the second quarter of 2013 decreased approximately 5% from the prior year. In the paper industry, which is served by our Paper PCC product line, second quarter 2013 production levels for printing and writing papers within North America and Europe, our two largest markets, both decreased 3% from the prior year. Our Processed Minerals and Specialty PCC product lines are affected by the domestic building and construction markets and the automotive market all of which experienced growth.

Some of our customers may experience mill shutdowns due to further consolidations, or may face liquidity issues, or bankruptcy, which could deteriorate the aging of our accounts receivable, increase our bad debt exposure and possibly trigger impairment of assets or realignment of our businesses.

Consolidations and rationalizations in the paper and steel industries concentrate purchasing power in the hands of fewer customers, increasing pricing pressure on suppliers such as us.

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.

We are subject to volatility in pricing and supply availability of our key raw materials used in our Paper PCC product line and Refractory product line.

We continue to rely on China for a portion of our supply of magnesium oxide in the Refractories segment, which may be subject to uncertainty in availability and cost.

Fluctuations in energy costs have an impact on all of our businesses.

Changes in the fair market value of our pension assets, rates of return on assets, and discount rates could continue to have a significant impact on our net periodic pension costs as well as our funding status.

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.

The Company's operations, particularly in the mining and environmental areas (discharges, emissions and greenhouse gases), are subject to regulation by federal, state and foreign authorities and may be subject to, and presumably will be required to comply with, additional laws, regulations and guidelines which may be adopted in the future.

During the second quarter of 2011, M-real Corporation announced plans to divest its Alizay paper mill in France and subsequently ceased operations at the mill. In January 2013, Double A Paper Company announced it had acquired the Alizay mill. The mill resumed operations in June, producing paper using PCC from our satellite facility. PCC sales from the Alizay facility in the second quarter were \$0.6 million.

Outlook

Looking forward, we remain cautious about the state of the global economy, particularly in Europe, and the impact it will have on our product lines.

In 2013, the Company will continue to focus on innovation and new product development and other opportunities for sales growth as follows:

Develop multiple high-filler technologies, such as filler-fiber, under the FulFill® platform of products, to increase the fill rate in freesheet paper and continue to progress with commercial discussions and full-scale paper machine trials.

Increase our sales of PCC for paper by further penetration of the markets for paper filling at both freesheet and groundwood mills, particularly in emerging markets.

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- Expand the Company's PCC coating product line using the satellite model.
- Promote the Company's expertise in crystal engineering, especially in helping papermakers customize PCC morphologies for specific paper applications.
- Expand PCC produced for paper filling applications by working with industry partners to develop new methods to increase the ratio of PCC for fiber substitutions.
- Develop unique calcium carbonates and talc products used in the manufacture of novel biopolymers, a new market opportunity.
- Deploy new talc and GCC products in paint, coating and packaging applications.
- Deploy value-added formulations of refractory materials that not only reduce costs but improve performance.
- Expand our solid core wire product line into BRIC, Middle Eastern and other Asian countries.
- Deploy our laser measurement technologies into new applications.
- Expand our refractory maintenance model to other steel makers globally.
- Deploy operational excellence principles into all aspects of the organization, including system infrastructure and lean principles.
- Explore selective acquisitions to fit our core competencies in minerals and fine particle technology.

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

Results of Operations

Three months ended June 30, 2013 as compared with three months ended July 1, 2012.

Sales (millions of dollars)	Second Quarter 2013	% of Total Sales	Growth	Second Quarter 2012	% of Total Sales	
Net Sales						
U.S	\$142.8	55.6	% --	% \$143.3	57.0	%
International	114.0	44.4	% 5	% 108.1	43.0	%
Net sales	\$256.8	100.0	% 2	% \$251.4	100.0	%
Paper PCC	\$118.3	46.1	% 1	% \$116.7	46.4	%
Specialty PCC	17.3	6.7	% 2	% 17.0	6.8	%
PCC Products	\$135.6	52.8	% 1	% \$133.7	53.2	%
Talc	\$13.0	5.0	% (1)	% \$13.1	5.2	%
Ground Calcium Carbonate	19.7	7.7	% 5	% 18.7	7.4	%
Processed Minerals Products	\$32.7	12.7	% 3	% \$31.8	12.6	%
Specialty Minerals Segment	\$168.3	65.5	% 2	% \$165.5	65.8	%
Refractory Products	\$67.2	26.2	% 3	% \$65.4	26.0	%
Metallurgical Products	21.3	8.3	% 4	% 20.5	8.2	%
Refractories Segment	\$88.5	34.5	% 3	% \$85.9	34.2	%

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Net sales	\$256.8	100.0	% 2	%	\$251.4	100.0	%
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Worldwide net sales in the second quarter of 2013 increased 2% from the previous year to \$256.8 million from \$251.4 million. Foreign exchange had an unfavorable impact on sales of approximately \$3.7 million or 1 percentage point. Sales in the Specialty Minerals segment, which includes the PCC and Processed Minerals product lines, increased 2% to \$168.3 million from \$165.6 million in the prior year. Sales in the Refractories segment increased 3% to \$88.5 million as compared with \$85.9 million in the prior year.

Worldwide net sales of PCC, which is primarily used in the manufacturing process of the paper industry, increased 1% to \$135.6 million from \$133.7 million in the prior year. Foreign exchange had an unfavorable impact on sales of \$1.7 million or approximately 1 percentage point. Paper PCC sales increased 1% to \$118.3 million in the second quarter of 2013 as compared with the prior year. Paper PCC growth was attributable to increased volumes in Europe and Latin America, the new satellite plants in Asia, and increased usage of the FulFill® technology at

existing customers. These factors more than offset weaker demand in North America. Sales of Specialty PCC increased 1% to \$17.3 million from \$17.0 million in the prior year, primarily due to increased volumes in the US and higher pricing. Specialty PCC volume increased 7% in the US due to an expansion at our facility in Adams, Massachusetts. This was partially offset by weak market demand in Europe.

Net sales of Processed Minerals products increased 3% to \$32.7 million in the second quarter of 2013 as compared with \$31.7 million in the prior year. Ground Calcium Carbonate sales increased 6% to \$19.7 million due primarily due to a more favorable product mix.

Net sales in the Refractories segment in the second quarter of 2013 increased 3% to \$88.5 million from \$85.9 million in the prior year. Foreign exchange had an unfavorable impact on sales of approximately \$2.0 million or 2 percentage points. Sales of refractory products and systems to steel and other industrial applications grew 3% to \$67.2 million due to incremental sales from our operations in Bahrain which were partially offset by a reduction in sales in North America due primarily to the closure of two steel mills related to the RG Steel bankruptcy last June. Sales of metallurgical products within the Refractories segment increased 4% to \$21.3 million as compared with \$20.4 million in the same period last year, primarily attributable to higher volumes in both North America and Europe. Sales growth was achieved in both product lines despite weak market conditions in North America and Europe.

Net sales in the United States decreased slightly to \$142.8 million in the second quarter of 2013 from \$143.3 million in the prior year. International sales in the second quarter of 2013 increased 5% to \$114.0 million from \$108.1 million in the prior year.

Operating Costs and Expenses (millions of dollars)	Second Quarter 2013	Second Quarter 2012	Growth	
Cost of goods sold	\$198.0	\$194.6	2	%
Marketing and administrative	\$21.6	\$21.6	0	%
Research and development	\$4.8	\$5.0	(4)	%

Cost of goods sold was 77.1% of sales compared with 77.4% of sales in the prior year. Production margin increased 4% to \$58.8 million. In the Specialty Minerals segment, production margin increased \$2.2 million, or 6%, on 2% sales growth. This was primarily attributable to volume increases of approximately \$0.9 million, price increases, net of raw material cost increases, of \$1.3 million, and continued productivity and cost improvements of \$0.9 million. This was partially offset by higher energy costs of \$0.9 million. In the Refractories segment, production margin was approximately the same as the prior year on 3% higher sales. Production Margin increased due to higher sales to SULB in Bahrain and to a reduction in materials costs. These items were offset by reduced refractory volumes in North America due to the RG Steel bankruptcy and to lower equipment profitability.

Marketing and administrative costs were the same as the prior year at \$21.6 million and represented 8.4% of net sales as compared with 8.6% of net sales in the prior year.

Research and development expenses decreased 4% to \$4.8 million and represented 1.9% of net sales as compared with 2.0% of net sales in the prior year. This decrease was primarily attributable to lower trial activity as compared with prior year.

Income from Operations (millions of dollars)	Second Quarter 2013	Second Quarter 2012	Growth	
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Income from operations	\$32.4	\$30.1	7	%
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The Company recorded income from operations of \$32.4 million in the second quarter of 2013 as compared to \$30.1 million in the prior year. Income from operations represented 12.6% of sales in the second quarter of 2013 as compared with 12.0% of sales in the prior year.

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Income from operations for the Specialty Minerals segment increased 11% to \$25.2 million from \$22.7 million in the prior year and was 15.0% of net sales as compared with 13.7% in the second quarter of 2012. Operating income for the Refractories segment was \$8.5 million, as compared with \$8.7 million in the prior year, and represented 9.6% net of sales as compared with 10.1% in the prior year.

Non-Operating Deductions (millions of dollars)	Second Quarter 2013	Second Quarter 2012	Growth
Non-operating deductions, net	\$(1.5)	\$(0.8)	88 %

In the second quarter of 2013, the Company recorded net non-operating deductions of \$1.5 million as compared with \$0.8 million in the prior year. The increase was primarily due to an increase in foreign exchange losses of \$0.9 million in the current year.

Provision for Taxes on Income (millions of dollars)	Second Quarter 2013	Second Quarter 2012	Growth
Provision for taxes on income	\$8.2	\$8.7	(6) %

Provision for taxes on income during the second quarter of 2013 was \$8.2 million as compared to \$8.7 million during the second quarter of 2012. The effective tax rate for the second quarter of 2013 was 26.6% as compared to 29.6% for the second quarter of 2012. The reduction in the effective tax rate was primarily due to one-time tax reserves released upon completion of US tax audits and to the reinstatement of research and development tax credits from the American Taxpayer Relief Act of 2012.

Income from Continuing Operations, net of tax (millions of dollars)	Second Quarter 2013	Second Quarter 2012	Growth
Income from continuing operations, net of tax	\$22.7	\$20.7	10 %

Income from continuing operations increased 10% to \$22.7 million as compared to \$20.7 million in the prior year. Earnings from continuing operations attributable to MTI increased 11% to \$0.63 per share as compared with \$0.57 per share in the prior year.

Loss from Discontinued Operations (millions of dollars)	Second Quarter 2013	Second Quarter 2012	Growth
Loss from discontinued operations	\$(4.9)	\$(0.5)	* %

* Percentage not meaningful

In the second quarter of 2013 the Company recognized a loss from discontinued operations, net of tax, of \$4.9 million primarily related to facility closure costs at its Paper PCC merchant facility in Walsum, Germany.

Non-controlling Interests (million of dollars)	Second Quarter 2013	Second Quarter 2012	Growth
Non-controlling interests	\$0.6	\$0.5	20 %

The increase in the income attributable to non-controlling interests is due to higher profitability in our joint ventures.

Net Income Attributable to MTI (million of dollars)	Second Quarter 2013	Second Quarter 2012	Growth	
Net income	\$17.1	\$19.7	(13)	%

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Net income attributable to MTI was \$17.1 million in the second quarter of 2013 as compared with \$19.7 million in the prior year. The reduction was due to the loss from discontinued operations. Diluted earnings per common share were \$0.49 per share in the second quarter of 2013 as compared with \$0.56 per share in the prior year.

Six months ended June 30, 2013 as compared with six months ended July 1, 2012

(millions of dollars)	First Half 2013	% of Total Sales	Growth	First Half 2012	% of Total Sales	
Net Sales						
U.S	\$282.6	55.7	% (2)	% \$289.1	57.1	%
International	224.8	44.3	% 4	% 216.8	42.9	%
Net sales	\$507.4	100.0	% 0	% \$505.9	100.0	%
Paper PCC	\$238.8	47.1	% 1	% \$235.8	46.6	%
Specialty PCC	34.2	6.7	% 2	% 33.4	6.6	%
PCC Products	\$273.0	53.8	% 1	% \$269.2	53.2	%
Talc	\$25.4	5.0	% 1	% \$25.2	5.0	%
Ground Calcium Carbonate	36.9	7.3	% 2	% 36.2	7.2	%
Processed Minerals Products	\$62.3	12.3	% 1	% \$61.4	12.1	%
Specialty Minerals Segment	\$335.3	66.1	% 1	% \$330.6	65.3	%
Refractory Products	\$129.6	25.5	% (4)	% \$134.5	26.6	%
Metallurgical Products	42.5	8.4	% 4	% 40.8	8.1	%
Refractories Segment	\$172.1	33.9	% (2)	% \$175.3	34.7	%
Net sales	\$507.4	100.0	% 0	% \$505.9	100.0	%

Worldwide net sales in the first half of 2013 increased slightly from the previous year to \$507.4 million from \$505.9 million. Foreign exchange had an unfavorable impact on sales of approximately \$5.7 million or 1 percentage point. Sales in the Specialty Minerals segment, which includes the PCC and Processed Minerals product lines, increased 1% to \$335.3 million from \$330.6 million in the prior year. Sales in the Refractories segment decreased 2% to \$172.1 million as compared with \$175.3 million in the prior year.

Worldwide net sales of PCC, which is primarily used in the manufacturing process of the paper industry, increased 1% to \$273.0 million from \$269.2 million in the prior year. Foreign exchange had an unfavorable impact on sales of \$3.0 million or approximately 1 percentage point. Paper PCC sales increased 1% to \$238.8 million from \$235.8 million in the prior year. Sales growth in Asia related to three new PCC satellites were partially offset by several paper mill and paper machine shutdowns in North America. Sales of Specialty PCC increased 2% to \$34.2 million from \$33.4 million in the prior year. This increase was due to higher volumes in the US and increased pricing, partially offset by weak demand in Europe.

Net sales of Processed Minerals products increased 1% to \$62.3 million in the first half of 2013 as compared with the prior year. Ground Calcium Carbonate sales increased 2% to \$36.9 million from \$36.2 million due primarily to

increased volumes and a more favorable product mix.

Net sales in the Refractories segment in the first half of 2013 decreased 2% to \$172.1 million from \$175.3 million in the prior year. Foreign exchange had an unfavorable impact on sales of approximately \$2.7 million or 2 percentage points. Sales of refractory products and systems to steel and other industrial applications decreased 4% to \$129.6 million from \$134.5 million in the prior year due to weak market conditions in North America and Europe, lower equipment sales, and lower sales to non-steel applications. Sales of metallurgical products within the Refractories segment increased 4% to \$42.5 million as compared with \$40.8 million in the same period last year, primarily attributable to higher volumes in North America and Europe.

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Net sales in the United States decreased 2% to \$282.6 million in the first half of 2013 from \$289.1 million in the prior year. International sales in the first half of 2013 increased 4% to \$224.8 million from \$216.8 million in the prior year.

Operating Costs and Expenses (millions of dollars)	First Half 2013	First Half 2012	Growth	
Cost of goods sold	\$392.6	\$393.5	--	%
Marketing and administrative	\$44.5	\$44.3	--	%
Research and development	\$9.6	\$10.1	(5)	%

Cost of goods sold was 77.4% of sales compared with 77.8% of sales in the prior year. Production margin increased 2% to \$114.7 million. In the Specialty Minerals segment, production margin increased \$4.7 million, or 6%, on a 1% increase in sales. This was primarily attributable to improved profitability in Asia and to volume increases of approximately \$2.0 million, price increases, net of raw material cost increases, of \$2.3 million, and continued productivity and cost improvements of \$1.7 million. This was partially offset higher energy costs of \$1.3 million. In the Refractories segment, production margin decreased \$2.3 million or 6%. The decrease in margin was due primarily to lower pricing, partially offset by a reduction in materials cost of \$1.1 million, to lower equipment sales which affected profitability by \$0.9 million and to foreign exchange.

Marketing and administrative costs increased slightly to \$44.5 million and represented 8.7% of net sales, the same as in the prior year.

Research and development expenses decreased 4% to \$9.6 million from \$10.1 million in the prior year and represented 1.9% of net sales as compared with 2.0% of net sales in the prior year. This decrease was primarily attributable to lower trial activity as compared with prior year.

Income from Operations (millions of dollars)	First Half 2013	First Half 2012	Growth	
Income from operations	\$60.6	\$58.0	4	%

The Company recorded income from operations of \$60.6 million in the first half of 2013 as compared to \$58.0 million in the prior year. Income from operations represented 12.0% of sales in the first half of 2013 as compared with 11.5% of sales in the prior year.

Income from operations for the Specialty Minerals segment increased 11% to \$48.5 million from \$43.5 million in the prior year and was 14.5% of net sales as compared with 13.2% in the first half of 2012. Operating income for the Refractories segment was \$15.4 million, as compared to income from operations of \$17.8 million in the prior year, and represented 8.9% of net sales as compared with 10.2% in the prior year.

Non-Operating Deductions (millions of dollars)	First Half 2013	First Half 2012	Growth	
Non-operating deductions, net	\$(1.3)	\$(1.4)	(7)	%

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In the first half of 2013, the Company recorded net non-operating deductions of \$1.3 million as compared to \$1.4 million in the prior year.

Provision for Taxes on Income (millions of dollars)	First Half 2013	First Half 2012	Growth	
Provision for taxes on income	\$16.3	\$16.8	(3)	%

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Provision for taxes on income during the first half of 2013 was \$16.3 million as compared to \$16.8 million during the first half of 2012. The effective tax rate for the first half of 2013 was 27.4% as compared to 29.6% for the first half of 2012. The reduction in the effective tax rate was primarily due to one-time tax reserves released upon completion of US tax audits in the second quarter and to the reinstatement of research and development tax credits from the American Taxpayer Relief Act of 2012.

Income from Continuing Operations (millions of dollars)	First Half 2013	First Half 2012	Growth	
Income from continuing operations	\$43.0	\$39.9	8	%

Income from continuing operations increased 8% to \$43.0 million as compared to \$39.9 million in the prior year. Earnings from continuing operations attributable to MTI increased 8% to \$1.18 per share as compared with \$1.09 per share in the prior year.

Loss from Discontinued Operations (millions of dollars)	First Half 2013	First Half 2012	Growth	
Loss from discontinued operations	\$(5.7)	\$(1.1) *		%

* Percentage not meaningful

In the first half of 2013 the Company recognized a loss from discontinued operations of \$5.7 million related primarily to facility closure costs at its Paper PCC merchant facility in Walsum, Germany in the second quarter.

Non-controlling Interests (million of dollars)	First Half 2013	First Half 2012	Growth	
Non-controlling interests	\$1.5	\$1.1	36	%

The increase in the income attributable to non-controlling interests is due to higher profitability in our joint ventures.

Net Income Attributable to MTI (millions of dollars)	First Half 2013	First Half 2012	Growth	
Net income	\$35.9	\$37.7	(5)	%

Net income attributable to MTI was \$35.9 million in the first half of 2013 as compared with income of \$37.7 million in the prior year. The reduction was due to the loss from discontinued operations. Diluted earnings per common share were \$1.02 per share in the first half of 2013 as compared with \$1.06 per share in the prior year.

Liquidity and Capital Resources

Cash provided from operating activities from continuing operations in the first half of 2013 was \$59.9 million, compared with \$66.6 million in the prior year. Cash flows provided from operations in the first half of 2013 were principally used to fund capital expenditures, pay the Company's dividend to common shareholders and to repurchase shares. Cash flows used in discontinued operations were not material to the Company's liquidity.

Working capital is defined as trade accounts receivable, trade accounts payable and inventories. Working capital increased approximately 1% from December 2012. Total average days of working capital decreased to 55 days in the second quarter of 2013 from 59 days in the fourth quarter of 2012. This decrease was primarily attributable to an increase in days payable outstanding.

The Company's \$75 million of private placement debt will mature in October 2013. The company expects to refinance these notes.

In 2011, the Company's Board of Directors authorized the Company's management to repurchase, at its discretion, up to \$75 million of the Company's shares over a two-year period. As of June 30, 2013, 1,120,225 shares have been repurchased under this program for \$50.8 million.

The Company had \$190.4 million in uncommitted short-term bank credit lines, of which \$7.0 million were in use at June 30, 2013. The credit lines are primarily in the US, with approximately \$20.4 million or 11% outside the US. The credit lines are generally one year in term at competitive market rates at large well-established institutions. The Company typically uses its available credit lines to fund working capital requirement or local capital spending needs. We anticipate that capital expenditures for 2013 should be between \$55 million and \$65 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 2013 - \$75.3 million; 2014 - \$8.5 million; 2015 - \$-- million; 2016 - \$-- million; 2017 - \$-- million thereafter - \$-- million.

The Company's debt to capital ratio is 10.0%, which is below the only financial covenant ratio in its debt agreements.

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

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

Forward-looking statements are necessarily based on assumptions, estimates and limited information available at the time they are made. A broad variety of risks and uncertainties, both known and unknown, as well as the inaccuracy of assumptions and estimates, can affect the realization of the expectations or forecasts in these statements. Many of these risks and uncertainties are difficult to predict or are beyond the Company's control. Consequently, no forward-looking statement can be guaranteed. Actual future results may vary materially. Significant factors affecting the expectations and forecasts are set forth under "Item 1A — Risk Factors" in the Company's Annual Report on Form 10-K for the year ended December 31, 2012, and in Exhibit 99 to this Quarterly Report on Form 10-Q.

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

Recently Issued Accounting Standards

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

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

In June 2011, the FASB issued amendments to disclosure requirements for presentation of comprehensive income. This guidance, effective retrospectively for the interim and annual periods beginning on or after December 15, 2011

(early adoption was permitted), requires presentation of total comprehensive income, the components of
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net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In December 2011, the FASB issued an amendment to defer the presentation on the face of the financial statements the effects of reclassifications out of accumulated other comprehensive income on the components of net income and other comprehensive income for annual and interim financial statements. The implementation of the amended accounting guidance has not had a material impact on our consolidated financial position or results of operations. In February 2013, the FASB issued amendments to disclosure requirements for presentation of comprehensive income. The standard requires presentation (either in a single note or parenthetically on the face of the financial statements) of the effect of significant amounts reclassified from each component of accumulated other comprehensive income based on its source and the income statement line items affected by the reclassification. If a component is not required to be reclassified to net income in its entirety, a cross reference to the related footnote for additional information will be required. The amendments are effective prospectively for reporting periods beginning after December 15, 2012 (early adoption was permitted). The Company adopted this guidance effective January 1, 2013. The implementation of the amended accounting guidance did not have a material impact on our consolidated financial position or results of operations.

In July 2012, the FASB issued amendments to the indefinite-lived intangible asset impairment guidance which provides an option for companies to use a qualitative approach to test indefinite-lived intangible assets for impairment if certain conditions are met. The amendments are effective for annual and interim indefinite-lived intangible asset impairment tests performed for fiscal years beginning after September 15, 2012 (early adoption is permitted). The Company adopted this guidance effective January 1, 2013. The Company does not have any indefinite-lived intangible assets; therefore, the implementation of the amended accounting guidance did not have any impact on our consolidated financial position or results of operations.

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 45% of our bank debt bears 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, hedges and interest

rate swaps, to mitigate the impact of foreign exchange rate movements and interest rate movements on our operating results. The counterparties are major financial institutions. Such forward exchange contracts, hedges and interest rate swaps would not subject us to additional risk from exchange rate or interest rate movements because gains and losses on these contracts would offset losses and gains on the assets, liabilities, and transactions being hedged.

We had open forward exchange contracts to purchase approximately \$0.3 million of foreign currencies as of June 30, 2013. The contracts mature in July 2013. The fair value of these instruments at June 30, 2013 was a liability of less than \$0.1 million.

The Company has open foreign exchange contracts as a hedge of its net investment in Europe. These contracts mature in October 2013. The fair value of these instruments at June 30, 2013 was an asset of \$4.1 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 were effective as of June 30, 2013.

Changes in Internal Control Over Financial Reporting

There was no change in the Company's internal control over financial reporting during the quarter ended June 30, 2013 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

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 72 pending silica cases and 12 pending asbestos cases. To date, 1,394 silica cases and 33 asbestos cases have been dismissed. Two new asbestos cases were filed in the second quarter of 2013. 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 continues to be insignificant. The majority of the costs of defense are reimbursed by Pfizer Inc pursuant to the terms of certain agreements entered into in connection with the Company's initial public offering in 1992. Of the 12 pending asbestos cases, all allege liability based on products sold largely or entirely prior to the initial public offering, and for which the Company is therefore entitled to indemnification pursuant to such agreements. 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 issued an administrative consent order relating to our Canaan, Connecticut, plant where both our Refractories segment and Specialty Minerals segment have operations. We agreed to the order, which includes provisions requiring investigation and remediation of

contamination associated with historic use of polychlorinated biphenyls ("PCBs") and mercury at a portion of the site. We have completed the required investigations and submitted several reports characterizing the contamination. We are now conducting a site-specific risk assessment required by the regulators.

We believe that the most likely form of overall site remediation will be to leave the existing contamination in place (with some limited soil removal), encapsulate it, and monitor the effectiveness of the encapsulation. We

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anticipate that a substantial portion of the remediation cost will be borne by the United States based on its involvement at the site from 1942 – 1964, as historic documentation indicates that PCBs and mercury were first used at the facility at a time of U.S. government ownership for production of materials needed by the military. Though the cost of the likely remediation remains uncertain pending completion of the phased remediation decision process, we have estimated that the Company's share of the cost of the encapsulation and limited soil removal described above would approximate \$0.4 million, which has been accrued as of June 30, 2013.

The Company is evaluating options for upgrading the wastewater treatment facilities at its Adams, Massachusetts plant. This work has been undertaken pursuant to an administrative Consent Order originally issued by the Massachusetts Department of Environmental Protection ("DEP") on June 18, 2002. This order was amended on June 1, 2009 and on June 2, 2010. The amended Order includes the investigation by January 1, 2022 of options for ensuring that the facility's wastewater treatment ponds will not result in unpermitted discharge to groundwater.

Additional requirements of the amendment include the submittal by July 1, 2022 of a plan for closure of a historic lime solids disposal area. Preliminary engineering reviews completed in 2005 indicate that the estimated cost of wastewater treatment upgrades to operate this facility beyond 2024 may be between \$6 million and \$8 million. The Company estimates that the remaining remediation costs would approximate \$0.4 million, which has been accrued as of June 30, 2013.

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 2012 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

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of the Publicly Announced Program	Dollar Value of Shares that May Yet be Purchased Under the Program
April 1 – April 28	64,000	\$39.82	925,825	\$32,353,154
April 29 - May 26	74,500	\$41.65	1,000,325	\$29,250,579
May 27 – June 30	119,900	\$42.14	1,120,225	\$24,198,520
Total	258,400	\$41.42		

In 2011, the Company's Board of Directors authorized the Company's management to repurchase, at its discretion, up to \$75 million of the Company's shares over a two-year period. As of June 30, 2013, 1,120,225 shares have been repurchased under this program for \$50.8 million.

ITEM 3. Default Upon Senior Securities

Not applicable.

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ITEM 4. Mine Safety Disclosures

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

ITEM 5. Other Information

None

ITEM 6. Exhibits

Exhibit No. Exhibit Title

15	Letter Regarding Unaudited Interim Financial Information.
	Rule 13a-14(a)/15d-14(a)
31.1	Certification executed by the Company's principal executive officer.
	Rule 13a-14(a)/15d-14(a)
31.2	Certification executed by the Company's principal financial officer.
32	Section 1350 Certifications.
95	Information concerning Mine Safety Violations
99	Risk Factors
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
	XBRL Taxonomy Extension
101.CAL	Calculation Linkbase
	XBRL Taxonomy Extension Definition
101.DEF	Linkbase
101.LAB	

101.PRE XBRL Taxonomy
Extension Label
Linkbase
XBRL Taxonomy
Extension
Presentation
Linkbase

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SIGNATURE

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

Minerals Technologies Inc.

By: /s/ Douglas T. Dietrich
Douglas T. Dietrich
Senior Vice President-Finance and Treasury,
Chief Financial Officer
(principal financial officer)

July 26, 2013

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Exhibit Index

The following documents are filed as part of this report:

15	<u>Letter Regarding Unaudited Interim Financial Information</u>
31.1	<u>Rule 13a-14(a)/15d-14(a) Certification executed by the Company's principal executive officer</u>
31.2	<u>Rule 13a-14(a)/15d-14(a) Certification executed by the Company's principal financial officer</u>
32	<u>Section 1350 Certification</u>
95	<u>Information Concerning Mine Safety Violations</u>
99	<u>Risk Factors</u>
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase