

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 July 1, 2007

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, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

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  
Common Stock, \$0.10 par value

Outstanding at July 23, 2007  
19,275,894

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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	
	July 1, 2007	July 2, 2006	July 1, 2007	July 2, 2006
Net sales	\$ 279,475	\$ 266,356	\$ 553,016	\$ 531,058
Cost of goods sold	220,837	210,303	439,463	421,276
Production margin	58,638	56,053	113,553	109,782
Marketing and administrative expenses	27,010	27,234	54,353	54,902
Research and development expenses	7,365	7,861	15,053	15,080
Income from operations	24,263	20,958	44,147	39,800
Non-operating income (deductions), net	1,750	1,597	4,346	886
Income before provision for taxes				
on income and minority interests	22,513	19,361	39,801	38,914
Provision for taxes on income	7,316	5,867	12,935	11,788

Minority interests	823	873	1,671	1,774
Income from continuing operations	14,374	12,621	25,195	25,352
Income (loss) from discontinued operations, net of tax	--	(51)	--	30
Net income	<u>\$ 14,374</u>	<u>\$ 12,570</u>	<u>\$ 25,195</u>	<u>\$ 25,382</u>
<b>Earnings per share:</b>				
Basic:				
Income from continuing operations	\$ 0.75	\$ 0.64	\$ 1.32	\$ 1.28
Income from discontinued operations	--	--	--	--
Basic earnings per share	<u>\$ 0.75</u>	<u>\$ 0.64</u>	<u>\$ 1.32</u>	<u>\$ 1.28</u>
Diluted:				
Income from continuing operations	\$ 0.74	\$ 0.63	\$ 1.30	\$ 1.27
Income from discontinued operations	--	--	--	--
Diluted earnings per share	<u>\$ 0.74</u>	<u>\$ 0.63</u>	<u>\$ 1.30</u>	<u>\$ 1.27</u>
Cash dividends declared per common share	<u>\$ 0.05</u>	<u>\$ 0.05</u>	<u>\$ 0.10</u>	<u>\$ 0.10</u>
<b>Shares used in computation of earnings per share:</b>				
Basic	19,202	19,836	19,133	19,892
Diluted	19,457	19,994	19,358	20,039

See accompanying Notes to Condensed Consolidated Financial Statements.

**MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES  
CONDENSED CONSOLIDATED BALANCE SHEETS**

(thousands of dollars)	July 1, 2007*	December 31, 2006**
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 86,064	\$ 67,929
Short-term investments, at cost which approximates market	9,866	8,380
Accounts receivables, net	196,884	188,784
Inventories	125,794	129,894
Prepaid expenses and other current assets	19,096	16,775
Total current assets	<u>437,704</u>	<u>411,762</u>
Property, plant and equipment, less accumulated depreciation and depletion - July 1, 2007 - \$875,131; December 31, 2006 - \$826,125	644,414	652,797
Goodwill	72,811	68,977
Prepaid pension costs	35,455	25,717
Other assets and deferred charges	38,994	33,871
Total assets	<u>\$ 1,229,378</u>	<u>\$ 1,193,124</u>

**LIABILITIES AND SHAREHOLDERS' EQUITY**

Current liabilities:		
Short-term debt	\$ 52,443	\$ 87,644
Current maturities of long-term debt	8,458	2,063
Accounts payable	59,397	60,963
Other current liabilities	56,683	61,393
Total current liabilities	<u>176,981</u>	<u>212,063</u>
Long-term debt	112,201	113,351
Other non-current liabilities	135,638	115,153
Total liabilities	<u>424,820</u>	<u>440,567</u>
Shareholders' equity:		
Common stock	2,841	2,810

Additional paid-in capital	285,950	269,101
Retained earnings	892,736	867,512
Accumulated other comprehensive income (loss)	(4,060)	(21,248)
	<u>1,177,467</u>	<u>1,118,175</u>
Less treasury stock	(372,909)	(365,618)
Total shareholders' equity	<u>804,558</u>	<u>752,557</u>
Total liabilities and shareholders' equity	<u>\$ 1,229,378</u>	<u>\$ 1,193,124</u>

\* Unaudited

\*\* Condensed from audited financial statements

See accompanying Notes to Condensed Consolidated Financial Statements.

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

(thousands of dollars)	Six Months Ended	
	July 1, 2007	July 2, 2006
<b>Operating Activities:</b>		
Net income	\$ 25,195	\$ 25,382
Income from discontinued operations	--	30
Income from continuing operations	<u>25,195</u>	<u>25,352</u>
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	45,180	41,067
Tax benefits related to stock incentive programs	1,830	363
Other non-cash items	4,278	5,401
Net changes in operating activities	<u>(4,188)</u>	<u>(2,259)</u>
Net cash provided by continuing operations	72,295	69,924
Net cash provided by discontinued operations	--	513
Net cash provided by operating activities	<u>72,295</u>	<u>70,437</u>
<b>Investing Activities:</b>		
Purchases of property, plant and equipment	(26,774)	(51,800)
Proceeds from sale of short-term investments	8,527	2,350
Purchases of short-term investments	(9,840)	(8,135)
Proceeds from settlement of insurance claim	--	2,398
Other	--	330
Net cash used in investing activities	<u>(28,087)</u>	<u>(54,857)</u>
<b>Financing Activities:</b>		
Proceeds from issuance of long-term debt	7,741	--
Repayment of long-term debt	(2,509)	(2,329)
Net proceeds/(repayment) of short-term debt	(35,450)	(302)
Purchase of common shares for treasury	(7,291)	(19,796)
Proceeds from issuance of stock under option plan	11,922	2,180
Excess tax benefits related to stock incentive programs	560	144
Cash dividends paid	(1,914)	(1,986)
Indemnification proceeds from former parent company	--	4,500
Net cash used in financing activities	<u>(26,941)</u>	<u>(17,589)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>868</u>	<u>1,679</u>
Net increase (decrease) in cash and cash equivalents	18,135	(330)
Cash and cash equivalents at beginning of period	67,929	51,100
Cash and cash equivalents at end of period	<u>\$ 86,064</u>	<u>\$ 50,770</u>
<b>Supplemental disclosure of cash flow information:</b>		
Interest paid	<u>\$ 4,992</u>	<u>\$ 3,693</u>
Income taxes paid	<u>\$ 9,283</u>	<u>\$ 12,354</u>

**Non-cash Financing Activities:**

Tax liability on indemnification proceeds  
from former parent company

\$            --      \$            1,782

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, 2006. 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 July 1, 2007 are not necessarily indicative of the results that may be expected for the year ending December 31, 2007.

**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.

*Income Taxes*

The Company accounts for uncertain tax positions in accordance with FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48"), an interpretation of FASB Statement No. 109 ("SFAS 109"). The application of income tax law is inherently complex. Laws and regulations in this area are voluminous and are often ambiguous. As such, we are required to make many subjective assumptions and judgements regarding our income tax exposures. Interpretations of and guidance surrounding income tax laws and regulations change over time. As such, changes in our subjective assumptions and judgements can materially affect amounts recognized in the consolidated balance sheets and statements of income. See Note 5 to the condensed consolidated financial statements, "Income Taxes," for additional detail on our uncertain tax positions.

**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	
	July 1, 2007	July 2, 2006	July 1, 2007	July 2, 2006
<b>Basic EPS</b> <b>(in thousands, except per share data)</b>				
Income from continuing operations	\$ 14,374	\$ 12,621	\$ 25,195	\$ 25,352
Income (loss) from discontinued operations	--	(51)	--	30
Net income	<u>\$ 14,374</u>	<u>\$ 12,570</u>	<u>\$ 25,195</u>	<u>\$ 25,382</u>
Weighted average shares outstanding	19,202	19,836	19,133	19,892
Basic earnings per share from continuing operations	\$ 0.75	\$ 0.64	\$ 1.32	\$ 1.28
Basic earnings per share from discontinued operations	--	--	--	--
Basic earnings per share	<u>\$ 0.75</u>	<u>\$ 0.64</u>	<u>\$ 1.32</u>	<u>\$ 1.28</u>

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

	Three months Ended		Six Months Ended	
	July 1, 2007	July 2, 2006	July 1, 2007	July 2, 2006
<b>Diluted EPS</b> <b>(in thousands, except per share data)</b>				

Income from continuing operations	\$ 14,374	\$ 12,621	\$ 25,195	\$ 25,352
Income (loss) from discontinued operations	--	(51)	--	30
Net income	<u>\$ 14,374</u>	<u>\$ 12,570</u>	<u>\$ 25,195</u>	<u>\$ 25,382</u>
Weighted average shares outstanding	19,202	19,836	19,133	19,892
Dilutive effect of stock options and stock units	255	158	225	147
Weighted average shares outstanding, adjusted	<u>19,457</u>	<u>19,994</u>	<u>19,358</u>	<u>20,039</u>
Diluted earnings per share from continuing operations	\$ 0.74	\$ 0.63	\$ 1.30	\$ 1.27
Diluted earnings per share from discontinued operations	--	--	--	--
Diluted earnings per share	<u>\$ 0.74</u>	<u>\$ 0.63</u>	<u>\$ 1.30</u>	<u>\$ 1.27</u>

The weighted average diluted common shares outstanding for the six months ended July 1, 2007 and July 2, 2006 excludes the dilutive effect of 203,567 options and 70,500 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.

The weighted average diluted common shares outstanding for the six months ended July 1, 2007 and July 2, 2006 include the dilutive effect of average unearned compensation as required under SFAS No. 123R.

#### Note 4. Discontinued Operations

In April 2006, the Company ceased operation at its one-unit satellite PCC facility in Hadera, Israel. In the fourth quarter of 2006, the Company liquidated its wholly-owned subsidiary and classified such business as a discontinued operation.

The following table details selected financial information for the business included within discontinued operations in the consolidated statements of income:

Thousands of Dollars	Three months Ended		Six Months Ended	
	July 1, 2007	July 2, 2006	July 1, 2007	July 2, 2006
Net sales	\$ --	\$ 130	\$ --	\$ 1,468
Income from operations	--	(100)	--	22
Income (loss) from discontinued operations, net of tax	\$ --	\$ (51)	\$ --	\$ 30

#### 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.

The following is a reconciliation of opening retained earnings:

Ending retained earnings, December 31, 2006	\$ 867,512
Adoption of FIN 48	\$ 1,943
Opening retained earnings, January 1, 2007	<u>\$ 869,455</u>

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

As of the date of adoption of FIN 48, the Company had approximately \$11.3 million of total unrecognized income tax benefits. Included in this amount were a total of \$5.2 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 was to recognize interest and penalties accrued, relating to unrecognized income tax benefits as part of its provision for income taxes. The Company had approximately \$2.3 million of interest and penalties accrued as of January 1, 2007 and approximately \$2.6 million accrued as of July 1, 2007.

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.

#### Note 6. Inventories

The following is a summary of inventories by major category:

(thousands of dollars)	July 1, 2007	December 31, 2006
Raw materials	\$ 57,066	\$ 60,012

Raw materials	\$	37,000	\$	30,013
Work-in-process		9,554		8,321
Finished goods		35,242		38,911
Packaging and supplies		23,932		22,649
Total inventories	\$	<u>125,794</u>	\$	<u>129,894</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 \$72.8 million and \$69.0 million as of July 1, 2007 and December 31, 2006, respectively. The net change in goodwill since January 1, 2007 was primarily due to the effect of foreign exchange.

Acquired intangible assets subject to amortization as of July 1, 2007 and December 31, 2006 were as follows:

(millions of dollars)	July 1, 2007		December 31, 2006	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Patents and trademarks	\$ 7.4	\$ 2.1	\$ 7.2	\$ 1.8
Customer lists	11.2	1.3	10.0	0.8
Other	0.5	--	0.3	--
	<u>\$ 19.1</u>	<u>\$ 3.4</u>	<u>\$ 17.5</u>	<u>\$ 2.6</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 2011.

Included in other assets and deferred charges is an intangible asset of approximately \$6.4 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

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

current assets. Such amounts will be amortized as a reduction of sales over the remaining lives of the customer contracts. Approximately \$0.5 million was amortized in the second quarter of 2007. Estimated amortization as a reduction of sales is as follows: remainder of 2007 - \$0.9 million; 2008 - \$1.8 million; 2009 - \$1.5 million; 2010 - \$1.2 million; 2011 - \$0.9 million; with smaller reductions thereafter over the remaining lives of the contracts.

## Note 8. Accounting for Impairment of Long-Lived Assets

The Company accounts for impairment of long-lived assets in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS No. 144 establishes a uniform accounting model for long-lived assets to be disposed of. Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable, the Company estimates the undiscounted future cash flows (excluding interest), resulting from the use of the asset and its ultimate disposition. If the sum of the undiscounted cash flows (excluding interest) is less than the carrying value, the Company recognizes an impairment loss, measured as the amount by which the carrying value exceeds the fair value of the asset, determined principally using discounted cash flows. There were no charges for impairment during the first half of 2007.

## Note 9. Long-Term Debt and Commitments

The following is a summary of long-term debt:

(thousands of dollars)	July 1, 2007	Dec. 31, 2006
5.53% Series 2006A Senior Notes		
Due October 5, 2013	50,000	\$ 50,000
Floating Rate Series 2006A Senior Notes		
Due October 5, 2013	25,000	25,000
Yen-denominated Guaranteed Credit Agreement		
Due March 31, 2007	--	605
Variable/Fixed Rate Industrial		
Development Revenue Bonds Due 2009	4,000	4,000

Economic Development Authority Refunding		
Revenue Bonds Series 1999 Due 2010	4,600	4,600
Variable/Fixed Rate Industrial		
Development Revenue Bonds Due August 1, 2012	8,000	8,000
Variable/Fixed Rate Industrial		
Development Revenue Bonds Series 1999 Due November 1, 2014	8,200	8,200
Variable/Fixed Rate Industrial		
Development Revenue Bonds Due March 31, 2020	5,000	5,000
Variable Rate Renminbi Denominated		
Loan Agreement Due 2009	6,950	--
Installment obligations	7,886	8,812
Other borrowings	1,023	1,197
Total	<u>120,659</u>	<u>115,414</u>
Less: Current maturities	<u>8,458</u>	<u>2,063</u>
Long-term debt	<u><u>112,201</u></u>	<u><u>\$113,351</u></u>

As of July 1, 2007, the Company had \$186.5 million of uncommitted short-term bank credit lines, of which approximately \$53 million was 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 Communication Bank of China, totaling RMB 60,000,000. During the second quarter, the Company repaid RMB 6,000,000 of principal related to these loans. The assets of the PCC facilities operated by these consolidated joint ventures were pledged as collateral for RMB 43,000,000 of the loans. The loan agreements bear a variable interest rate based on the People's Bank of China

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

base rate, and mature between January 29, 2009 and March 26, 2009. The interest rate on these loans during the first half of 2007 was approximately 6.65%.

**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**

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)

	<b>Pension Benefits</b>			
	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>July 1, 2007</b>	<b>July 2, 2006</b>	<b>July 1, 2007</b>	<b>July 2, 2006</b>
Service cost	\$ 2.2	\$ 2.0	\$ 4.6	\$ 4.1
Interest cost	2.8	2.4	6.0	5.0
Expected return on plan assets	(4.5)	(3.7)	(9.5)	(7.8)
Amortization*:				
Prior service cost	0.7	0.1	1.1	0.4
Recognized net actuarial loss	0.8	0.9	1.7	1.7
Net periodic benefit cost	<u>\$ 2.0</u>	<u>\$ 1.7</u>	<u>\$ 3.9</u>	<u>\$ 3.4</u>

(millions of dollars)

	<b>Other Benefits</b>			
	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>July 1, 2007</b>	<b>July 2, 2006</b>	<b>July 1, 2007</b>	<b>July 2, 2006</b>
Service cost	\$ 0.7	\$ 0.5	\$ 1.4	\$ 0.9
Interest cost	0.6	0.5	1.2	1.0
Amortization*:				
Prior service cost	0.1	--	0.3	--
Recognized net actuarial loss	0.3	0.2	0.5	0.5
Net periodic benefit cost	<u>\$ 1.7</u>	<u>\$ 1.2</u>	<u>\$ 3.4</u>	<u>\$ 2.4</u>



\* Current year amortization amounts are recorded as increases to accumulated other comprehensive income, totaling \$2.1 million, net of tax, in accordance with the provisions of SFAS No. 158.

### Employer Contributions

The Company expects to contribute \$15 million to its pension plan and \$2 million to its other post retirement benefit plans in 2007. As of July 1, 2007, \$11.1 million has been contributed to the pension plans and approximately \$0.8 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 (Loss)

The following are the components of comprehensive income (loss):

(millions of dollars)	Three Months Ended		Six Months Ended	
	July 1, 2007	July 2, 2006	July 1, 2007	July 2, 2006
Net income	\$ 14.4	\$ 12.6	\$ 25.2	\$ 25.4
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	7.8	9.7	15.0	14.7
Pension plan adjustments	1.0	--	2.1	--
Cash flow hedges:				
Net derivative gains (losses) arising during the period	--	--	(0.1)	0.1
Reclassification adjustment	--	0.1	0.1	--
Comprehensive income (loss)	\$ 23.2	\$ 22.4	\$ 42.3	\$ 40.2

The components of accumulated other comprehensive income (loss), net of related tax, are as follows:

(millions of dollars)	July 1, 2007	December 31, 2006
Foreign currency translation adjustments	\$ 48.2	\$ 33.2
Unrecognized pension costs	(52.2)	(54.3)
Net gain (loss) on cash flow hedges	(0.1)	(0.1)
Accumulated other comprehensive income (loss)	\$ (4.1)	\$ (21.2)

### 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 July 1, 2007:

(thousands of dollars)	
Asset retirement liability, December 31, 2006	\$ 11,650
Accretion expense	299
Payments made	(22)
Foreign currency translation	158
Asset retirement liability, July 1, 2007	\$ 12,085

Approximately \$0.2 million is included in other current liabilities and \$11.9 million is included in other non-current liabilities in the Condensed Consolidated Balance Sheet as of July 1, 2007.

### Note 13. Transaction with Former Parent Company

Under the terms of certain agreements entered into in connection with the Company's initial public offering in 1992, Pfizer Inc ("Pfizer") agreed to indemnify the Company against any liability arising from claims for remediation, as defined in the agreements, of on-site environmental conditions relating to activities prior to the

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

closing of the initial public offering. The Company had asserted to Pfizer a number of indemnification claims pursuant to those agreements during the ten-year period following the closing of the initial public offering. Since the initial public offering, the Company has incurred and expensed approximately \$6 million of environmental claims under these agreements. On January 20, 2006, Pfizer and the Company agreed to settle those claims, along with certain other potential environmental liabilities of Pfizer, in consideration of a payment by Pfizer of \$4.5 million. Such payment was recorded as additional paid-in-capital, net of its related tax effect.

**Note 14. Non-Operating Income and Deductions**

(thousands of dollars)	Three Months Ended		Six Months Ended	
	July 1, 2007	July 2, 2006	July 1, 2007	July 2, 2006
Interest income	\$ 609	\$ 264	\$ 1,093	\$ 779
Interest expense	(2,585)	( 1,700)	(5,139)	( 3,264)
Gain on insurance settlement	--	--	--	1,822
Foreign exchange gains (losses)	225	83	(104)	225
Other deductions	1	( 244)	(196)	( 448)
Non-operating deductions, net	\$ (1,750)	\$ ( 1,597)	\$ (4,346)	\$ ( 886)

During the first quarter of 2006, the Company recognized an insurance settlement gain of \$1.8 million, net of related deductible, for property damage sustained at one of our facilities in 2004 as a result of Hurricane Ivan. Claims submitted to the insurance carrier for damages related to a combination of replacement costs for fixed assets and reimbursement of expenses associated with the clean-up and repairs at the facility. The insurance settlement gain related to the reimbursement of replacement costs for fixed assets in excess of the net book value of such assets.

**Note 15. Segment and Related Information**

Segment information for the three and six-month periods ended July 1, 2007 was as follows:

**Net Sales**

(thousands of dollars)	Three Months Ended		Six Months Ended	
	July 1, 2007	July 2, 2006	July 1, 2007	July 2, 2006
Specialty Minerals	\$ 188,853	\$ 179,494	\$ 372,873	\$ 360,609
Refractories	90,622	86,862	180,143	170,449
Total	\$ 279,475	\$ 266,356	\$ 553,016	\$ 531,058

**Income from Operations**

(thousands of dollars)	Three Months Ended		Six Months Ended	
	July 1, 2007	July 2, 2006	July 1, 2007	July 2, 2006
Specialty Minerals	\$ 15,741	\$ 13,341	\$ 28,923	\$ 25,463
Refractories	8,522	7,617	15,224	14,337
Total	\$ 24,263	\$ 20,958	\$ 44,147	\$ 39,800

**MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES**  
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The carrying amount of goodwill by reportable segment as of July 1, 2007 and December 31, 2006 was as follows:

**Goodwill**

(thousands of dollars)	July 1, 2007	December 31, 2006
Specialty Minerals	\$ 16,786	\$ 16,560
Refractories	56,025	52,417
Total	\$ 72,811	\$ 68,977

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 and Minority Interests**

(thousands of dollars)	Three Months Ended		Six Months Ended	
	July 1, 2007	July 2, 2006	July 1, 2007	July 2, 2006
Income from operations for reportable segments	\$ 24,263	\$ 20,958	\$ 44,147	\$ 39,800
Non-operating deductions, net	1,750	1,597	4,346	886
Income before provision for taxes on income and minority interests	\$ 22,513	\$ 19,361	\$ 39,801	\$ 38,914

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

(thousands of dollars)	Sales by Product Category			
	Three Months Ended		Six Months Ended	
	July 1, 2007	July 2, 2006	July 1, 2007	July 2, 2006
Paper PCC	\$ 133.9	\$ 123.6	\$ 267.6	\$ 250.4
Specialty PCC	15.6	14.1	30.5	29.2
Talc	15.4	16.1	30.2	30.9
Ground Calcium Carbonate	22.6	23.5	41.8	45.6
SYNSIL®	1.4	2.2	2.8	4.5
Refractory Products	73.1	66.1	144.7	127.2
Metallurgical Products	17.5	20.8	35.4	43.3
Net Sales	\$ 279.5	\$ 266.4	\$ 553.0	\$ 531.1

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## 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 July 1, 2007 and the related condensed consolidated statements of income for the three-month and six-month periods ended July 1, 2007 and July 2, 2006, and the related condensed consolidated statements of cash flows for the six-month periods ended July 1, 2007 and July 2, 2006. 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 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, 2006, 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, 2007, 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, 2006 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

As discussed in the Notes to Condensed Consolidated Financial Statements, effective January 1, 2007, the Company adopted FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes."

KPMG LLP

New York, New York  
July 31, 2007

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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
--------------------	------------------

	July 1, 2007	July 2, 2006	July 1, 2007	July 2, 2006
Net sales	100.0 %	100.0 %	100.0 %	100.0 %
Cost of goods sold	79.0	79.0	79.5	79.3
Marketing and administrative expenses	9.7	10.2	9.8	10.4
Research and development expenses	2.6	2.9	2.7	2.8
Income from operations	8.7	7.9	8.0	7.5
Net income	5.1 %	4.7 %	4.6 %	4.8 %

## Executive Summary

Consolidated sales for the second quarter of 2007 increased 5% over the prior year to \$279.5 million from \$266.4 million. Foreign exchange had a favorable impact on sales of approximately \$6.1 million, or 2 percentage points of growth. Income from operations increased 16% to \$24.3 million from \$21.0 million in the prior year. Net income increased 14% to \$14.4 million from \$12.6 million in the prior year.

Despite this growth, our profitability in 2007 continues to be affected negatively by three major, long-term business development initiatives - the *SYNSIL*<sup>®</sup> product line; the European PCC merchant coating program; and the refractory manufacturing facility in China.

- The commercial introduction of the *SYNSIL*<sup>®</sup> product line has been more difficult and is taking longer than anticipated.
- Although volumes have improved from the prior year from our coating development program in Europe, these volumes remain below our expectations.
- Our refractory manufacturing facility in China began operation in the third quarter of 2006, and is operating well below capacity.

We are currently assessing all aspects of our business through an in-depth strategic review. We expect to complete this process before the end of the year to determine the Company's direction, structure, business portfolios and technologies for the future in order to improve our financial performance.

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 cost fluctuations on raw materials, including shipping costs, particularly for magnesia and talc imported from China;
- The coating development program in Europe continues to operate at a significant loss despite improvement in volumes over the prior year.
- Although the *SYNSIL*<sup>®</sup> Products family has received favorable reactions from current and potential customers, this product line is not yet profitable. To date, the introduction of *SYNSIL*<sup>®</sup> technology to customers has progressed more slowly than anticipated, resulting in overcapacity at our facilities. The commercial viability of this product line cannot be assured;
- The cost of employee benefits, particularly health coverage, has risen significantly in recent years and continues to do so; and

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- 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.

Despite these risks and challenges, we believe there are opportunities for continued growth open to us, including:

- Increasing our sales of PCC for paper by further penetration of the markets for paper filling at both freesheet and groundwood mills;
- Increasing our sales of PCC for paper coating, particularly from our merchant coating PCC facilities in Walsum, Germany and Hermalle, Belgium;
- Achieving commercialization of a filler-fiber composite technology for the paper industry through our continued research and development activities;
- Developing new satellite PCC opportunities;
- Achieving market acceptance of the *SYNSIL*<sup>®</sup> Products family of composite minerals for the glass industry;
- Continuing our penetration in emerging markets through our new manufacturing facility in China and our recent acquisition in Turkey, both within the Refractories segment; and
- Further increasing market penetration in the Refractories segment through development of high-performance products and equipment systems.

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

## Results of Operations

### Sales

(millions of dollars)	Second Quarter 2007	% of Total Sales	Growth	Second Quarter 2006	% of Total Sales
<b>Net Sales</b>					
U.S.	\$ 156.8	56.1%	(2)%	\$ 160.1	60.1%
International	122.7	43.9%	15%	106.3	39.9%
Net sales	<u>\$ 279.5</u>	<u>100.0%</u>	<u>5%</u>	<u>\$ 266.4</u>	<u>100.0%</u>
Paper PCC	\$ 133.9	47.9%	8%	\$ 123.6	46.4%
Specialty PCC	15.6	5.6%	11%	14.1	5.3%
PCC Products	<u>\$ 149.5</u>	<u>53.5%</u>	<u>9%</u>	<u>\$ 137.7</u>	<u>51.7%</u>
Talc	\$ 15.4	5.5%	(4)%	\$ 16.1	6.1%
Ground Calcium Carbonate (GCC)	22.6	8.1%	(4)%	23.5	8.8%
SYNSIL <sup>®</sup>	1.4	0.5%	(36)%	2.2	0.8%
Processed Minerals Products	<u>\$ 39.4</u>	<u>14.1%</u>	<u>(6)%</u>	<u>\$ 41.8</u>	<u>15.7%</u>
Specialty Minerals Segment	<u>\$ 188.9</u>	<u>67.6%</u>	<u>5%</u>	<u>\$ 179.5</u>	<u>67.4%</u>
Refractory Products	\$ 73.1	26.2%	11%	\$ 66.1	24.8%
Metallurgical Products	17.5	6.2%	(16)%	20.8	7.8%
Refractories Segment	<u>\$ 90.6</u>	<u>32.4%</u>	<u>4%</u>	<u>\$ 86.9</u>	<u>32.6%</u>
Net sales	<u>\$ 279.5</u>	<u>100.0%</u>	<u>5%</u>	<u>\$ 266.4</u>	<u>100.0%</u>

Worldwide net sales in the second quarter of 2007 increased 5% from the previous year to \$279.5 million. Foreign exchange had a favorable impact on sales of approximately \$6.1 million, or 2 percentage points of growth. Sales in the Specialty Minerals segment, which includes the PCC and Processed Minerals product lines, increased 5% to \$188.9 million compared with \$179.5 million for the same period in 2006. Sales in the Refractories segment grew 4% over the previous year to \$90.6 million from \$86.9 million in the prior year.

Worldwide net sales of PCC, which is primarily used in the manufacturing process of the paper industry, increased 9% in the second quarter to \$149.5 million from \$137.7 million in the prior year. Paper PCC sales grew 8% to \$133.9 million in the second quarter of 2007 from \$123.6 million in the prior year due to increased selling

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prices primarily from the pass-through to our customers of raw material cost increases, and foreign currency. Total Paper PCC volumes declined slightly due to weakness in the North American market. Sales of Specialty PCC increased 11% to \$15.6 million from \$14.1 million. This was primarily driven by increased volumes at our facility in the United Kingdom.

Net sales of Processed Minerals products decreased 6% in the second quarter to \$39.4 million from \$41.8 million in the prior year. Talc sales decreased 4% to \$15.4 million from \$16.1 million. GCC products also decreased 4% to \$22.6 million from \$23.5 million in the prior year. The Processed Minerals product line continues to be affected by weakness in the residential construction markets, as well as the automotive market. SYNSIL<sup>®</sup> products sales decreased 36% to \$1.4 million from \$2.2 million in the prior year. This decline was due to a reduction in demand from our sampling facility in Ohio and reduced volumes at our facility in Chester, South Carolina.

Net sales in the Refractories segment in the second quarter of 2007 increased 4% to \$90.6 million from \$86.9 million in the prior year. Sales of refractory products and systems to steel and other industrial applications increased 11% to \$73.1 million from \$66.1 million in the prior year. This increase was attributable to the incremental sales from the recent acquisition in Turkey and to foreign currency. Sales of metallurgical products within the Refractories segment decreased 16% to \$17.5 million as compared with \$20.8 million in the same period last year. The decline in sales was primarily attributable to lower volumes in North America and Latin America, and to lower prices as a result of a reduction in the cost of raw materials for this product line that is passed through to the customers.

Net sales in the United States declined 2% to \$156.8 million in the second quarter of 2007. International sales in the second quarter of 2007 increased 15% to \$122.7 million, of which foreign currency and the recent acquisition in Turkey represented 11 percentage points of such growth.

### Operating Costs and Expenses

(millions of dollars)	Second Quarter 2007	Second Quarter 2006	Growth
Cost of goods sold	\$ 220.8	\$ 210.3	5%
Marketing and administrative	\$ 27.0	\$ 27.2	(1)%
Research and development	\$ 7.4	\$ 7.9	(6)%

Consolidated cost of goods sold was 79.0% of sales, the same percentage as in the prior year. In the Specialty Minerals segment, production margins increased 4% as compared with 5% sales growth. This segment has been affected by weakness in the Processed Minerals product line, paper machine and paper mill shutdowns and production losses in our SYNSIL<sup>®</sup> product lines, partially offset by the recovery of raw materials and the benefit of foreign currency. In the Refractories segment, production margins increased 5%, as compared with 4% sales growth.

Marketing and administrative costs decreased 1% in the second quarter to \$27.0 million and represented 9.7% of net sales as compared with 10.2% of net sales in the prior year. The reduction in marketing and administrative expenses was primarily attributable to an expense control program introduced in the first quarter and was achieved despite increased expenses associated with our acquisition in Turkey, and the impact of foreign currency.

Research and development expenses decreased 6% to \$7.4 million and represented 2.6% of net sales, compared to 2.9% in the prior year. This decrease was a result of lower trial activity primarily in the Paper PCC product line.

<b>Income from Operations</b>	<b>Second Quarter 2007</b>	<b>Second Quarter 2006</b>	<b>Growth</b>
<b>(millions of dollars)</b>			
Income from operations	\$ 24.3	\$ 21.0	16 %

Income from operations in the second quarter of 2007 increased 16% to \$24.3 million from \$21.0 million in the prior year. Income from operations represented 8.7% of net sales in the second quarter of 2007 compared with 7.9% of net sales in the prior year.

Income from operations for the Specialty Minerals segment increased 18% to \$15.7 million and was 8.3% of its net sales as compared with 7.4% of its net sales in the prior year. Operating income for this segment was impacted

by the aforementioned factors affecting production margin, and by lower expense levels than in the prior year. Operating income for the Refractories segment increased 12% to \$8.5 million and was 9.4% of its net sales as compared with 8.8% of its net sales in 2006. The Refractories segment experienced improved operating income margins in the second quarter due to a more favorable product mix in the refractory products and systems product line partially offset by weakness in metallurgical products.

<b>Non-Operating Deductions</b>	<b>Second Quarter 2007</b>	<b>Second Quarter 2006</b>	<b>Growth</b>
<b>(millions of dollars)</b>			
Non-operating deductions, net	\$ 1.8	\$ 1.6	13 %

The increase in non-operating deductions was due primarily to increased net interest expense as a result of higher debt levels.

<b>Provision for Taxes on Income</b>	<b>Second Quarter 2007</b>	<b>Second Quarter 2006</b>	<b>Growth</b>
<b>(millions of dollars)</b>			
Provision for taxes on income	\$ 7.3	\$ 5.9	24 %

The effective tax rate increased to 32.5% in the second quarter of 2007 from 30.3% in the prior year due to a change in the mix of earnings.

<b>Net Income</b>	<b>Second Quarter 2007</b>	<b>Second Quarter 2006</b>	<b>Growth</b>
<b>(millions of dollars)</b>			
Net income	\$ 14.4	\$ 12.6	14 %

Net income increased 14% in the second quarter of 2007 to \$14.4 million. Earnings per common share, on a diluted basis were \$0.74 in the second quarter of 2007, as compared with \$0.63 in the same period last year.

**Six months ended July 1, 2007 as compared with six months ended July 2, 2006**

<b>(millions of dollars)</b>	<b>First Half 2007</b>	<b>% of Total Sales</b>	<b>Growth</b>	<b>First Half 2006</b>	<b>% of Total Sales</b>
<b>Net Sales</b>					
U.S	\$ 309.6	56.0 %	(4) %	\$ 321.9	60.6 %
International	243.4	44.0 %	16 %	209.2	39.4 %
Net sales	<u>\$ 553.0</u>	<u>100.0 %</u>	<u>4 %</u>	<u>\$ 531.1</u>	<u>100.0 %</u>
Paper PCC	\$ 267.6	48.4 %	7 %	\$ 250.4	47.1 %
Specialty PCC	30.5	5.5 %	4 %	29.2	5.5 %
PCC Products	<u>\$ 298.1</u>	<u>53.9 %</u>	<u>7 %</u>	<u>\$ 279.6</u>	<u>52.6 %</u>
Talc	\$ 30.2	5.5 %	(2) %	\$ 30.9	5.8 %
Ground Calcium Carbonate	41.8	7.6 %	(8) %	45.6	8.6 %
SYNSIL®	2.8	0.5 %	(38) %	4.5	0.9 %
Processed Minerals Products	<u>\$ 74.8</u>	<u>13.5 %</u>	<u>(8) %</u>	<u>\$ 81.0</u>	<u>15.3 %</u>
Specialty Minerals Segment	<u>\$ 372.9</u>	<u>67.4 %</u>	<u>3 %</u>	<u>\$ 360.6</u>	<u>67.9 %</u>
Refractory Products	\$ 144.7	26.2 %	14 %	\$ 127.2	23.9 %
Metallurgical Products	35.4	6.4 %	(18) %	43.3	8.2 %
	<u>\$ 180.1</u>	<u>32.6 %</u>	<u>6 %</u>	<u>\$ 170.5</u>	<u>32.1 %</u>

## Refractories Segment

		%		%
Net Sales	\$ 553.0	100.0%	\$ 4 %	\$ 531.1 100.0%

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Worldwide net sales in the first half of 2007 increased 4% from the previous year to \$553.0 million. Foreign exchange had a favorable impact on sales of approximately \$11.5 million or 2 percentage points of growth. Sales in the Specialty Minerals segment, which includes the PCC and Processed Minerals product lines, increased 3% to \$372.9 million compared with \$360.6 million for the same period in 2006. This growth was due to a combination of higher prices passed through to customers and foreign exchange. Sales in the Refractories segment grew 6% over the previous year to \$180.1 million from \$170.5 million.

Worldwide net sales of PCC, which is primarily used in the manufacturing process of the paper industry, increased 7% in the first half to \$298.1 million from \$279.6 million in the prior year. Foreign exchange had a favorable impact on sales of approximately 3 percentage points of growth. Paper PCC sales grew 7% to \$267.6 million in the first half of 2007 from \$250.4 million in the prior year. This growth was primarily attributable to higher selling prices passed through to customers from raw material cost increases and foreign currency which more than offset weakness in the North American paper market. Sales of Specialty PCC grew 5% to \$30.5 million from \$29.2 million in 2006.

Net sales of Processed Minerals products decreased 8% in the first half of 2007 to \$74.8 million from \$81.0 million in the first half of 2006. Talc sales decreased 2% to \$30.2 million from \$30.9 million in the prior year. GCC products decreased 8% to \$41.8 million from \$45.6 million in the prior year. This decrease was attributable primarily to the continued weakness in the residential and construction markets and the automotive market. SYNSIL<sup>®</sup> products sales decreased 38% in the first half of 2007 to \$2.8 million from \$4.5 million in the previous year. This decline was primarily attributable to a reduction in commercial demand from the Company's sampling facility in Ohio. In addition, sales from the Company's two commercial facilities remain below expectations.

Net sales in the Refractories segment in the first half of 2007 increased 6% to \$180.1 million from \$170.5 million in the prior year. Foreign currency had a favorable impact on sales of approximately \$3.9 million or 2 percentage points of growth. Sales of refractory products and systems to steel and other industrial applications increased 14 percent to \$144.7 million from \$127.2 million. This increase was primarily attributable to sales from our acquisition in Turkey and to foreign currency. Sales of metallurgical products within the Refractories segment decreased 18 percent to \$35.4 million as compared with \$43.3 million in the same period last year. This decrease was due to lower volumes in all regions of the world, and lower prices resulting from the reduction in the cost of raw materials for this product that is traditionally passed through to the customers.

Net sales in the United States declined 4% to \$309.6 million in the first half of 2007. International sales in the first half of 2007 increased 16% to \$243.4 million, due primarily to the recent acquisition and foreign currency.

**Operating Costs and Expenses**

(millions of dollars)	First Half 2007	First Half 2006	Growth
Cost of goods sold	\$ 439.5	\$ 421.3	4 %
Marketing and administrative	\$ 54.4	\$ 54.9	(1) %
Research and development	\$ 15.1	\$ 15.1	-- %

Cost of goods sold was 79.5% of sales compared with 79.3% of sales in the prior year. In the Specialty Minerals segment, production margin increased 2% as compared with 3% sales growth. This segment has been affected by weakness in the Processed Minerals product line, paper machine and paper mill shutdowns, and production losses in our SYNSIL<sup>®</sup> product lines, partially offset by the recovery of raw materials and the benefit of foreign currency. In the Refractories segment, production margin increased 6% as compared with the 6% sales growth.

Marketing and administrative costs decreased 1% in the first half to \$54.4 million and represented 9.8% of net sales, as compared with 10.3% of net sales in the prior year. The reduction in marketing and administrative expenses was primarily attributable to a reduction in the provision for bad debt expenses and to an expense control program initiated in the first quarter and was achieved despite increased expenses associated with our acquisition in Turkey, and the impact of foreign currency.

Research and development expenses were \$15.1 million, the same as the prior year, and represented 2.7% of net sales as compared with 2.8% of net sales in the prior year.

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**Income from Operations**

(millions of dollars)	First Half 2007	First Half 2006	Growth
Income from operations	\$ 44.1	\$ 39.8	11 %

Income from operations in the first half of 2007 increased 11% to \$44.1 million from \$39.8 million in the first half of 2006. Income from operations represented 8.0% of net sales in the first half of 2007 compared with 7.5% in the prior year.

Income from operations for the Specialty Minerals segment increased 13% to \$28.9 million from \$25.5 million in the prior year, and was 7.8% of its net sales as compared with 7.1% of its net sales in the prior year. Operating income for the Refractories segment increased 6% to \$15.2 million and was 8.5% of its net sales as compared with 8.4% of its net sales in 2006.

**Non-Operating Deductions**

(millions of dollars)	First Half 2007	First Half 2006	Growth
Non-operating deductions, net	\$ 4.3	\$ 0.9	* %

\* Percentage not meaningful

Non-operating deductions increased over the prior year due to an increase in net interest cost of approximately \$1.5 million due to increased borrowings. In addition, in the first half of 2006 we recognized an insurance settlement gain of approximately \$1.8 million for property damage sustained at one of our facilities which reduced the prior year's non-operating deductions.

<b>Provision for Taxes on Income</b>	<b>First Half 2007</b>	<b>First Half 2006</b>	<b>Growth</b>
(millions of dollars)			
Provision for taxes on income	\$ 12.9	\$ 11.8	9%

The effective tax rate increased in the first half of 2007 to 32.5% from 30.3% in the prior year. This was due to a change in the mix of earnings.

<b>Net Income</b>	<b>First Half 2007</b>	<b>First Half 2006</b>	<b>Growth</b>
(millions of dollars)			
Net income	\$ 25.2	\$ 25.4	(1)%

Net income decreased 1% in the first half of 2007 to \$25.2 million. Earnings per common share, on a diluted basis, increased 2% to \$1.30 in the second quarter of 2007 as compared with \$1.27 in the prior year.

### Liquidity and Capital Resources

Cash flows in the first six months of 2007 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 \$72.3 million in the first six months of 2007 as compared with \$70.4 million for the same period last year.

We expect to utilize our cash to support the previously mentioned growth strategies.

On October 26, 2005, the Company's Board of Directors authorized the Company's Management Committee, at its discretion, to repurchase up to \$75 million in additional shares over the next three-year period. As of July 1, 2007, we repurchased 924,872 shares of our common stock at an average price of \$53.53 per share under this program.

On July 25, 2007, our Board of Directors declared a regular quarterly dividend on our common stock of \$0.05 per share. No dividends will be payable unless declared by the Board and unless funds are legally available for payment thereof.

We have \$186.5 million in uncommitted short-term bank credit lines, of which approximately \$53 million was in use at July 1, 2007. We anticipate that capital expenditures for all of 2007 will be less than \$75 million. We expect to meet our 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 2007 - \$0.6 million; 2008 - \$8.4 million; 2009 - \$5.3 million; 2010 - \$5.9 million; 2011 - \$1.3 million; thereafter - \$99.1 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 "expects," "plans," "anticipates," 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 September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements." This Statement defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. This Statement will apply to all other accounting pronouncements that require fair value measurements. This Statement is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The Company is currently completing an analysis of the ultimate impact the new pronouncement will have on its financial statements.

In November 2006, the Emerging Issues Task Force ("EITF") reached a consensus on EITF issue 06-10, "Accounting for Deferred Compensation and Postretirement Benefit Aspects of Collateral Assignment Split-Dollar Life Insurance Arrangements." Employers will be required to measure the asset associated with collateral-assignment split-dollar life insurance based on the arrangement's terms and to record postretirement benefit liabilities only if the employer will maintain the life insurance policy during the employee's retirement or provide the employee with a death benefit. This consensus is effective for fiscal years beginning after December 15, 2007. The Company is currently evaluating the impact of this consensus on its financial statements.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities." This Statement allows entities to choose to measure financial instruments and certain other items at fair value. This Statement is effective for fiscal periods beginning after November 15, 2006. The Company is currently evaluating the impact of SFAS No. 159 on its financial statements.

### 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



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, 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.

#### *Income Taxes*

The Company accounts for uncertain tax positions in accordance with FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48"), an interpretation of FASB Statement No. 109 ("SFAS 109"). The application of income tax law is inherently complex. Laws and regulations in this area are voluminous and are often ambiguous. As such, we are required to make many subjective assumptions and judgments regarding our income tax exposures. Interpretations of and guidance surrounding income tax laws and regulations change over time. As such, changes in our subjective assumptions and judgments can materially affect amounts recognized in the consolidated balance sheets and statements of income. See Note 5 to the condensed consolidated financial statements, "Income Taxes," for additional detail on our uncertain tax positions.

### **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 65% 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 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 July 1, 2007. The contracts mature between July 2007 and September 2008. The fair value of these instruments at July 1, 2007 was a liability of \$0.1 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 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 July 1, 2007, 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 July 1, 2007 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 326 pending silica cases and 26 pending asbestos cases. To date, 1138 silica cases and 1 asbestos case have been dismissed, of which 486 silica cases were dismissed in the second quarter of 2007. One new asbestos case was filed in the second quarter of 2007. 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 in 2006 was \$0.1 million. Costs for the legal defense of these cases in the first half of 2007 were \$34,400. To date, the Company has not been liable to plaintiffs in any of these lawsuits and we do not expect to pay any settlements or jury verdicts in these lawsuits.

As previously reported, 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:

- *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.

- *Groundwater.* We are still conducting investigations of potential groundwater contamination. To date, the results of investigation indicate that there is some oil contamination of the groundwater. We are conducting further investigations of the groundwater.
- *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 \$200,000, 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 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 \$350,000, which has been accrued as of July 1, 2007.

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 during the second quarter since those reported in our Quarterly Report on Form 10-Q for the quarter ended April 1, 2007, and in our 2006 Annual Report on Form 10-K. For a description of Risk Factors, see Exhibit 99 attached to this report.

#### ITEM 2. Changes in Securities, Use of Proceeds and Issuer Purchases of Equity Securities

##### 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 2 - April 29	--	\$ --	915,172	\$ 26,099,241
April 30 - May 27	--	\$ --	915,172	\$ 26,099,241
May 28 - July 1	9,700	\$ 62.31	924,872	\$ 25,494,867
Total	9,700	\$ 62.31		

On October 26, 2005, the Company's Board of Directors authorized the Company's Management Committee, at its discretion, to repurchase up to \$75 million in additional shares over the next three-year period. As of July 1, 2007, 924,872 shares were repurchased under this program at an average price of approximately \$53.53 per share.

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

At the Annual Meeting of Stockholders held on May 23, 2007, the following two items were submitted to a vote of the stockholders of the Company:

1. Votes regarding the election of two directors were as follows:

<u>Term Expiring in 2010</u>	<u>Votes For</u>	<u>Votes Withheld</u>
Joseph C. Muscari	17,045,733	618,335
William C. Stivers	16,984,125	679,943

2. Votes regarding ratification of the appointment of KPMG LLP as the independent registered public accounting firm of the Company for the 2007 fiscal year were as follows:

17,590,726	votes for approval
46,945	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.

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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/John A. Sorel

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

July 31, 2007

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ACCOUNTANTS' ACKNOWLEDGEMENT

Board of Directors  
Minerals Technologies Inc.:

Re: Registration Statement Nos. 33-59080, 333-62739 and 333-138245

With respect to the subject registration statements, we acknowledge our awareness of the use therein of our report dated July 31, 2007, related to our review of interim financial information.

Pursuant to Rule 436(c) under the Securities Act of 1933, such report is not considered a part of a registration statement prepared or certified by an independent registered public accounting firm or a report prepared or certified by an independent registered public accounting firm within the meaning of Sections 7 and 11 of the Act.

KPMG LLP

New York, New York  
July 31, 2007

**RULE 13a-14(a)/15d-14(a) CERTIFICATION**

I, Joseph C. Muscari, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Minerals Technologies Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 31, 2007

By: /s/ Joseph C. Muscari

Joseph C. Muscari  
Chairman and Chief Executive Officer  
(principal executive officer)

**RULE 13a-14(a)/15d-14(a) CERTIFICATION**

I, John A. Sorel, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Minerals Technologies Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 31, 2007

By: /s/John A. Sorel

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

**SECTION 1350 CERTIFICATIONS**

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350 of Chapter 63 of Title 18, United States Code), each of the undersigned officers of Minerals Technologies Inc., a Delaware corporation (the "Company"), does hereby certify that:

The Quarterly Report on Form 10-Q for the quarter ended July 1, 2007 (the "Form 10-Q") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 31, 2007

By: /s/ Joseph C. Muscari

Joseph C. Muscari

Chairman and Chief Executive Officer

(principal executive officer)

Date: July 31, 2007

By: /s/ John A. Sorel

John A. Sorel

Senior Vice President-Finance and

Chief Financial Officer

(principal financial officer)

The foregoing certification is being furnished solely pursuant to Exchange Act Rule 13a-14(b); is not deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of that section; and is not deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Exchange Act of 1934.

## RISK FACTORS

The disclosure and analysis set forth in this report contains certain forward-looking statements, particularly statements relating to 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 "expects," "plans," "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. Consequently, no forward-looking statement can be guaranteed. Actual future results may vary materially.

The Company undertakes no obligation to update any forward-looking statements. Investors should refer to the Company's subsequent filings under the Securities Exchange Act of 1934 for further disclosures.

As permitted by the Private Securities Litigation Reform Act of 1995, the Company is providing the following cautionary statements which identify factors that could cause the Company's actual results to differ materially from historical and expected results. It is not possible to foresee or identify all such factors. Investors should not consider this list an exhaustive statement of all risks, uncertainties and potentially inaccurate assumptions.

- ***Growth Rate***

Sales and income growth of the Company depends upon a number of uncertain events, including the outcome of the Company's strategies of increasing its penetration into geographic markets such as Asia and Europe; increasing its penetration into product markets such as the market for paper coating pigments and the market for groundwood paper pigments; increasing sales to existing PCC customers by increasing the amount of PCC used per ton of paper produced; developing, introducing and selling new product technologies, such as the SYNSIL<sup>®</sup> Products family for the glass industry and filler-fiber composite technology for the paper industry; and acquisitions. Difficulties, delays or failure of any of these strategies could affect the future growth rate of the Company.

- ***Contract Renewals***

Generally, the Company's sales of PCC are pursuant to long-term evergreen agreements, initially ten years in length, with paper mills where the Company operates satellite PCC plants. The terms of many of these agreements have been extended, often in connection with an expansion of the satellite plant. However, failure of a number of the Company's customers to renew or extend existing agreements on terms as favorable to the Company as those currently in effect could have a substantial adverse effect on the Company's results of operations, and could also result in impairment of the assets associated with the PCC plant.

- ***Consolidation in Customer Industries, Principally Paper and Steel***

Several consolidations in the paper industry have taken place in recent years. These consolidations could result in partial or total closure of some paper mills where the Company operates PCC satellites. Such closures would reduce the Company's sales of PCC, except to the extent that they resulted in shifting paper production and associated purchases of PCC to another location served by the Company. Similarly, following a string of bankruptcies, consolidations have occurred in the steel industry. Such consolidations in the two major industries we serve concentrate purchasing power in the hands of a smaller number of papermakers and steel manufacturers, enabling them to increase pressure on suppliers, such as the Company. This increased pressure could have an adverse effect on the Company's results of operations in the future.

- ***Litigation; Environmental Exposures***

The Company's operations are subject to international, federal, state and local governmental, tax and other laws and regulations, and potentially to claims for various legal, environmental and tax matters. The Company is currently a party in various litigation matters. While the Company carries liability insurance, which it believes to be appropriate to its businesses, and has provided reserves for such matters, which it believes to be adequate, an unanticipated liability, arising out of such a litigation matter or a tax or environmental proceeding could have a material adverse effect on the Company's financial condition or results of operations.

In addition, future events, such as changes in or modifications or interpretations of existing laws and regulations, or enforcement policies, or further investigation or evaluation of the potential health hazards of certain products, may give rise to additional compliance and other costs that could have a material adverse effect on the Company.

- ***New Products***

The Company is engaged in a continuous effort to develop new products and processes in all of its product lines. Difficulties, delays or failures in the development, testing, production, marketing or sale of such new products could cause actual results of operations to differ materially from our expected results.

- ***Competition; Protection of Intellectual Property***

The Company's ability to compete is based in part upon proprietary knowledge, both patented and unpatented. The Company's ability to achieve anticipated results depends in part on its ability to defend its intellectual property against inappropriate disclosure as well as against infringement. In addition, development by the Company's competitors of new products or technologies that are more effective or less expensive than those the Company offers could have a material adverse effect on the Company's financial condition or results of operations.

- ***Risks of Doing Business Abroad***

As the Company expands its operations overseas, it faces increased risks of doing business abroad, including inflation, fluctuation in interest rates and currency exchange rates, changes in applicable laws and regulatory requirements, export and import restrictions, tariffs, nationalization, expropriation,



limits on repatriation of funds, civil unrest, terrorism, unstable governments and legal systems, and other factors. Adverse developments in any of these areas could cause actual results to differ materially from historical and expected results.

- ***Availability of Raw Materials***

The Company's ability to achieve anticipated results depends in part on having an adequate supply of raw materials for its manufacturing operations, particularly lime and carbon dioxide for the PCC product line, magnesia for Refractory operations and talc ore and silica sand and dolomite for the Processed Minerals product line, and on having adequate access to ore reserves at its mining operations. Unanticipated changes in the costs or availability of such raw materials, or in the Company's ability to have access to its ore reserves, could adversely affect the Company's results of operations.

- ***Cyclical Nature of Customers' Businesses***

The majority of the Company's sales are to customers in two industries, paper manufacturing and steel manufacturing, which have historically been cyclical. The Company's exposure to variations in its customers' businesses has been reduced in recent years by the growth in the number of plants it operates; by the diversification of its portfolio of products and services; and by its geographic expansion. Also, the Company has structured some of its long-term satellite PCC contracts to provide a degree of protection against declines in the quantity of product purchased, since the price per ton of PCC generally rises as the number of tons purchased declines. In addition, many of the Company's product lines lower its customers' costs of production or increase their productivity, which should encourage them to use its products. However, a sustained economic downturn in one or more of the industries or geographic regions that the Company serves, or in the worldwide economy, could cause actual results of operations to differ materially from historical and expected results.