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

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

For the quarterly period ended June 29, 2014

or

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

Commission File Number 1-11430

**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.)

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

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

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

**YES  NO**

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

**YES  NO**

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

**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  
Common Stock, \$0.10 par value**

**Outstanding at July 14, 2014  
34,504,099**

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## PART 1. FINANCIAL INFORMATION

## ITEM 1. Financial Statements

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

	Three Months Ended		Six Months Ended	
	June 29, 2014	June 30, 2013	June 29, 2014	June 30, 2013
(in millions, except per share data)				
Product sales	\$ 372.5	\$ 256.8	\$ 616.9	\$ 507.4
Service revenue	48.6	-	48.6	-
Total net sales	421.1	256.8	665.5	507.4
Cost of goods sold	285.1	198.0	474.2	392.7
Cost of service revenue	33.3	-	33.3	-
Total cost of sales	318.4	198.0	507.5	392.7
Production margin	102.7	58.8	158.0	114.7
Marketing and administrative expenses	46.3	21.6	67.8	44.5
Research and development expenses	6.3	4.8	11.4	9.6
Amortization expense of intangible assets acquired	1.0	-	1.0	-
Acquisition related transaction and integration costs	7.3	-	12.4	-
Restructuring and other charges	6.0	-	6.0	-
Income from operations	35.8	32.4	59.4	60.6
Interest expense, net	(8.9)	(0.1)	(9.1)	(0.3)
Premium on early extinguishment of debt	(5.8)	-	(5.8)	-
Other non-operating income (deductions), net	(0.3)	(1.4)	(0.4)	(1.0)
Total non-operating deductions, net	(15.0)	(1.5)	(15.3)	(1.3)
Income from continuing operations before provision for taxes and equity in earnings	20.8	30.9	44.1	59.3
Provision for taxes on income	3.4	8.2	10.5	16.3
Equity in earnings of affiliates, net of tax	0.2	-	0.2	-
Income from continuing operations, net of tax	17.6	22.7	33.8	43.0
Income (loss) from discontinued operations, net of tax	1.8	(5.0)	1.8	(5.7)
Consolidated net income	19.4	17.7	35.6	37.3
Less:				
Net income attributable to non-controlling interests	0.9	0.6	1.5	1.4
Net income attributable to Minerals Technologies Inc. (MTI)	\$ 18.5	\$ 17.1	\$ 34.1	\$ 35.9
<b>Earnings (Loss) per share:</b>				
Basic:				
Income from continuing operations attributable to MTI	\$ 0.48	\$ 0.63	\$ 0.94	\$ 1.19
Income (loss) from discontinued operations attributable to MTI	0.05	(0.14)	0.05	(0.16)
Basic earnings per share attributable to MTI	\$ 0.53	\$ 0.49	\$ 0.99	\$ 1.03
Diluted:				
Income from continuing operations attributable to MTI	\$ 0.48	\$ 0.63	\$ 0.93	\$ 1.18
Income (loss) from discontinued operations attributable to MTI	0.05	(0.14)	0.05	(0.16)
Diluted earnings per share attributable to MTI	\$ 0.53	\$ 0.49	\$ 0.98	\$ 1.02
Cash dividends declared per common share	\$ 0.05	\$ 0.05	\$ 0.10	\$ 0.10
<b>Shares used in computation of earnings per share:</b>				
Basic	34.5	34.8	34.5	34.9
Diluted	34.8	35.0	34.7	35.1

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>June 29,</u> <u>2014</u>	<u>June 30,</u> <u>2013</u>	<u>June 29,</u> <u>2014</u>	<u>June 30,</u> <u>2013</u>
	<b>(millions of dollars)</b>			
Consolidated net income	\$ 19.4	\$ 17.7	\$ 35.6	\$ 37.3
Other comprehensive income, net of tax:				
Foreign currency translation adjustments	3.6	(7.8)	5.7	(22.6)
Pension and postretirement plan adjustments	0.8	2.0	1.7	3.8
Cash flow hedges:				
Net derivative gains (losses) arising during the period	0.1	(0.1)	-	0.5
Total other comprehensive income, net of tax	<u>4.5</u>	<u>(5.9)</u>	<u>7.4</u>	<u>(18.3)</u>
Total comprehensive income including non-controlling interests	23.9	11.8	43.0	19.0
Comprehensive (income) loss attributable to non-controlling interest	<u>(0.7)</u>	<u>0.2</u>	<u>(1.2)</u>	<u>(0.2)</u>
Comprehensive income attributable to MTI	<u>\$ 23.2</u>	<u>\$ 12.0</u>	<u>\$ 41.8</u>	<u>\$ 18.8</u>

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	<u>June 29,</u> <u>2014 *</u>	<u>December 31,</u> <u>2013 **</u>
(millions of dollars)		
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 191.2	\$ 490.3
Short-term investments, at cost which approximates market	16.7	15.8
Accounts receivable, net	461.1	204.4
Inventories	243.5	89.2
Prepaid expenses and other current assets	75.1	15.4
Total current assets	987.6	815.1
Property, plant and equipment, less accumulated depreciation and depletion – June 29, 2014 - \$1,004.5; December 31, 2013 - \$976.3		
	1,222.9	306.1
Goodwill	769.3	64.4
Intangible assets	219.7	3.0
Other assets and deferred charges	100.6	28.9
Total assets	\$ 3,300.1	\$ 1,217.5
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Short-term debt	\$ 4.7	\$ 5.5
Current maturities of long-term debt	23.8	8.2
Accounts payable	204.2	94.9
Other current liabilities	138.9	72.3
Total current liabilities	371.6	180.9
Long-term debt, net of unamortized discount	1,529.1	75.0
Deferred income taxes	317.2	-
Other non-current liabilities	168.1	87.2
Total liabilities	2,386.0	343.1
Shareholders' equity:		
Common stock	4.8	4.7
Additional paid-in capital	364.9	361.5
Retained earnings	1,136.9	1,106.3
Accumulated other comprehensive loss	(23.6)	(31.3)
Less common stock held in treasury	(593.7)	(593.7)
Total MTI shareholders' equity	889.3	847.5
Non-controlling interest	24.8	26.9
Total shareholders' equity	914.1	874.4
Total liabilities and shareholders' equity	\$ 3,300.1	\$ 1,217.5

\* 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)**

	<b>Six Months Ended</b>	
	<b>June 29, 2014</b>	<b>June 30, 2013</b>
	<b>(millions of dollars)</b>	
<b>Operating Activities:</b>		
Consolidated net income	\$ 35.6	\$ 37.3
Gain (loss) from discontinued operations	1.8	(5.7)
Income from continuing operations	33.8	43.0
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	34.4	23.5
Other non-cash items	6.3	3.8
Net changes in operating assets and liabilities	33.0	(10.5)
Net cash provided by continuing operations	107.5	59.8
Net cash used in discontinued operations	(0.3)	(2.8)
Net cash provided by operating activities	107.2	57.0
<b>Investing Activities:</b>		
Purchases of property, plant and equipment	(36.7)	(21.7)
Acquisition of business, net of cash acquired	(1,802.3)	-
Proceeds from sale of assets	7.8	-
Proceeds from sale of short-term investments	0.7	1.3
Purchases of short-term investments	-	(3.6)
Net cash used in investing activities	(1,830.5)	(24.0)
<b>Financing Activities:</b>		
Proceeds from issuance of long-term debt	1,544.4	-
Debt issuance and settlement costs	(38.2)	-
Repayment of long-term debt	(75.0)	(1.7)
Net issuance (repayment) of short-term debt	(0.8)	0.1
Purchase of common shares for treasury	-	(19.3)
Proceeds from issuance of stock under option plan	2.6	4.6
Excess tax benefits related to stock incentive programs	0.4	0.3
Purchase of non-controlling interest share	(2.1)	-
Dividends paid to non-controlling interest	(3.3)	(0.8)
Cash dividends paid	(3.5)	(3.5)
Net cash provided by (used in) financing activities	1,424.5	(20.3)
Effect of exchange rate changes on cash and cash equivalents	(0.3)	(8.7)
Net increase (decrease) in cash and cash equivalents	(299.1)	4.0
Cash and cash equivalents at beginning of period	490.3	454.1
Cash and cash equivalents at end of period	\$ 191.2	\$ 458.1
<b>Supplemental disclosure of cash flow information:</b>		
Interest paid	\$ 1.5	\$ 1.7
Income taxes paid	\$ 11.1	\$ 12.5
Non-cash financing activities:		
Treasury stock purchases settled after period-end	\$ -	\$ 0.9

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 and Summary of Significant Accounting Policies**

The accompanying unaudited condensed consolidated financial statements have been prepared by management of Minerals Technologies Inc. (the "Company" or "MTI") 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, 2013. In the opinion of management, all adjustments, consisting solely of normal recurring adjustments necessary for a fair presentation of the financial information for the periods indicated, have been included. The results for the three-month and six-month periods ended June 29, 2013 are not necessarily indicative of the results that may be expected for the year ending December 31, 2014.

**Company Operations**

The Company is a resource- and technology-based company that develops, produces and markets worldwide a broad range of specialty mineral, mineral-based and synthetic mineral products and supporting systems and services. On May 9, 2014, the Company acquired AMCOL International Corporation ("AMCOL"). See Note 2. The accompanying Condensed Consolidated Statements of Income include the results of operations of the acquired AMCOL businesses from May 9, 2014, through June 29, 2014.

As a result of the acquisition of AMCOL, the Company currently has 5 reportable segments: Specialty Minerals, Refractories, Performance Materials, Construction Technologies, and Energy Services compared to 2 reportable segments in prior year (Specialty Minerals and Refractories).

- The Specialty Minerals segment produces and sells the synthetic mineral product precipitated calcium carbonate ("PCC") and processed mineral product quicklime ("lime"), and mines mineral ores then processes and sells natural mineral products, primarily limestone and talc.
- The Refractories segment produces and markets monolithic and shaped refractory materials and specialty products, services and application and measurement equipment, and calcium metal and metallurgical wire products.
- The Performance Materials segment is a leading supplier of bentonite and bentonite-related products. This segment also supplies chromite and leonardite and operates more than 25 mining or production facilities worldwide.
- The Construction Technologies segment provides products for non-residential construction, environmental and infrastructure projects worldwide. It serves customers engaged in a broad range of construction projects, including site remediation, concrete waterproofing for underground structures, liquid containment on projects ranging from landfills to flood control, and drilling applications including foundation, slurry wall, tunneling, water well, and horizontal drilling.
- The Energy Services segment provides services to improve the production, costs, compliance, and environmental impact of activities performed in oil and gas industry. This segment offers a range of patented and unpatented technologies, products and services for all phases of oil and gas production, refining, and storage throughout the world.

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

During the second quarter of 2013, the Company ceased operations at its Paper PCC merchant plant in Walsum, Germany and reclassified such operations as discontinued. All prior periods have been restated to reflect such reclassification.

*Use of Estimates*

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

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

**Note 2. Business Combination**

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

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

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

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

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

The acquisition of AMCOL has been accounted for using the acquisition method of accounting, which requires, among other things, the assets acquired and liabilities assumed be recognized at their respective fair values as of the acquisition date. As of June 29, 2014, the purchase price allocation remains preliminary as the Company completes its assessment of property, certain reserves including, environmental, legal, and tax matters, obligations and deferred taxes, as well as complete our review of AMCOL's existing accounting policies.



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

The following table summarizes the Company's preliminary purchase price allocation for the AMCOL acquisition:

	<b>Preliminary Allocation (millions of dollars)</b>
Accounts receivable	\$ 235.7
Inventories	156.6
Other current assets	63.7
Mineral rights	528.8
Plant, property and equipment	378.8
Goodwill	704.7
Intangible assets	217.9
Other non-current assets	48.4
<b>Total assets acquired</b>	<b>\$ 2,334.6</b>
Accounts payable	66.4
Accrued expenses	60.9
Non-current deferred tax liability	319.1
Other non-current liabilities	85.9
<b>Total liabilities assumed</b>	<b>\$ 532.3</b>
<b>Net assets acquired</b>	<b>\$ 1,802.3</b>

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

Goodwill was calculated as the excess of the consideration transferred over the assets acquired and represents the estimated future economic benefits arising from other assets acquired that could not be individually identified and separately recognized. The goodwill is primarily attributable to fair value of expected synergies from combining the MTI and AMCOL businesses and will be mainly allocated to Performance Materials and Construction Technologies segments. The allocation is expected to be completed during the first quarter of 2015. Goodwill recognized as a result of this acquisition is not deductible for tax purpose.

In connection with the acquisition, the Company recorded an additional deferred tax liability of \$309.1 million with a corresponding increase to goodwill. The increase in deferred tax liability represents the tax effect of the difference between the estimated assigned fair value of the tangible and intangible assets and the tax basis of such assets.

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

Intangible assets acquired mainly included technology and a number of tradenames. Technology was valued using relief-from royalty method, a Level 3 fair value input, with an estimated useful life of 10-20 years. Tradenames were valued using multi-period excess earnings, also a Level 3 fair value input, with an estimated useful life of 25-40 years.

The Company incurred \$7.3 million and \$12.4 million of acquisition-related costs during the three and six months ended June 29, 2014, respectively, which are reflected within the Acquisition related transaction and integration costs line of the Condensed Consolidated Statements of Income.

The accompanying Condensed Consolidated Statements of Income include the results of operations of the acquired AMCOL businesses as of May 9, 2014, or 52 days for quarter and year ended June 29, 2014; and include net sales of \$161.5 million and operating income of \$10.9 million generated by AMCOL during the 52 days post-acquisition period.

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

The following table presents the unaudited pro forma summary of the Company's Condensed Consolidated Statements of Income for the three and six months ended June 29, 2014 and three and six months ended June 30, 2013, which includes AMCOL's Statement of Operations for the respective periods, as if the acquisition and related financing occurred on January 1, 2013. The following unaudited pro forma financial information is not necessarily indicative of the results of operations as they would have been had the transaction occurred on the assumed date, nor is it necessarily an indication of trends in future results for a number of reasons, including, but not limited to, differences between the assumptions used to prepare the pro forma information, potential synergies, and cost savings from operating efficiencies.

Pro Forma Results	Three Months Ended		Six Months Ended	
	June 29, 2014	June 30, 2013	June 29, 2014	June 30, 2013
	(millions of dollars)			
Net sales	\$ 540.2	\$ 519.6	\$ 1,034.0	\$ 1,006.9
Income from continuing operations before provision for taxes and equity in earnings	41.8	37.3	64.9	62.6
Income from continuing operations, net of tax	28.3	27.8	44.3	46.8

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

**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.

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

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

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>June 29, 2014</u>	<u>June 30, 2013</u>	<u>June 29, 2014</u>	<u>June 30, 2013</u>
<b>(in millions, except per share data)</b>				
<b>Basic EPS</b>				
<b>Amounts attributable to MTI</b>				
Income from continuing operations	\$ 16.7	\$ 22.1	\$ 32.3	\$ 41.6
Income (loss) from discontinued operations	1.8	(5.0)	1.8	(5.7)
Net income	<u>\$ 18.5</u>	<u>\$ 17.1</u>	<u>\$ 34.1</u>	<u>\$ 35.9</u>
Weighted average shares outstanding	<u>34.5</u>	<u>34.8</u>	<u>34.5</u>	<u>34.9</u>
<b>Earnings (Loss) per share attributable to MTI</b>				
Continuing operations	\$ 0.48	\$ 0.63	\$ 0.94	\$ 1.19
Discontinued operations	0.05	(0.14)	0.05	(0.16)
Net income	<u>\$ 0.53</u>	<u>\$ 0.49</u>	<u>\$ 0.99</u>	<u>\$ 1.03</u>
<b>Diluted EPS</b>				
<b>Amounts attributable to MTI</b>				
Income from continuing operations	\$ 16.7	\$ 22.1	\$ 32.3	\$ 41.6
Income (loss) from discontinued operations	1.8	(5.0)	1.8	(5.7)
Net income	<u>\$ 18.5</u>	<u>\$ 17.1</u>	<u>\$ 34.1</u>	<u>\$ 35.9</u>
Weighted average shares outstanding	34.5	34.8	34.5	34.9
Dilutive effect of stock options and stock units	<u>0.3</u>	<u>0.2</u>	<u>0.2</u>	<u>0.2</u>
Weighted average shares outstanding, adjusted	<u>34.8</u>	<u>35.0</u>	<u>34.7</u>	<u>35.1</u>
<b>Earnings (Loss) per share attributable to MTI</b>				
Continuing operations	\$ 0.48	\$ 0.63	\$ 0.93	\$ 1.18
Discontinued operations	0.05	(0.14)	0.05	(0.16)
Net income	<u>\$ 0.53</u>	<u>\$ 0.49</u>	<u>\$ 0.98</u>	<u>\$ 1.02</u>

Options to purchase 173,068 shares and 239,770 shares of common stock for the three-month and six-month periods ended June 29, 2014 and June 30, 2013, respectively, were not included in the computation of diluted earnings per share because they were anti-dilutive, as the exercise prices of the options were greater than the average market price of the common shares.

**Note 4. Restructuring Charges**

During the second quarter of 2014, the Company announced it would undertake a restructuring program that will result in the permanent reduction of approximately 5 percent of its workforce. This restructuring will occur across all business segments of the Company and is estimated to provide annualized savings in the range of \$12 million to \$15 million. The reductions, which will occur over the next twelve months, includes elimination of duplicate corporate functions, deployment of our shared service model and consolidation and alignment of various corporate functions and regional locations across the Company. The following table outlines the amount of restructuring expenses recorded within the Condensed Consolidated Statements of Income, and the segments they relate to:

<b>Restructuring Charges</b>	<b>Three and Six Months Ended June 29, 2014 (millions of dollars)</b>
Specialty Minerals	\$ 2.2
Refractories	0.6
Performance Materials	1.2
Construction Technologies	1.0
Energy Services	1.0
Total	<u>\$ 6.0</u>

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At June 29, 2014, we had \$6.0 million included within accrued liabilities within our Condensed Consolidated Balance Sheets for cash expenditures needed to satisfy remaining obligations under these reorganization initiatives. The Company expects to pay these amounts by the end of June 2015.

**Note 5. Discontinued Operations**

During the second quarter of 2013, the Company ceased its operations at its Paper PCC merchant plant in Walsum, Germany and reclassified such operations as discontinued. 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.

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>June 29, 2014</u>	<u>June 30, 2013</u>	<u>June 29, 2014</u>	<u>June 30, 2013</u>
	(millions of dollars)			
Net sales	\$ -	\$ 0.8	\$ -	\$ 1.6
Production margin	-	(1.2)	-	(2.2)
Expenses	-	0.3	-	0.3
Facility closure costs	(2.4)	5.9	(2.4)	5.9
Income (loss) from operations	\$ 2.4	\$ (7.4)	\$ 2.4	\$ (8.4)
Provision for taxes on income	\$ 0.6	\$ (2.4)	\$ 0.6	\$ (2.7)
Income (loss) from discontinued operations, net of tax	\$ 1.8	\$ (5.0)	\$ 1.8	\$ (5.7)

During the three and six months ended June 29, 2014, the Company reversed a facility closure accrual of \$1.8 million, net of \$0.6 million tax expense, resulting from the settlement of a contractual obligation.

**Note 6. Income Taxes**

As of June 29, 2014, the Company had approximately \$4.2 million of total unrecognized income tax benefits. Included in this amount were a total of \$2.8 million of unrecognized income tax benefits that, if recognized, would affect the Company's effective tax rate. While it is expected that the amount of unrecognized tax benefits will change in the next 12 months, the Company does not expect the change to have a significant impact on the results of operations or the financial position of the Company.

The Company's accounting policy is to recognize interest and penalties accrued relating to unrecognized income tax benefits as part of its provision for income taxes. The Company had a net increase of approximately \$0.1 million and \$0.2 million during the three and six months ended June 29, 2014, respectively, and has an accrued balance of \$0.8 million of interest and penalties as of June 29, 2014.

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.

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Provision for taxes was \$10.5 million as compared to \$16.3 million in the prior year. The effective tax rate was 23.8% as compared to 27.5% in prior year. The lower effective tax rate was primarily due to a change in the mix of earnings, tax benefits on one-time charges at a higher rate, and higher depletion deductions.

**Note 7. Inventories**

The following is a summary of inventories by major category:

	<b>June 29, 2014</b>	<b>December 31, 2013</b>
	<b>(millions of dollars)</b>	
Raw materials	\$ 99.9	\$ 35.1
Work-in-process	7.3	6.3
Finished goods	107.7	26.3
Packaging and supplies	28.6	21.5
Total inventories	<u>\$ 243.5</u>	<u>\$ 89.2</u>

Inventory balance at June 29, 2014 included \$150.3 million of inventories relating to acquisition of business (discussed in Note 2).

**Note 8. Goodwill and Other Intangible Assets**

Goodwill and other intangible assets with indefinite lives are not amortized, but instead are assessed for impairment, at least annually. The carrying amount of goodwill was \$769.3 million, and \$64.4 million as of June 29, 2014 and December 31, 2013, respectively. The increase in goodwill is related to the acquisition of the AMCOL businesses on May 9, 2014 (as discussed in Note 2).

Acquired intangible assets subject to amortization as of June 29, 2014 and December 31, 2013 were as follows:

	<b>June 29, 2014</b>		<b>December 31, 2013</b>	
	<b>Gross Carrying Amount</b>	<b>Accumulated Amortization</b>	<b>Gross Carrying Amount</b>	<b>Accumulated Amortization</b>
	<b>(millions of dollars)</b>			
Tradenames	\$ 194.9	\$ 0.8	\$ -	\$ -
Technology	18.7	0.2	-	-
Patents and trademarks	6.4	3.8	6.4	3.7
Customer relationships	4.3	-	-	-
Customer lists	2.9	2.7	2.9	2.6
	<u>\$ 227.2</u>	<u>\$ 7.5</u>	<u>\$ 9.3</u>	<u>\$ 6.3</u>

The gross carrying amount associated with tradenames, technology and customer relationships in the table above relate to the acquisition of the AMCOL businesses (as discussed in Note 2).

The weighted average amortization period for acquired intangible assets subject to amortization is approximately 33 years. Estimated amortization expense is \$5.3 million for 2014, \$7.9 million for 2015–2016, \$7.7 million for 2017, and \$7.5 million for 2018-2019.

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**Note 9. Long-Term Debt and Commitments**

The following is a summary of long-term debt:

	<b>June 29, 2014</b>	<b>December 31, 2013</b>
	<b>(millions of dollars)</b>	
Term Loan Facility, net of unamortized discount of \$15.3 million due May 9, 2021	\$ 1,544.7	\$ -
3.46% Series A Senior Notes due October 7, 2020	-	30.0
4.13% Series B Senior Notes due October 7, 2023	-	45.0
Variable/Fixed Rate Industrial Development Revenue Bonds Series 1999 due November 1, 2014	8.2	8.2
Total	\$ 1,552.9	\$ 83.2
Less: Current maturities	23.8	8.2
Long-term debt	\$ 1,529.1	\$ 75.0

On May 9, 2014, in connection with the acquisition of AMCOL, the Company entered into a credit agreement providing for the \$1.56 billion Term Facility and a \$200 million senior secured revolving credit facility (the "Revolving Facility" and, together with the Term Facility, the "Facilities"). The net proceeds of the Term Facility, together with the Company's cash on hand, were used as cash consideration for the acquisition of AMCOL and to refinance certain existing indebtedness of the Company (including the Company's 3.46% Series A Senior Notes due October 7, 2020 and 4.13% Series B Senior Notes due October 7, 2023) and AMCOL and to pay fees and expenses in connection with the foregoing. Loans under the Revolving Facility will be used for working capital and other general corporate purposes of the Company and its subsidiaries. As of June 29, 2014, the Revolving Facility was unused.

The loans outstanding under the Term Facility will mature on May 9, 2021 and the loans outstanding (if any) and commitments under the Revolving Facility will mature and terminate, as the case may be, on May 9, 2019. Loans under the Term Facility bear interest at a rate equal to an adjusted LIBOR rate (subject to a floor of 0.75%) plus an applicable margin equal to 3.25% per annum. Loans under the Revolving Facility will bear interest at a rate equal to an adjusted LIBOR rate plus an applicable margin equal to 1.75% per annum. Such rates are subject to decrease by up to 25 basis points in the event that, and for so long as, the Company's net leverage ratio (as defined in the credit agreement) is less than certain thresholds. The Term Facility was issued at a 1% discount and has a 1% required amortization per year. The Company will pay certain fees under the credit agreement, including a commitment fee on the total unused commitment under the Revolving Facility. The obligations of the Company under the Facilities are unconditionally guaranteed jointly and severally by, subject to certain exceptions, all material domestic subsidiaries of the Company (the "Guarantors") and secured, subject to certain exceptions, by a security interest in substantially all of the assets of the Company and the Guarantors.

The Company incurred \$28.7 million in deferred financing costs associated with the debt financing of the acquisition. Such amounts are included in other assets and deferred charges on the Condensed Consolidated Balance Sheet as of June 29, 2014.

As of June 29, 2014, the Company had \$38.7 million in uncommitted short-term bank credit lines, of which approximately \$4.7 million was in use.

On June 30, 2014, the Company repaid the \$8.2 million Variable/Fixed Rate Industrial Development Revenue Bonds Series 1999 due November 1, 2014.

**Note 10. Benefit Plans**

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

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

**Components of Net Periodic Benefit Cost**

	<b>Pension Benefits</b>			
	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 29, 2014</b>	<b>June 30, 2013</b>	<b>June 29, 2014</b>	<b>June 30, 2013</b>
	(millions of dollars)			
Service cost	\$ 2.2	\$ 2.3	\$ 4.2	\$ 4.6
Interest cost	3.4	2.8	6.5	5.6
Expected return on plan assets	(4.6)	(3.7)	(8.9)	(7.4)
Amortization:				
Prior service cost	0.3	0.3	0.6	0.6
Recognized net actuarial loss	1.7	3.4	3.4	6.8
Net periodic benefit cost	<u>\$ 3.0</u>	<u>\$ 5.1</u>	<u>\$ 5.8</u>	<u>\$ 10.2</u>

	<b>Other Benefits</b>			
	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 29, 2014</b>	<b>June 30, 2013</b>	<b>June 29, 2014</b>	<b>June 30, 2013</b>
	(millions of dollars)			
Service cost	\$ 0.1	\$ 0.2	\$ 0.2	\$ 0.3
Interest cost	0.1	0.1	0.2	0.2
Amortization:				
Prior service cost	(0.8)	(0.8)	(1.6)	(1.6)
Recognized net actuarial (gain)/loss	(0.1)	-	(0.1)	-
Net periodic benefit cost	<u>\$ (0.7)</u>	<u>\$ (0.5)</u>	<u>\$ (1.3)</u>	<u>\$ (1.1)</u>

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

**Employer Contributions**

The Company expects to contribute approximately \$8.0 million to its pension plans and \$1.5 million to its other postretirement benefit plans in 2014. As of June 29, 2014, \$2.0 million has been contributed to the pension plans and approximately \$0.8 million has been contributed to the other postretirement benefit plans.

**Note 11. Comprehensive Income**

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

<b>Amounts Reclassified Out of Accumulated Other Comprehensive Income (Loss)</b>	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 29 2014</b>	<b>June 30 2013</b>	<b>June 29 2014</b>	<b>June 30 2013</b>
	(millions of dollars)			
Amortization of pension items:				
Pre-tax amount	\$ 1.2	\$ 2.9	\$ 2.4	\$ 5.8
Tax	(0.4)	(0.9)	(0.7)	(2.0)
Net of tax	<u>\$ 0.8</u>	<u>\$ 2.0</u>	<u>\$ 1.7</u>	<u>\$ 3.8</u>

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

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

	<u>Foreign Currency Translation Adjustment</u>	<u>Unrecognized Pension Costs</u>	<u>Net Gain on Cash Flow Hedges</u>	<u>Total</u>
	(millions of dollars)			
Balance as of December 31, 2013	\$ 17.1	\$ (51.0)	\$ 2.6	\$ (31.3)
Other comprehensive income (loss) before reclassifications	6.0	-	-	6.0
Amounts reclassified from AOCI	-	1.7	-	1.7
Net current period other comprehensive income(loss)	6.0	1.7	-	7.7
Balance as of June 29, 2014	<u>\$ 23.1</u>	<u>\$ (49.3)</u>	<u>\$ 2.6</u>	<u>\$ (23.6)</u>

**Note 12. Accounting for Asset Retirement Obligations**

The Company records asset retirement obligations for situations in which the Company will be required to incur costs to retire tangible long-lived assets. 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 following is a reconciliation of asset retirement obligations as of June 29, 2014:

	(millions of dollars)
Asset retirement liability, December 31, 2013	\$ 14.7
Accretion expense	0.3
Reversals	(0.5)
Acquisition	9.2
Asset retirement liability, June 29, 2014	<u>\$ 23.7</u>

The Company's Performance Materials segment mines various minerals using a surface mining process that requires the removal of overburden. In certain areas and under various governmental regulations, the Company is obligated to restore the land comprising each mining site to its original condition at the completion of the mining activity. The table above includes \$9.2 million related to this land reclamation liability assumed in connection with the purchase of AMCOL. This liability will be adjusted to reflect the passage of time, mining activities, and changes in estimated future cash outflows.

The asset retirement costs are capitalized as part of the carrying amount of the associated asset. The current portion of the liability of approximately \$2.2 million is included in other current liabilities and the long-term portion of the liability of approximately \$21.5 million is included in other non-current liabilities in the Condensed Consolidated Balance Sheet as of June 29, 2014.

**Note 13. Contingencies**

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



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On May 8, 2013, Armada (Singapore) PTE Limited, an ocean shipping company now in bankruptcy ("Armada") filed a case in federal court in the Northern District of Illinois against AMCOL and certain of its subsidiaries (*Armada (Singapore) PTE Limited v. AMCOL International Corp., et al., United States District Court for the Northern District of Illinois*, Case No. 13 CV 3455). We acquired AMCOL and its subsidiaries on May 9, 2014. A co-defendant is Ashapura Minechem Limited, a company located in Mumbai, India ("AML"). During the relevant time period, 2008-2010, AMCOL owned slightly over 20% of the outstanding AML stock through December 2009, after which it owned approximately 19%. In 2008, AML entered into two contracts of affreightment ("COA") with Armada for over 60 ship loads of bauxite from India to China. After one shipment, AML made no further shipments, which led Armada to file arbitrations in London against AML, one for each COA. AML did not appear in the London arbitrations and default awards of approximately \$70 million were entered. The litigation filed by Armada against AMCOL and AML relates to these awards, which AML has not paid. The substance of the allegations by Armada is that AML and AMCOL engaged in illegal conduct to thwart Armada's efforts to collect the arbitration award. The counts in the complaint include both violations of the Illinois Fraudulent Transfer laws as well as federal RICO violations. The lawsuit seeks money damages as well injunctive relief. The litigation is now entering the discovery phase. Fact discovery and expert discovery is currently scheduled to last through June 12, 2015. At this time, considering this case is in the discovery phase, management cannot estimate potential losses (if any) and therefore has not established any provisions.

The Company's Construction Technologies segment is respondent in an arbitration requested by Bentonit União Nordeste Indústria e Comércio Ltda. ("BUN"), the Company's joint venture partner in Brazil, alleging a breach of the joint venture agreement and claiming, among other things, damages in the amount of 34 million Brazilian real. The arbitration is in an evidentiary phase and, based on the evidence to date, the Company believes that the BUN claim is unsubstantiated. At this time management anticipates that the amount of the Company's liability, if any, will not have a material effect on its financial position or results of operations.

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 102 pending silica cases and 15 pending asbestos cases. These totals include 30 silica cases and one asbestos case against AMCOL International Corporation and/or its subsidiary, American Colloid Company, that were pending on the date we acquired AMCOL and were not previously reported by us. To date, 1,394 silica cases and 35 asbestos cases have been dismissed, not including any lawsuits against AMCOL or American Colloid Company dismissed prior to our acquisition of AMCOL. No new asbestos or silica cases were filed in the second quarter of 2014.

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 (not including any that may have been settled by AMCOL prior to completion of the acquisition). We are unable to state an amount or range of amounts claimed in any of the lawsuits because state court pleading practices do not require identifying the amount of the claimed damage. The aggregate cost to the Company for the legal defense of these cases since inception continues to be insignificant. The majority of the costs of defense for these cases, excluding cases against AMCOL or American Colloid, are reimbursed by Pfizer Inc. pursuant to the terms of certain agreements entered into in connection with the Company's initial public offering in 1992. Of the 14 pending asbestos cases excluding the case against AMCOL / American Colloid, 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.

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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 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:

	<b>Equity Attributable to MTI</b>						<b>Total</b>
	<b>Common Stock</b>	<b>Additional Paid-in Capital</b>	<b>Retained Earnings</b>	<b>Accumulated Other Comprehensive Income (Loss)</b>	<b>Treasury Stock</b>	<b>Non-controlling Interests</b>	
	(millions of dollars)						
<i>Balance as of December 31, 2013</i>	\$ 4.7	\$ 361.5	\$ 1,106.3	\$ (31.3)	\$ (593.7)	\$ 26.9	\$ 874.4
Net income	-	-	34.1	-	-	1.5	35.6
Other comprehensive income (loss)	-	-	-	7.7	-	(0.3)	7.4
Dividends declared	-	-	(3.5)	-	-	-	(3.5)
Dividends to non-controlling interest	-	-	-	-	-	(3.3)	(3.3)
Purchase of non-controlling interest shares	-	(2.1)	-	-	-	-	(2.1)
Issuance of shares pursuant to employee stock compensation plans	0.1	2.5	-	-	-	-	2.6
Income tax benefit arising from employee stock compensation plans	-	1.2	-	-	-	-	1.2
Stock based compensation	-	1.8	-	-	-	-	1.8
<i>Balance as of June 29, 2014</i>	<u>\$ 4.8</u>	<u>\$ 364.9</u>	<u>\$ 1,136.9</u>	<u>\$ (23.6)</u>	<u>\$ (593.7)</u>	<u>\$ 24.8</u>	<u>\$ 914.1</u>

The income attributable to non-controlling interests for the six-month periods ended June 29, 2014 and June 30, 2013 was from continuing operations. The remainder of income was attributable to MTI.

In May 2014, the Company acquired the remaining 20% non-controlling interest in CETCO Lining Technologies India Pvt. Ltd. (“CETCO India”), a part of our Construction Technologies operations for \$2.0 million. The following table sets forth the effects of this transaction on equity attributable to MTI shareholders:

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	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 29, 2014</b>	<b>June 30, 2013</b>	<b>June 29, 2014</b>	<b>June 30, 2013</b>
<b>(millions of dollars)</b>				
Net income attributable to MTI	\$ 18.5	\$ 17.1	\$ 34.1	\$ 35.9
Transfer from non-controlling interest:				
Decrease in additional paid-in capital for purchase of the remaining non-controlling interest in CETCO India	(2.1)	-	(2.1)	-
Change from net income attributable to MTI and transfers from non-controlling interest	<u>\$ 16.4</u>	<u>\$ 17.1</u>	<u>\$ 32.0</u>	<u>\$ 35.9</u>

**Note 15. Segment and Related Information**

As a result of the acquisition of AMCOL, the Company currently has 5 reportable segments: Specialty Minerals, Refractories, Performance Materials, Construction Technologies, and Energy Services, compared to 2 reportable segments in the prior year (Specialty Minerals and Refractories). See Note 1. Segment information for the three and six-month periods ended June 29, 2014 and June 30, 2013 were as follows:

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 29, 2014</b>	<b>June 30, 2013</b>	<b>June 29, 2014</b>	<b>June 30, 2013</b>
<b>(millions of dollars)</b>				
<b>Net Sales</b>				
Specialty Minerals	\$ 167.9	\$ 168.3	\$ 327.5	\$ 335.3
Refractories	91.6	88.5	176.4	172.1
Performance Materials	75.8	-	75.8	-
Construction Technologies	37.2	-	37.2	-
Energy Services	48.6	-	48.6	-
Total	<u>\$ 421.1</u>	<u>\$ 256.8</u>	<u>\$ 665.5</u>	<u>\$ 507.4</u>
<b>Income from Operations</b>				
Specialty Minerals	\$ 23.9	\$ 25.2	\$ 45.4	\$ 48.5
Refractories	10.1	8.5	19.3	15.4
Performance Materials	4.3	-	4.3	-
Construction Technologies	0.7	-	0.7	-
Energy Services	5.9	-	5.9	-
Total	<u>\$ 44.9</u>	<u>\$ 33.7</u>	<u>\$ 75.6</u>	<u>\$ 63.9</u>

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

	<b>Income from operations before provision for taxes on income</b>			
	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 29, 2014</b>	<b>June 30, 2013</b>	<b>June 29, 2014</b>	<b>June 30, 2013</b>
<b>(millions of dollars)</b>				
Income from operations for reportable segments	\$ 44.9	\$ 33.7	\$ 75.6	\$ 63.9
Acquisition Related Transaction and Integration Costs	(7.3)	-	(12.4)	-
Unallocated corporate expenses	(1.8)	(1.3)	(3.8)	(3.3)
Consolidated income from operations	35.8	32.4	59.4	60.6
Non-operating deductions, net	(15.0)	(1.5)	(15.3)	(1.3)
Income from continuing operations before provision for taxes on income	<u>\$ 20.8</u>	<u>\$ 30.9</u>	<u>\$ 44.1</u>	<u>\$ 59.3</u>

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

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 29, 2014</b>	<b>June 30, 2013</b>	<b>June 29, 2014</b>	<b>June 30, 2013</b>
	<b>(millions of dollars)</b>			
Paper PCC	\$ 115.2	\$ 118.3	\$ 227.9	\$ 238.8
Specialty PCC	17.9	17.3	34.2	34.2
Talc	14.4	13.0	27.9	25.4
Ground Calcium Carbonate	20.4	19.7	37.5	36.9
Refractory Products	68.5	67.2	131.7	129.6
Metallurgical Products	23.1	21.3	44.7	42.5
Metalcasting	39.4	-	39.4	-
Household, Personal Care and Specialty Products	23.4	-	23.4	-
Basic Minerals and Other Products	13.0	-	13.0	-
Environmental Products	17.3	-	17.3	-
Building Materials and Other Products	19.9	-	19.9	-
Energy Services	48.6	-	48.6	-
Total	<u>\$ 421.1</u>	<u>\$ 256.8</u>	<u>\$ 665.5</u>	<u>\$ 507.4</u>

**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 29, 2014, the related condensed consolidated statements of income and comprehensive income for the three-month and six-month periods ended June 29, 2014 and June 30, 2013, and the related condensed consolidated statements of cash flows for the six-month periods ended June 29, 2014 and June 30, 2013. 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, 2013, 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 21, 2014, 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, 2013 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  
August 8, 2014

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

### Executive Summary

On May 9, 2014, pursuant to the Merger Agreement dated March 10, 2014, the Company acquired AMCOL International Corporation ("AMCOL"). The Company acquired AMCOL by completing a tender offer to purchase AMCOL's outstanding shares of common stock and the subsequent merger of AMCOL with and into a wholly-owned subsidiary of MTI. Upon completion of the merger, AMCOL became a wholly owned direct subsidiary of MTI. Through the tender offer and the merger, the Company paid \$1.519 billion in cash to acquire all of the outstanding shares of AMCOL. The fair value of total consideration transferred, net of cash acquired was \$1,802.3 million. The Company's operating results include the results of operations of the acquired AMCOL businesses from May 9, 2014, through June 29, 2014.

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

As a result of the acquisition, the Company will have 5 reportable segments: Specialty Minerals, Refractories, Performance Materials, Construction Technologies, and Energy Services compared to 2 reportable segments in the prior year (Specialty Minerals and Refractories).

- The Specialty Minerals segment produces and sells the synthetic mineral product precipitated calcium carbonate ("PCC") and processed mineral product quicklime ("lime"), and mines mineral ores then processes and sells natural mineral products, primarily limestone and talc.
- The Refractories segment produces and markets monolithic and shaped refractory materials and specialty products, services and application and measurement equipment, and calcium metal and metallurgical wire products.
- The Performance Materials segment is a leading supplier of bentonite and bentonite-related products. This segment also supplies chromite and leonardite and operates more than 25 mining or production facilities worldwide.
- The Construction Technologies segment provides products for non-residential construction, environmental and infrastructure projects worldwide. It serves customers engaged in a broad range of construction projects, including site remediation, concrete waterproofing for underground structures, liquid containment on projects ranging from landfills to flood control, and drilling applications including foundation, slurry wall, tunneling, water well, and horizontal drilling.
- The Energy Services segment provides services to improve the production, costs, compliance, and environmental impact of activities performed in oil and gas industry. This segment offers a range of patented and unpatented technologies, products and services for all phases of oil and gas production, refining, and storage throughout the world.

Earnings from continuing operations in the second quarter of 2014 were \$0.48 per share. Included in pre-tax income and earnings per share were several items related to the acquisition and integration which, when combined, reduced earnings by \$0.46 per share. These were as follows:

One-time non-cash inventory step-up charges	\$5.6 million
Acquisition transaction and integration costs	\$7.3 million
Debt extinguishment costs	\$5.8 million
Restructuring charges	\$6.0 million
Total	\$24.7 million

Over the last six years, through operational excellence and a rigorous discipline in financial management, the Company has been transformed into a strong operating company with increased operating margins, cash flows, and return on capital. We expect to bring that same business model and management discipline to integrating AMCOL's businesses. The Company expects the acquisition of AMCOL to create \$50 million in estimated synergies over the next two to three years and up to \$70 million over the next five years. However, the Company expects to incur significant integration and other acquisition-related transition costs through 2015 that are necessary in order to achieve such synergies.

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Worldwide sales for the second quarter of 2014 increased 64% from the prior year to \$421.1 million from \$256.8 million. Sales growth was achieved primarily from the 52 days of activity from the acquired business. Sales in the Specialty Minerals segment were \$168 million, which was approximately the same as the prior year. In the Refractories segment, sales were \$91.6 million a 4 percent increase over the prior year.

The Company continued to advance the execution of its growth strategies of geographic expansion and new product innovation and development. We began operations at one new satellite facility in China in the second quarter. In addition, we are currently constructing four additional satellite plants in China, including the recently announced 50,000 metric ton facility with Zhejiang Zhengda Paper Group Ltd that should be operational in the fourth quarter of 2015. The total capacity being installed with these four new satellite plants is approximately 300,000 tons. 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 sixteen commercial contracts for FulFill®. We expect the contribution of our FulFill® program to operating income between \$4.0 million and \$4.5 million in 2014. Our agreement with United Steel Company B.S.C. (SULB), in Bahrain, which began operations in the third quarter of 2012, generated sales of approximately \$3 million in the second quarter of 2014. We expect to generate on average \$10 million per year over the 3 year term of the contract. In July 2014, the Refractories segment announced that it had signed a three-year agreement with Bhushan Steel Ltd. of India, to provide cost-per-ton (CPT) steel refractory maintenance for two of Bhushan's Basic Oxygen Furnaces (BOF) at its new steel-making facility in Angul, India. This is the first CPT contract Minteq has signed in India. We expect to generate on average \$2 million per year over the 3 year term of the contract.

In connection with the acquisition of AMCOL, the Company entered into a \$1.56 billion senior secured term loan facility (the "Term Facility"), the net proceeds of which, together with the Company's cash on hand, were used as cash consideration for the acquisition of AMCOL and to refinance certain existing indebtedness of the Company and AMCOL and to pay fees and expenses in connection with the foregoing. The fair value of the total consideration transferred, net of cash acquired, was \$1.802 billion. At the same time, the Company entered into a \$200 million senior secured revolving credit facility (the "Revolving Facility" and, together with the Term Facility, the "Facilities"). As of June 29, 2014, the Revolving Facility was unused. As a result, long term debt as of June 29, 2014 was approximately \$1.545 billion. Cash, cash equivalents and short-term investments were approximately \$208 million. Cash flow from operations was very strong in the second quarter of 2014 at approximately \$107.2 million. Our intention is to use excess cash flow to repay debt beginning in the third quarter and to delever as quickly as possible.

## Outlook

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

In addition to the integration of AMCOL and realization of the potential synergies from the acquired businesses, the Company will also continue to focus on innovation and new product development and other opportunities for sales growth in 2014 from its existing businesses, as follows:

- Develop multiple high-filler technologies, such as filler-fiber, under the FulFill® platform of products, to increase the fill rate in freesheet paper and continue to progress with commercial discussions and full-scale paper machine trials.
- Develop products and processes for waste management and recycling, opportunities to reduce the environmental impact of the paper mill, reduce energy consumption and improve the sustainability of the papermaking process and further penetration into the packaging segment of the paper industry.
- Increase our sales of PCC for paper by further penetration of the markets for paper filling at both freesheet and groundwood mills, particularly in emerging markets.
- Expand the Company's PCC coating product line using the satellite model.

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- Promote the Company's expertise in crystal engineering, especially in helping papermakers customize PCC morphologies for specific paper applications.
- Expand PCC produced for paper filling applications by working with industry partners to develop new methods to increase the ratio of PCC for fiber substitutions.
- Develop unique calcium carbonate and talc products used in the manufacture of novel biopolymers, a new market opportunity.
- Deploy new talc and GCC products in paint, coating and packaging applications.
- Deploy value-added formulations of refractory materials that not only reduce costs but improve performance.
- Expand our solid core wire product line into BRIC, Middle Eastern and other Asian countries.
- Deploy our laser measurement technologies into new applications.
- Expand our refractory maintenance model to other steel makers globally.
- Increase our presence and gain penetration of our bentonite based foundry customers in emerging markets, such as China and India.
- Continue the development of our proprietary Enersol® products for agricultural applications worldwide.
- Pursue opportunities for our products in environmental and building and construction markets in the Middle East, Asia Pacific and South America regions.
- Deploy operational excellence principles into all aspects of the organization, including system infrastructure and lean principles.
- Continue to explore selective small bolt-on type acquisitions to fit our core competencies in minerals and fine particle technology.

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



**Results of Operations**

Three months ended June 29, 2014 as compared with three months ended June 30, 2013

**Consolidated Income Statement Review**

	Three Months Ended		Growth	
	June 29, 2014	June 30, 2013	\$	%
<b>(Dollars in millions)</b>				
Net sales	\$ 421.1	\$ 256.8	\$ 164.3	64.0%
Cost of sales	318.4	198.0	120.4	60.8%
Production margin	102.7	58.8	43.9	74.7%
Production margin %	24.4%	22.9%		
Marketing and administrative expenses	46.3	21.6	24.7	114.4%
Research and development expenses	6.3	4.8	1.5	31.3%
Amortization expense of intangible assets acquired	1.0	-	1.0	*
Acquisition related transaction and integration costs	7.3	-	7.3	*
Restructuring and other charges	6.0	-	6.0	*
			-	
Income from operations	35.8	32.4	3.4	10.5%
Operating margin %	8.5%	12.6%		
Interest expense, net	(8.9)	(0.1)	(8.8)	*
Premium on early extinguishment of debt	(5.8)	-	(5.8)	*
Other non-operating income (deductions), net	(0.3)	(1.4)	1.1	-78.6%
Total non-operating deductions, net	(15.0)	(1.5)	(13.5)	*
Income from continuing operations before provision for taxes and equity in earnings	20.8	30.9	(10.1)	-32.7%
Provision for taxes on income	3.4	8.2	(4.8)	*
Effective tax rate	16.3%	26.5%		
Equity in earnings of affiliates, net of tax	0.2	-	0.2	*
Income from continuing operations, net of tax	17.6	22.7	(5.1)	-22.5%
Income (loss) from discontinued operations, net of tax	1.8	(5.0)	6.8	-136.0%
Net income attributable to non-controlling interests	0.9	0.6	0.3	50.0%
Net income attributable to Minerals Technologies Inc. (MTI)	18.5	17.1	1.4	8.2%

\* Not meaningful

**Net Sales**

	Three Months Ended June 29, 2014			Three Months Ended June 30, 2013	
	Net Sales	% of Total Sales	% Growth	Net Sales	% of Total Sales
	(Dollars in millions)				
U.S.	\$ 243.9	57.9%	70.8%	\$ 142.8	55.6%
International	177.2	42.1%	55.4%	114.0	44.4%
Total sales	\$ 421.1	100.0%	64.0%	\$ 256.8	100.0%
Specialty Minerals Segment	\$ 167.9	39.9%	-0.2%	\$ 168.3	65.5%
Refractories Segment	91.6	21.8%	3.5%	88.5	34.5%
Performance Materials Segment	75.8	18.0%	*	-	*
Construction Technologies Segment	37.2	8.8%	*	-	*
Energy Services Segment	48.6	11.5%	*	-	*
Total sales	\$ 421.1	100.0%	64.0%	\$ 256.8	100.0%

Total sales increased \$164.3 million or 64% from the previous year to \$421.1million. Approximately 62.9% of the growth during the three months ended June 29, 2014 was from the Performance Materials, Construction Technologies and Energy Services segments relating to the acquisition of the AMCOL businesses. Foreign exchange had a favorable impact of \$0.6 million or 0.2%. Sales from operations owned for more than one year grew 1% mainly due to increased sales in the metallurgical product line within the Refractories segment.

Approximately \$101.8 million of sales within United States and \$59.7 million of sales within international regions relate to the acquired businesses.

**Operating Costs and Expenses**

Cost of sales from the acquired business was \$120.7 million and included a non-recurring inventory step-up charge of \$5.6 million. Our Specialty Minerals and Refractories segments production margin benefitted from increased pricing, strong performance in Refractories in Europe, improved productivity and cost improvements which more than offset the impact of paper mill and paper machine shutdowns in the U.S. and increased energy costs

Marketing and administrative costs were \$46.3 million and 11.0% of sales compared to \$21.6 million and 8.4% of sales in prior year. All of the increases related to marketing and administrative costs of the acquired businesses.

Research and development expenses were \$6.3 million and represented 1.5 percent of sales. All of the increases related to research and development costs of the acquired businesses.

The Company incurred \$1.0 million charge relating to the amortization of intangible assets acquired and a \$7.3 million charge for the transaction and integration costs during the three months ended June 29, 2014 resulting from the acquisition.

During the second quarter of 2014, the Company announced it would undertake an initial restructuring program that will result in the permanent reduction of approximately 5 percent of its workforce. This restructuring will occur across all business segments of the Company and is estimated to provide annualized savings in the range of \$12 million to \$15 million. The reductions, which will occur over the next twelve months, includes elimination of duplicate corporate functions, deployment of our shared service model and consolidation and alignment of various corporate functions and regional locations across the Company. As a result, the Company has recorded \$6.0 million in employee termination costs during the three months ended June 29, 2014.

**Income from Operations**

The Company recorded income from operations of \$35.8 million as compared to \$32.4 million in the prior year. Operating income during the three months ended June 29, 2014, includes a one-time non-cash inventory step-up charge of \$5.6 million, acquisition related transaction and integration costs of \$7.3 million, and restructuring charges of approximately \$6.0 million.

**Non-Operating Income (Deductions)**

In May 2014, the Company repaid its \$75 million Senior Notes and entered into the of \$1.56 billion Term Facility to fund the acquisition of the AMCOL business (see Note 9). The increase in debt level resulted in the \$8.8 million increase in interest expense compared to the prior year. The Company also incurred a \$5.8 million make-whole fee for prepaying the \$75 million Senior Notes.

**Provision for Taxes on Income**

Provision for taxes on income was \$3.4 million as compared to \$8.2 million in prior year. The effective tax rate was 16.3% as compared to 26.5% in prior year. The reduction in the effective tax rate during 2014 was primarily due to the mix of earnings, tax benefits on one-time charges at a higher tax rate, and higher depletion deductions.

**Income from Continuing Operations, Net of Tax**

Income from continuing operations, net of tax, was \$17.6 million during the three months ended June 20, 2014 and included a \$15.9 million charge, net of tax, relating to the impact of acquisition transaction and integration costs, inventory step-up charges, employee termination costs, and debt prepayment.

**Income/(Loss) from Discontinued Operations, Net of Tax**

During the second quarter of 2013, the Company ceased its operations at its Paper PCC merchant plant in Walsum, Germany and recognized a loss from discontinued operations, net of tax, of \$4.9 million primarily related to facility closure costs. During the three months ended June 29, 2014, the Company reversed a facility closure accrual of \$1.8 million, net of \$0.6 million tax expense, due to a settlement of a contractual obligation.

**Segment Review**

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

***Specialty Minerals Segment***

Specialty Minerals Segment	Three Months Ended		Growth	
	June 29, 2014	June 30, 2013		
	(millions of dollars)			
<b>Net Sales</b>				
Paper PCC	\$ 115.2	\$ 118.3	\$ (3.1)	-2.6%
Specialty PCC	17.9	17.3	0.6	3.5%
PCC Products	\$ 133.1	\$ 135.6	\$ (2.5)	-1.8%
Talc	\$ 14.4	\$ 13.0	\$ 1.4	10.8%
Ground Calcium Carbonate	20.4	19.7	0.7	3.6%
Processed Minerals Products	\$ 34.8	\$ 32.7	\$ 2.1	6.4%
Total net sales	\$ 167.9	\$ 168.3	\$ (0.4)	-0.2%
<b>Income from operations</b>	\$ 23.9	\$ 25.2	\$ (1.3)	-5.2%
% of net sales	14.2%	15.0%		

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Worldwide sales in the Specialty Minerals segment were \$167.9 million, approximately the same as the prior year. Worldwide net sales of PCC, which is primarily used in the manufacturing process of the paper industry, decreased 1.8% to \$133.1 million from \$135.6 million in the prior year. Paper PCC sales decreased 2.6% to \$115.2 million primarily due to paper capacity realignments in North America and Europe. Sales of Specialty PCC increased 3.5% to \$17.9 million due to increased volumes in the United States and higher pricing.

Net sales of Processed Minerals products increased 6.4% to \$34.8 million. Talc sales increased 10.8% and Ground Calcium Carbonate sales increased 3.6% primarily due to increased volumes.

Income from operations was \$23.9 million and included employee termination costs of \$2.2 million during the three months ended June 29, 2014.

**Refractories Segment**

Refractories Segment	Three Months Ended		Growth	
	June 29, 2014	June 30, 2013		
	(millions of dollars)			
<b>Net Sales</b>				
Refractory Products	\$ 68.5	\$ 67.2	\$ 1.3	1.9%
Metallurgical Products	23.1	21.3	1.8	8.5%
Total net sales	<u>\$ 91.6</u>	<u>\$ 88.5</u>	<u>\$ 3.1</u>	<u>3.5%</u>
<b>Income from operations</b>	\$ 10.1	\$ 8.5	\$ 1.6	18.8%
% of net sales	11.0%	9.6%		

Net sales in the Refractories segment increased 3.5% to 91.6 million from \$88.5 million in the prior year. Sales of refractory products and systems to steel and other industrial applications grew 1.9% to \$68.5 million mainly due to stronger sales in Europe. Sales of metallurgical products increased 8.5% to \$23.1 million due to higher volumes in both North America and Europe.

Income from operations was \$10.1 million and included \$0.6 million of employee termination costs. The growth in income from operations was primarily driven by improved performance in Europe, increased wire sales, improved productivity and favorable impact of foreign exchange.

**Performance Materials Segment**

<b>Performance Materials Segment</b>	<b>Three Months Ended June 29, 2014</b>
	<b>(millions of dollars)</b>
<b>Net Sales</b>	
Metalcasting	\$ 39.4
Household, Personal Care and Specialty Products	23.4
Basic Minerals and Other Products	13.0
Total net sales	<u>\$ 75.8</u>
<b>Income from operations</b>	\$ 4.3
% of net sales	5.7%

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

This segment's operating result for the quarter ended June 29, 2014 include 52 days of results commencing May 9, 2014.

Net sales were \$75.8 million during the quarter ended June 29, 2014. Approximately \$42.5 million sales were generated within United States and \$33.3 million sales were generated internationally.

Income from operations was \$4.3 million and 5.7% of sales and was impacted by a one-time non-cash inventory step-up charge of \$3.6 million and employee termination costs of \$1.2 million. Sales and operating income were negatively affected by railcar shortages in the company's operations in the Western United States.

**Construction Technologies Segment**

<b>Construction Technologies Segment</b>	<b>Three Months Ended June 29, 2014</b>
	<b>(millions of dollars)</b>
<b>Net Sales</b>	
Environmental Products	\$ 17.3
Building Materials and Other Products	19.9
Total net sales	<u>\$ 37.2</u>
<b>Income from operations</b>	\$ 0.7
% of net sales	1.9%

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

This segment's operating result for the quarter ended June 29, 2014 include 52 days of results commencing May 9, 2014.

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Net sales were \$37.2 million during the quarter ended June 29, 2014. Approximately \$19.7 million sales were generated within United States and \$17.5 million sales were generated internationally.

Income from operations was \$0.7 million and 1.9% of sales and was impacted by a one-time non-cash inventory step-up charge of \$2.0 million and employee termination costs of \$1.0 million.

***Energy Services Segment***

<b>Energy Services Segment</b>	<b>Three Months Ended June 29, 2014</b>	
	<b>(millions of dollars)</b>	
Net Sales	\$	48.6
Income from operations	\$	5.9
% of net sales		12.1%

The Energy Services segment is a newly created segment resulting from the acquisition of AMCOL. This Segment provides products and services to the Oil and Gas Industry including a range of on and off shore Water Filtration, Well Testing, Pipeline, Coiled Tubing and Nitrogen Services primarily in the Gulf of Mexico and the surrounding on-shore areas.

This segment's operating result for the quarter ended June 29, 2014 include 52 days of results commencing May 9, 2014.

Net sales were \$48.6 million during the quarter ended June 29, 2014. Approximately \$39.7 million sales were generated within United States and \$8.9 million sales were generated internationally.

Income from operations was \$5.9 million and 12.1% of sales and included employee termination costs of \$1.0 million. The Segment had a strong performance in Filtration, Well Testing and Pipeline services primarily due to large projects that continued throughout the quarter. Coiled Tubing had a difficult quarter with lower demand due to the significant amount of capacity that currently exists in the on-shore market.

Six months ended June 29, 2014 as compared with six months ended June 30, 2013

**Consolidated Income Statement Review**

	Six Months Ended		Growth	
	June 29, 2014	June 30, 2013	\$	%
	(Dollars in millions)			
Net sales	\$ 665.5	\$ 507.4	\$ 158.1	31.2%
Cost of sales	507.5	392.7	114.8	29.2%
Production margin	158.0	114.7	43.3	37.8%
Production margin %	23.7%	22.6%		
Marketing and administrative expenses	67.8	44.5	23.3	52.4%
Research and development expenses	11.4	9.6	1.8	18.8%
Amortization expense of intangible assets acquired	1.0	-	1.0	*
Acquisition related transaction and integration costs	12.4	-	12.4	*
Restructuring and other charges	6.0	-	6.0	*
Income from operations	59.4	60.6	(1.2)	-2.0%
Operating margin %	8.9%	11.9%		
Interest expense, net	(9.1)	(0.3)	(8.8)	*
Premium on early extinguishment of debt	(5.8)	-	(5.8)	*
Other non-operating income (deductions), net	(0.4)	(1.0)	0.6	-60.0%
Total non-operating deductions, net	(15.3)	(1.3)	(14.0)	*
Income from continuing operations before provision for taxes and equity in earnings	44.1	59.3	(15.2)	-25.6%
Provision for taxes on income	10.5	16.3	(5.8)	*
Effective tax rate	23.8%	27.5%		
Equity in earnings of affiliates, net of tax	0.2	-	0.2	*
Income from continuing operations, net of tax	33.8	43.0	(9.2)	-21.4%
Income (loss) from discontinued operations, net of tax	1.8	(5.7)	7.5	-131.6%
Net income attributable to non-controlling interests	1.5	1.4	0.1	7.1%
Net income attributable to Minerals Technologies Inc. (MTI)	34.1	35.9	(1.8)	-5.0%

\* Not meaningful

**Net Sales**

	Six Months Ended June 29, 2014		%	Six Months Ended June 30, 2013	
	Net Sales	% of Total Sales		Net Sales	% of Total Sales
	(Dollars in millions)				
U.S.	\$ 378.3	56.8%	33.9%	\$ 282.6	55.7%
International	287.2	43.2%	27.8%	224.8	44.3%
Total sales	\$ 665.5	100.0%	31.2%	\$ 507.4	100.0%
Specialty Minerals Segment	\$ 327.5	49.2%	-2.3%	\$ 335.3	66.1%
Refractories Segment	176.4	26.5%	2.5%	172.1	33.9%
Performance Materials Segment	75.8	11.4%	*	-	*
Construction Technologies Segment	37.2	5.6%	*	-	*
Energy Services Segment	48.6	7.3%	*	-	*
Total sales	\$ 665.5	100.0%	31.2%	\$ 507.4	100.0%

Total sales increased \$158.1 million or 31.2% from the previous year to \$665.5 million. All of the growth during the six months ended June 29, 2014 was from the acquired Performance Materials, Construction Technologies and Energy Services segments. Foreign exchange had an unfavorable impact of \$2.7 million or 1%. Sales from operations owned for more than one year were approximately the same as the prior year's second quarter.

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Approximately \$101.8 million of sales within United States and \$59.7 million of sales within International regions relate to the acquisition of AMCOL business.

**Operating Costs and Expenses**

Cost of sales from the acquired business was \$120.7 million and included a non-recurring inventory step-up charge of \$5.6 million. Our Specialty Minerals and Refractories segments production margin benefitted from increased pricing and productivity and cost improvements which more than offset the impact of paper mill and paper machine shutdowns in the U.S. and Europe and increased energy costs.

Marketing and administrative costs were \$67.8 million and 10.2% of sales compared to \$44.5 million and 8.8% of sales in prior year. All of the increases related to the acquired businesses.

Research and development expenses was \$11.4 million and represented 1.7 percent of sales with all of the increases related to the acquired businesses.

The Company incurred \$1.0 million charge relating to the amortization of intangible assets acquired and a \$12.4 million charge for the transaction and integration costs during the six months ended June 29, 2014 resulting from the acquisition.

During the six months ended June 29, 2014, the Company recorded \$6.0 million in severance-related restructuring charges across all business segments of the Company and which is estimated to provide annualized savings in the range of \$10 million to \$12 million.

**Income from Operations**

The Company recorded income from operations of \$59.4 million as compared to \$60.6 million in the prior year. Operating income includes a one-time non-cash inventory step-up charge of \$5.6 million, acquisition related transaction and integration costs of \$12.4 million, and severance-related restructuring charges of approximately \$6.0 million.

**Non-Operating Income (Deductions)**

In May 2014, the Company repaid the \$75 million Senior Notes and entered into a \$1.56 billion senior secured term loan facility to fund the acquisition of AMCOL business. The increase in debt level resulted in the \$8.8 million increase in interest expense compared to prior year. The Company also incurred a \$5.8 million charge for prepaying the \$75 million Senior Notes.

**Provision for Taxes on Income**

Provision for taxes was \$10.5 million as compared to \$16.3 million in prior year. The effective tax rate was 23.8% as compared to 27.5% in prior year. The lower effective tax rate was primarily due to a change in the mix of earnings, tax benefits on one-time charges at a higher rate, and higher depletion deductions.

**Income from Continuing Operations, Net of Tax**

Income from continuing operations, net of tax, was \$33.8 million during the six months ended June 29, 2014 and included a \$20.4 million charge, net of tax, relating to the impact of acquisition transaction and integration costs, inventory step-up charges, employee termination costs, and debt prepayment costs.



**Segment Review**

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

**Specialty Minerals Segment**

Specialty Minerals Segment	Six Months Ended		Growth	
	June 29, 2014	June 30, 2013		
	(millions of dollars)			
<b>Net Sales</b>				
Paper PCC	\$ 227.9	\$ 238.8	\$ (10.9)	-4.6%
Specialty PCC	34.2	34.2	-	0.0%
PCC Products	\$ 262.1	\$ 273.0	\$ (10.9)	-4.0%
Talc	\$ 27.9	\$ 25.4	\$ 2.5	9.8%
Ground Calcium Carbonate	37.5	36.9	0.6	1.6%
Processed Minerals Products	\$ 65.4	\$ 62.3	\$ 3.1	5.0%
Total net sales	\$ 327.5	\$ 335.3	\$ (7.8)	-2.3%
<b>Income from operations</b>	\$ 45.4	\$ 48.5	\$ (3.1)	-6.4%
% of net sales	13.9%	14.5%		

Worldwide sales in the Specialty Minerals segment were \$327.5 million, which was 2.3% lower than the prior year. Worldwide net sales of PCC, which is primarily used in the manufacturing process of the paper industry, decreased 4.0% to \$262.1 million from \$273.0 million in the prior year. Paper PCC sales decreased 4.6% to \$227.9 million primarily due to paper capacity realignments in North America and Europe. Sales of Specialty PCC were the same as the prior year.

Net sales of Processed Minerals products increased 5.0% to \$65.4 million. Talc sales increased 9.8% and Ground Calcium Carbonate sales increased 1.6% primarily due to increased volumes.

Income from operations was \$45.4 million and 13.9% of net sales compared to \$48.5 million and 14.5% of sales in prior year. Income from operations during the six months ended June 29, 2014 included restructuring charges of \$2.2 million.

**Refractories Segment**

Refractories Segment	Six Months Ended		Growth	
	June 29, 2014	June 30, 2013		
	(millions of dollars)			
<b>Net Sales</b>				
Refractory Products	\$ 131.7	\$ 129.6	\$ 2.1	1.6%
Metallurgical Products	44.7	42.5	2.2	5.2%
Total net sales	\$ 176.4	\$ 172.1	\$ 4.3	2.5%
<b>Income from operations</b>	\$ 19.3	\$ 15.4	\$ 3.9	25.3%
% of net sales	10.9%	8.9%		

Net sales in the Refractories segment increased 2.5% to 176.4 million from \$172.1 million in the prior year. Sales of refractory products and systems to steel and other industrial applications grew 1.6% to \$131.7 million mainly due to stronger sales in Europe. Sales of metallurgical products increased 5.2% to \$44.7 million due to higher volumes in both North America and Europe

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Income from operations was \$19.3 million and 10.9% of sales and included restructuring charges of \$0.6 million. The growth in income from operations was primarily driven by improved performance in Europe, increased wire sales, improved productivity and favorable impact of foreign exchange.

***Performance Materials, Construction Technologies, and Energy Services Segments***

Performance Materials, Construction Technologies, and Energy Services segments are newly created segments resulting from the acquisition of AMCOL business. The operating results for these segments for the three and six month period ended June 29, 2014 include 52 days of results from May 9<sup>th</sup> forward. Refer to the ***Three months ended June 29, 2014 as compared with three months ended June 30, 2013, Segment Review*** for information on operating result of these segments.

**Liquidity and Capital Resources**

Cash provided from operating activities in the first half of 2014 was \$107.2 million. Cash flows provided from operations in the first half of 2014 were principally used to fund capital expenditures and pay the Company's dividend to common shareholders.

On May 9, 2014, in connection with the acquisition of AMCOL, the Company entered into a credit agreement providing for the \$1.56 billion Term Facility and a \$200 million senior secured revolving credit facility (the "Revolving Facility" and, together with the Term Facility, the "Facilities"). The net proceeds of the Term Facility, together with the Company's cash on hand, were used as cash consideration for the acquisition of AMCOL and to refinance certain existing indebtedness of the Company (including the Company's 3.46% Series A Senior Notes due October 7, 2020 and 4.13% Series B Senior Notes due October 7, 2023) and AMCOL and to pay fees and expenses in connection with the foregoing. Loans under the Revolving Facility will be used for working capital and other general corporate purposes of the Company and its subsidiaries. As of June 29, 2014, the Revolving Facility was unused.

The loans outstanding under the Term Facility will mature on May 9, 2021 and the loans outstanding (if any) and commitments under the Revolving Facility will mature and terminate, as the case may be, on May 9, 2019. Loans under the Term Facility bear interest at a rate equal to an adjusted LIBOR rate (subject to a floor of 0.75%) plus an applicable margin equal to 3.25% per annum. Loans under the Revolving Facility will bear interest at a rate equal to an adjusted LIBOR rate plus an applicable margin equal to 1.75% per annum. Such rates are subject to decrease by up to 25 basis points in the event that, and for so long as, the Company's net leverage ratio (as defined in the credit agreement) is less than certain thresholds. The Term Facility was issued at a 1% discount and has a 1% required amortization per year. The Company will pay certain fees under the credit agreement, including a commitment fee on the total unused commitment under the Revolving Facility. The obligations of the Company under the Facilities are unconditionally guaranteed jointly and severally by, subject to certain exceptions, all material domestic subsidiaries of the Company (the "Guarantors") and secured, subject to certain exceptions, by a security interest in substantially all of the assets of the Company and the Guarantors.

The credit agreement contains certain customary affirmative and negative covenants that limit or restrict the ability of the Company and its restricted subsidiaries to enter into certain transactions or take certain actions. In addition, the credit agreement contains a financial covenant that requires the Company, if on the last day of any fiscal quarter loans or letters of credit were outstanding under the Revolving Facility (excluding up to \$15 million of letters of credit), to maintain a maximum net leverage ratio (as defined in the credit agreement) of, initially, 5.25 to 1.00 for the four fiscal quarter period preceding such day. Such maximum net leverage ratio requirement is subject to decrease during the duration of the facility to a minimum level (when applicable) of 3.50 to 1.00. As of June 29, 2014, there were no loans or letters of credit outstanding under the Revolving Facility. The Company is in compliance with all the covenants associated with this Revolving Facility as of the end of the period covered by this report.

The Company had \$38.7 million in uncommitted short-term bank credit lines, of which \$4.7 million were in use at June 29, 2014. The credit lines are primarily outside the U.S. and are generally one year in term at competitive market rates at large well-established institutions. The Company typically uses its available credit lines to fund working capital requirements or local capital spending needs. We anticipate that capital expenditures for 2014, exclusive of the AMCOL acquisition, but including capital expenditures for the AMCOL businesses we acquired, should be between \$100.0 million and \$110.0 million, principally related to the construction of PCC plants and other opportunities that meet our strategic growth objectives. We expect to meet our other long-term financing requirements from internally generated funds, committed and uncommitted bank credit lines and, where appropriate, project financing of certain satellite plants. The aggregate maturities of long-term debt are as follows: remainder of 2014 - \$16.0 million; 2015 - \$15.6 million; 2016 - \$15.6 million; 2017 - \$15.6 million; 2018 - \$15.6 million; thereafter - \$1,474.5 million.

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On September 19, 2013, the Company's Board of Directors authorized the Company's management to repurchase, at its discretion, up to \$150 million of the Company's shares over a two-year period commencing October 2, 2013. As of June 29, 2014, 139,900 shares have been repurchased under this program for \$7.5 million, or an average price of approximately \$53.33 per share.

The Company is required to make future payments under various contracts, including debt agreements and lease agreements. The Company also has commitments to fund its pension plans and provide payments for other postretirement benefit plans. During the six months ended June 29, 2014, there were no material changes in the Company's contractual obligations other than the assumption of AMCOL's contractual obligations in connection with the AMCOL acquisition. For an in-depth discussion of the Company's contractual obligations, see "Liquidity and Capital Resources" in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's Annual Report on Form 10-K for the year ended December 31, 2013. For an in-depth discussion of AMCOL's contractual obligations, see "Contractual Obligations and Off-Balance Sheet Arrangements" in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in AMCOL's Annual Report on Form 10-K for the year ended December 31, 2013.

**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.

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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.

*Presentation of Unrecognized Tax Benefits*

In July 2013, the FASB issued ASU No. 2013-11, "Income Taxes: Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists" which improves the reporting of unrecognized tax benefits. This ASU requires an entity to present an unrecognized tax benefit as a reduction to deferred tax assets for NOLs or tax credit carryforwards, unless the NOL or tax credit carryforward is not available under the tax law or not intended to be used as of the reporting date to settle any additional income taxes that would be due from the disallowance of a tax position. Under that exception, the unrecognized tax benefit should be presented as a liability instead of being netted against deferred tax assets for NOLs or tax credit carryforwards. This ASU is effective for fiscal quarters and years beginning after December 15, 2013 and did not have a significant impact on the Company's consolidated balance sheet.

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

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

*Revenue from Contracts with Customers*

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers" which will supersede nearly all existing revenue recognition guidance under U.S. GAAP. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of time value of money in the transaction price, and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The guidance also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The guidance is effective for the interim and annual periods beginning on or after December 15, 2016 (early adoption is not permitted). The guidance permits the use of either a retrospective or cumulative effect transition method. The Company has not yet selected a transition method and is currently evaluating the impact of this ASU on the Company's consolidated financial statements and related disclosures.

**Critical Accounting Policies**

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

On an ongoing basis, we evaluate our estimates and assumptions, including those related to revenue recognition, valuation of receivables, valuation of inventories, valuation of long-lived assets, pension plan assumptions, stock-based compensation assumptions, valuation of product liability and asset retirement obligation, income taxes, income tax valuation allowances and litigation and environmental liabilities. We base our estimates on historical experience and on other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that 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. All of our bank debt bears interest at variable rates; therefore our results of operations would be affected by interest rate changes to the extent of such outstanding bank debt. An immediate 10 percent change in interest rates could have a material effect on our results of operations over the next fiscal year. A one-percent change in interest rates would cost \$15.6 million in incremental interest charges on an annual basis.

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

We had open forward exchange contracts to purchase approximately \$0.3 million of foreign currencies as of June 29, 2014. The contracts mature in July 2014. The fair value of these instruments at June 29, 2014 was a liability of less than \$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). Our assessment included the operations and related assets of AMCOL, which we acquired on May 9, 2014. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that as of the end of the period covered by this report the Company's disclosure controls and procedures were effective.

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

Except as described above, there were no changes in the Company's internal control over financial reporting during the quarter ended June 29, 2014 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

## PART II. OTHER INFORMATION

### Item 1. Legal Proceedings.

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

#### *Armada Litigation*

On May 8, 2013, Armada (Singapore) PTE Limited, an ocean shipping company now in bankruptcy ("Armada") filed a case in federal court in the Northern District of Illinois against AMCOL International Corporation and certain of its subsidiaries (*Armada (Singapore) PTE Limited v. AMCOL International Corp., et al., United States District Court for the Northern District of Illinois*, Case No. 13 CV 3455). We acquired AMCOL and its subsidiaries on May 9, 2014. A co-defendant is Ashapura Minechem Limited, a company located in Mumbai, India ("AML"). During the relevant time period, 2008-2010, AMCOL owned slightly over 20% of the outstanding AML stock through December 2009, after which it owned approximately 19%. In 2008, AML entered into two contracts of affreightment ("COA") with Armada for over 60 ship loads of bauxite from India to China. After one shipment, AML made no further shipments, which led Armada to file arbitrations in London against AML, one for each COA. AML did not appear in the London arbitrations and default awards of approximately \$70 million were entered. The litigation filed by Armada against AMCOL and AML relates to these awards, which AML has not paid. The substance of the allegations by Armada is that AML and AMCOL engaged in illegal conduct to thwart Armada's efforts to collect the arbitration award. The counts in the complaint include both violations of the Illinois Fraudulent Transfer laws as well as federal RICO violations. The lawsuit seeks money damages as well injunctive relief. The litigation is now entering the discovery phase. Fact discovery and expert discovery is currently scheduled to last through June 12, 2015. At this time, considering this case is in the discovery phase, management cannot estimate potential losses (if any) and therefore has not established any provisions.

#### *Bentonit União Nordeste Indústria e Comércio Ltda. arbitration*

The Company's Construction Technologies segment is respondent in an arbitration requested by Bentonit União Nordeste Indústria e Comércio Ltda. ("BUN"), the Company's joint venture partner in Brazil, alleging a breach of the joint venture agreement and claiming, among other things, damages in the amount of 34 million Brazilian real. The arbitration is in an evidentiary phase and, based on the evidence to date, the Company believes that the BUN claim is unsubstantiated. At this time management anticipates that the amount of the Company's liability, if any, will not have a material effect on its financial position or results of operations.

#### *Silica and Asbestos Litigation*

Certain of the Company's subsidiaries are among numerous defendants in a number of cases seeking damages for exposure to silica or to asbestos containing materials. The Company currently has 102 pending silica cases and 15 pending asbestos cases. These totals include 30 silica cases and one asbestos case against AMCOL International Corporation and/or its subsidiary, American Colloid Company, that were pending on the date we acquired AMCOL and were not previously reported by us. To date, 1,394 silica cases and 35 asbestos cases have been dismissed, not including any lawsuits against AMCOL or American Colloid Company dismissed prior to our acquisition of AMCOL. No new asbestos or silica cases were filed in the second quarter of 2014.

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 (not including any that may have been settled by AMCOL prior to completion of the acquisition). We are unable to state an amount or range of amounts claimed in any of the lawsuits because state court pleading practices do not require identifying the amount of the claimed damage. The aggregate cost to the Company for the legal defense of these cases since inception continues to be insignificant. The majority of the costs of defense for these cases, excluding cases against AMCOL or American Colloid, are reimbursed by Pfizer Inc. pursuant to the terms of certain agreements entered into in connection with the Company's initial public offering in 1992. Of the 14 pending asbestos cases excluding the case against AMCOL / American Colloid, 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 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.

**ITEM 1A. Risk Factors**

For a description of Risk Factors, see Exhibit 99 attached to this report. There have been no material changes to our risk factors from those disclosed in our 2013 Annual Report on Form 10-K, except for the following:

➤ *The acquisition of AMCOL International Corporation exposes the Company to a number of risks and uncertainties, the occurrence of any of which could materially adversely affect the Company or the future results of the combined company.*

On May 9, 2014, the Company acquired AMCOL International Corporation ("AMCOL"). The success of this acquisition will depend, in part, on our ability to realize anticipated benefits from combining the businesses of the Company and AMCOL. If we are not able to successfully integrate the businesses of the Company and AMCOL, the anticipated benefits of the proposed acquisition may not be realized fully or at all or may take longer to realize than expected. The risks and uncertainties relating to realizing the anticipated benefits of the transaction include:

- that we have incurred and may continue to incur a number of non-recurring costs associated with combining the operations of the Company and AMCOL;
- that the combined company has undergone, and is expected to continue to undergo, certain internal restructurings and reorganizations in order to realize certain potential synergies, which may affect our ability to maintain our relationships with customers and suppliers, retain key personnel, avoid diversion of management's attention from operational matters, and efficiently integrate general and administrative services;

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- that the combined company may not be able to achieve the synergies expected from the transaction, or that there may be delays in achieving any such synergies; and
- that the combined company may be exposed to increased litigation from stockholders, customers, suppliers, and other third parties.

Further, the business segments we acquired in the AMCOL acquisition are subject to a number of risks related to their business and operations, including the following:

- Our Performance Materials segment's sales are predominantly derived from the metalcasting market and our Construction Technologies segment's sales are predominantly derived from the commercial construction and infrastructure markets. All of these markets depend heavily upon the strength of the domestic and international economies. If these economies weaken, demand for our products sold to these markets may decline and our business or future financial results may be adversely affected.
- Our customers' demand for our Energy Services segment's products and services are affected by oil and natural gas production activities, which are heavily influenced by the benchmark price of these commodities.
- In addition, oil and natural gas exploration and production activities depend heavily on the location of these natural resources within the earth's geology and geographic location as well as technologies available to profitably extract them. Thus, the performance of our Energy Services segment is affected by changes in technologies, locations of customers' targeted reserves, and competition in various geographic markets.
- We purchase a significant amount of raw materials which are derived from petrochemical products. Our production processes also consume a significant amount of energy, primarily electricity, diesel fuel, natural gas and coal. We use diesel fuel to operate our mining and processing equipment and our freight costs are heavily dependent upon fuel prices and surcharges. On a combined basis, these factors represent a large exposure to petrochemical and energy products which may be subject to significant price fluctuations.
- We rely on shipping bulk cargos of bentonite from and within the United States, Turkey and China to customers, as well as our own subsidiaries, and we are sensitive to our ability to recover these shipping costs. In the last few years, bulk cargo shipping rates have been very volatile, and, to a lesser extent, the availability of bulk cargo containers has been suspect. If we cannot secure our container requirements or offset additional shipping costs with price increases to customers, our profitability could be impacted.
- Our Energy Services and Construction Technologies segments are affected by seasonal weather patterns, especially in the Gulf of Mexico and surrounding states, which are susceptible to hurricanes that typically occur June 1st through November 30th. In addition, it is affected by customers' demands for natural gas. Natural gas is affected by weather patterns as colder winters increase the demand for natural gas to heat homes and warmer summers increase the demand for natural gas to fuel generators providing electricity to run air conditioners. Actual or threatened hurricanes or changes in the demand for natural gas can result in volatile demand for services provided by our Energy Services segment.
- Our Construction Technologies segment is affected by weather patterns which determine the feasibility of construction activities. Typically, less construction activity occurs in winter months and thus this segment's revenues tend to be greatest in the second and third quarters when weather patterns in our geographic markets are more conducive to construction activities.

Any of these risks and uncertainties could have a material adverse effect on us or the future results of the combined company.



➤ ***Increased costs related to the financing of the acquisition of AMCOL International will require a significant amount of cash. This could reduce the Company's flexibility to respond to changing business and economic conditions or fund capital expenditures or working capital needs. Our ability to generate cash depends on many factors beyond our control.***

At June 29, 2014, the Company had outstanding borrowings of \$1.56 billion pursuant to our senior secured credit facility, largely to finance the acquisition of AMCOL International. This financing will require a significant amount of cash to make interest payments. Further, borrowings under our senior secured credit facility are based on variable rates of interest, which could result in higher interest expense in the event of an increase in interest rates. Our ability to pay interest on our debt and to satisfy our other debt obligations will depend in part upon our future financial and operating performance and upon our ability to renew or refinance borrowings. Prevailing economic conditions and financial, business, competitive, regulatory and other factors, many of which are beyond our control, will affect our ability to make these payments. We cannot guarantee that our business will generate sufficient cash flow from operations or that future borrowings will be available to us in an amount sufficient to enable us to fund our liquidity needs. If we are unable to generate sufficient cash flow to meet our debt service obligations, we will have to pursue one or more alternatives, such as, reducing or delaying capital or other expenditures, refinancing debt, selling assets, or raising equity capital. Further, the requirement to make significant interest payments may reduce the Company's flexibility to respond to changing business and economic conditions or fund capital expenditure or working capital needs and may increase the Company's vulnerability to adverse economic conditions.

➤ ***Our senior secured credit facility contains various covenants that limits our ability to take certain actions and our revolving credit facility, if used, also requires us to meet financial maintenance tests, failure to comply with which could have a material adverse effect on us.***

The agreement governing our senior secured credit facility contains a number of significant covenants that, among other things, limit our ability to: incur additional debt or liens, consolidate or merge with any other person, alter the business we conduct, make investments, use the proceeds of asset sales or sale/leaseback transactions, enter into hedging arrangements, pay dividends or make certain other restricted payments, create dividend or other payment restrictions with respect to subsidiaries, and enter into transactions with affiliates. In addition, our revolving credit facility, if used, requires us to comply with specific financial ratios, under which we are required to achieve specific financial results. Our ability to comply with these provisions may be affected by events beyond our control. A breach of any of these covenants would result in a default under the agreements. In the event of any default, our lenders could elect to declare all amounts borrowed under the agreements, together with accrued interest thereon, to be due and payable. In such an event, we cannot assure you that we would have sufficient assets to pay debt then outstanding under the agreements governing our debt. Any future refinancing of the senior secured credit facility is likely to contain similar restrictive covenants.

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

On September 19, 2013, the Company's Board of Directors authorized the Company's management to repurchase, at its discretion, up to \$150 million of the Company's shares over a two-year period commencing on October 2, 2013. As of June 29, 2014, 139,900 shares have been repurchased under this program for \$7.5 million, or an average price of approximately \$53.33 per share. The Company has not repurchased any shares during the three and six months period ended June 29, 2014.

## **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**

<u>Exhibit No.</u>	<u>Exhibit Title</u>
10.1	Credit Agreement dated as of May 9, 2014, among Minerals Technologies Inc., the borrowing subsidiaries party thereto, the lenders party thereto, Barclays Bank PLC and U.S. Bank National Association, as Syndication Agents, Sumitomo Mitsui Banking Corporation, as Documentation Agent, and JPMorgan Chase Bank, N.A., as Administrative Agent (incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K filed by Minerals Technologies Inc. on May 9, 2014).
<a href="#">15</a>	Letter Regarding Unaudited Interim Financial Information.
<a href="#">31.1</a>	Rule 13a-14(a)/15d-14(a) Certification executed by the Company's principal executive officer.
<a href="#">31.2</a>	Rule 13a-14(a)/15d-14(a) Certification executed by the Company's principal financial officer.
<a href="#">32</a>	Section 1350 Certifications.
<a href="#">95</a>	Information concerning Mine Safety Violations
<a href="#">99</a>	Risk Factors
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

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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

August 8, 2014

ACCOUNTANTS' ACKNOWLEDGEMENT

Board of Directors  
Minerals Technologies Inc.:

Re: Registration Statement Nos. 333-160002, 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 August 8, 2014, related to our review of interim financial information.

Pursuant to Rule 436 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.

/s/ KPMG LLP

New York, New York  
August 8, 2014

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**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:
  - (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: August 8, 2014

By: /s/ Joseph C. Muscari  
Joseph C. Muscari  
Chairman of the Board  
and Chief Executive Officer

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

I, Douglas T. Dietrich, 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:
  - (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: August 8, 2014

By: /s/Douglas T. Dietrich

Douglas T. Dietrich  
Senior Vice President, Finance and Treasury,  
Chief 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 June 29, 2014 (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: August 8, 2014

By: /s/ Joseph C. Muscari  
Joseph C. Muscari  
Chairman of the Board and Chief Executive Officer

Date: August 8, 2014

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

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Section 1503 of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K contain certain reporting requirements regarding coal or other mine safety. The Company, through its subsidiaries Specialty Minerals Inc., Barretts Minerals Inc., and American Colloid Company (which was acquired by the Company on May 9, 2014), operates fourteen mines in the United States. The operation of our mines is subject to regulation by the federal Mine Safety and Health Administration (“MSHA”) under the Federal Mine Safety and Health Act of 1977 (the “Mine Act”). MSHA inspects our mines on a regular basis and issues various citations and orders when it believes a violation has occurred under the Mine Act.

The following table sets forth the required information with respect to each mine for which we are the operator for the period April 1, 2014 to June 29, 2014 (number of occurrences, except for proposed assessment dollar values):

Mine	Section 104(a) S&S	Section 104(b)	Section 104(d)	Section 110(b)(2)	Section 107(a)	Proposed Assessments	Fatalities
	(A)	(B)	(C)	(D)	(E)	(F)	(G)
Lucerne Valley, CA	0	0	0	0	0	\$0	0
Canaan, CT	0	0	0	0	0	\$0	0
Adams, MA	0	0	0	0	0	\$0	0
Barretts Mill, Dillon, MT	0	0	0	0	0	\$0	0
Regal Mine, Dillon, MT	0	0	0	0	0	\$0	0
Treasure Mine, Dillon, MT	0	0	0	0	0	\$0	0
Belle/Colony Mine, WY	1	0	0	0	0	\$1,053	0
Belle Fourche Mill, SD	0	0	0	0	0	\$0	0
Colony East, WY	0	0	0	0	0	\$0	0
Colony West, WY	0	0	0	0	0	\$0	0
Gascoyne, ND	0	0	0	0	0	\$0	0
Lovell, WY	0	0	0	0	0	\$0	0
Sandy Ridge, AL	0	0	0	0	0	\$4,423	0
Yellowtail, WY	0	0	0	0	0	\$0	0

- (A) The total number of violations of mandatory health or safety standards that could significantly and substantially contribute to the cause and effect of a mine safety or health hazard under section 104 of the Mine Act for which we received a citation from MSHA.
- (B) The total number of orders issued under section 104(b) of the Mine Act.
- (C) The total number of citations and orders for unwarrantable failure of the Company to comply with mandatory health or safety standards under section 104(d) of the Mine Act.
- (D) The total number of flagrant violations under section 110(b)(2) of the Mine Act.
- (E) The total number of imminent danger orders issued under section 107(a) of the Mine Act.
- (F) The total dollar value of proposed assessments from MSHA under the Mine Act.
- (G) The total number of mining-related fatalities, other than fatalities determined by MSHA to be unrelated to mining activity.

During the period April 1, 2014 to June 29, 2014, we did not receive any written notice from MSHA, with respect to any mine for which we are the operator, of (A) a pattern of violations of mandatory health or safety standards that are of such nature as could have significantly and substantially contributed to the cause and effect of mine health and safety hazards under section 104(e) of the Mine Act or (B) the potential to have such a pattern.

The following table sets forth the required information with respect to legal actions before the Federal Mine Safety and Health Review Commission involving each mine for which we are the operator for the period April 1, 2014 to June 29, 2014 (number of actions):

Mine	Legal Actions Pending As Of Last Day Of Period (1)	Legal Actions Initiated During Period	Legal Actions Resolved During Period
Lucerne Valley, CA	2	0	0
Canaan, CT	0	0	0
Adams, MA	3	0	0
Barretts Mill, Dillon, MT	0	0	0
Regal Mine, Dillon, MT	0	0	0
Treasure Mine, Dillon, MT	0	0	0
Belle/Colony Mine, WY	0	0	0
Belle Fourche Mill, SD	0	0	0
Colony East, WY	2	0	0
Colony West, WY	0	0	0
Gascoyne, ND	0	0	0
Lovell, WY	0	0	0
Sandy Ridge, AL	3	3	0
Yellowtail, WY	0	0	0

(1) Each legal action pending as of the last day of the period is a contest of citations and orders, as referenced in Subpart B of 29 CFR Part 2700. For each such legal action, we have requested, in the alternative, a reduction of the proposed penalties, as referenced in Subpart C of 29 CFR Part 2700.

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## RISK FACTORS

Our business faces significant risks. Set forth below are all risks that we believe are material at this time. Our business, financial condition and results of operations could be materially adversely affected by any of these risks. These risks should be read in conjunction with the other information in the Company's Annual Report on Form 10-K for the year ended December 31, 2013, and this Quarterly Report on Form 10-Q.

- ***Worldwide general economic, business, and industry conditions have had, and may continue to have, an adverse effect on the Company's results.***

The global economic instability of the past few years has caused, among other things, declining consumer and business confidence, volatile raw material prices, instability in credit markets, high unemployment, fluctuating interest and exchange rates, and other challenges. The Company's business and operating results have been and may continue to be adversely affected by these global economic conditions. The Company's customers and potential customers may experience deterioration of their businesses, cash flow shortages, and difficulty obtaining financing. As discussed below, the industries we serve, primarily paper, steel, construction and automotive, have in the past been adversely affected by the uncertain global economic climate due to the cyclical nature of their businesses. As a result, existing or potential customers may reduce or delay their growth and investments and their plans to purchase products, and may not be able to fulfill their obligations in a timely fashion. Further, suppliers could experience similar conditions, which could affect their ability to fulfill their obligations to the Company. Adversity within capital markets may also impact the Company's results of operations by negatively affecting the amount of expense the Company records for its pension and other postretirement benefit plans. Actuarial valuations used to calculate income or expense for the plans reflect assumptions about financial market and other economic conditions – the most significant of which are the discount rate and the expected long-term rate of return on plan assets. Such actuarial valuations may change based on changes in key economic indicators. Global economic markets remain uncertain, and there can be no assurance that market conditions will improve in the near future. Future weakness in the global economy could materially and adversely affect our business and operating results.

- ***The Company's operations are subject to the cyclical nature of its customers' businesses and we may not be able to mitigate that risk.***

The majority of the Company's sales are to customers in industries that have historically been cyclical: paper, steel, construction, and automotive. These industries have been particularly adversely affected by the uncertain global economic climate. Our Refractories segment primarily serves the steel industry. In 2013, North American and European steel production was approximately 10% below 2008 levels due to reduced demand and several steel mill closures. In the paper industry, which is served by our Paper PCC product line, production levels for uncoated freesheet within North America and Europe, our two largest markets remain approximately 17% below 2008 levels. The reduced demand for paper industry products has also caused the paper industry to experience a number of recent bankruptcies and paper mill closures, including among our customers. In addition, our Processed Minerals and Specialty PCC product lines are affected by the domestic building and construction markets and the automotive market. Housing starts in 2013 averaged approximately 928 thousand units. Housing starts were at a peak rate of 2.1 million units in 2005. Demand for our products is subject to these trends. In addition, these trends could cause our customers to 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. The Company has taken steps to reduce its exposure to variations in its customers' businesses, including by diversifying its portfolio of products and services; through geographic expansion, and by structuring most 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, there can be no assurance that these efforts will mitigate the risks of our dependence on these industries. Continued weakness in the industries we serve has had, and may in the future have, an adverse effect on sales of our products and our results of operations. A continued or renewed 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.

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- ***The Company's results could be adversely affected if it is unable to effectively achieve and implement its growth initiatives.***

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 the BRIC (Brazil, Russia, India, China) countries and other Asian and Eastern European countries; increasing its penetration into product markets such as the market for papercoating 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 products such as the FulFill® family of products for the paper industry. Difficulties, delays or failure of any of these strategies could affect the future growth rate of the Company. Our strategy also anticipates growth through future acquisitions. However, our ability to identify and consummate any future acquisitions on terms that are favorable to us may be limited by the number of attractive acquisition targets, internal demands on our resources and our ability to obtain financing. Our success in integrating newly acquired businesses will depend upon our ability to retain key personnel, avoid diversion of management's attention from operational matters, and integrate general and administrative services. In addition, future acquisitions could result in the incurrence of additional debt, costs and contingent liabilities. Integration of acquired operations may take longer, or be more costly or disruptive to our business, than originally anticipated, and it is also possible that expected synergies from future acquisitions may not materialize. We also may incur costs and divert management attention with regard to potential acquisitions that are never consummated.

- ***The acquisition of AMCOL International Corporation exposes the Company to a number of risks and uncertainties, the occurrence of any of which could materially adversely affect the Company or the future results of the combined company.***

On May 9, 2014, the Company acquired AMCOL International Corporation ("AMCOL"). The success of this acquisition will depend, in part, on our ability to realize anticipated benefits from combining the businesses of the Company and AMCOL. If we are not able to successfully integrate the businesses of the Company and AMCOL, the anticipated benefits of the proposed acquisition may not be realized fully or at all or may take longer to realize than expected. The risks and uncertainties relating to realizing the anticipated benefits of the transaction include:

- that we have incurred and may continue to incur a number of non-recurring costs associated with combining the operations of the Company and AMCOL;
- that the combined company has undergone, and is expected to continue to undergo, certain internal restructurings and reorganizations in order to realize certain potential synergies, which may affect our ability to maintain our relationships with customers and suppliers, retain key personnel, avoid diversion of management's attention from operational matters, and efficiently integrate general and administrative services;
- that the combined company may not be able to achieve the synergies expected from the transaction, or that there may be delays in achieving any such synergies; and
- that the combined company may be exposed to increased litigation from stockholders, customers, suppliers, and other third parties.

Further, the business segments we acquired in the AMCOL acquisition are subject to a number of risks related to their business and operations, including the following:

- Our performance materials segment's sales are predominantly derived from the metalcasting market and our construction technologies segment's sales are predominantly derived from the commercial construction and infrastructure markets. All of these markets depend heavily upon the strength of the domestic and international economies. If these economies weaken, demand for our products sold to these markets may decline and our business or future financial results may be adversely affected.
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- Our customers' demand for our energy services segment's products and services are affected by oil and natural gas production activities, which are heavily influenced by the benchmark price of these commodities.
- In addition, oil and natural gas exploration and production activities depend heavily on the location of these natural resources within the earth's geology and geographic location as well as technologies available to profitably extract them. Thus, the performance of our energy services segment is affected by changes in technologies, locations of customers' targeted reserves, and competition in various geographic markets.
- We purchase a significant amount of raw materials which are derived from petrochemical products. Our production processes also consume a significant amount of energy, primarily electricity, diesel fuel, natural gas and coal. We use diesel fuel to operate our mining and processing equipment and our freight costs are heavily dependent upon fuel prices and surcharges. On a combined basis, these factors represent a large exposure to petrochemical and energy products which may be subject to significant price fluctuations.
- We rely on shipping bulk cargos of bentonite from and within the United States, Turkey and China to customers, as well as our own subsidiaries, and we are sensitive to our ability to recover these shipping costs. In the last few years, bulk cargo shipping rates have been very volatile, and, to a lesser extent, the availability of bulk cargo containers has been suspect. If we cannot secure our container requirements or offset additional shipping costs with price increases to customers, our profitability could be impacted.
- Our energy services and construction technologies segments are affected by seasonal weather patterns, especially in the Gulf of Mexico and surrounding states, which are susceptible to hurricanes that typically occur June 1st through November 30th. In addition, it is affected by customers' demands for natural gas. Natural gas is affected by weather patterns as colder winters increase the demand for natural gas to heat homes and warmer summers increase the demand for natural gas to fuel generators providing electricity to run air conditioners. Actual or threatened hurricanes or changes in the demand for natural gas can result in volatile demand for services provided by our energy services segment.
- Our construction technologies segment is affected by weather patterns which determine the feasibility of construction activities. Typically, less construction activity occurs in winter months and thus this segment's revenues tend to be greatest in the second and third quarters when weather patterns in our geographic markets are more conducive to construction activities.

Any of these risks and uncertainties could have a material adverse effect on us or the future results of the combined company.

- ***Increased costs related to the financing of the acquisition of AMCOL International will require a significant amount of cash. This could reduce the Company's flexibility to respond to changing business and economic conditions or fund capital expenditures or working capital needs. Our ability to generate cash depends on many factors beyond our control.***

At June 29, 2014, the Company had outstanding borrowings of \$1.56 billion pursuant to our senior secured credit facility, largely to finance the acquisition of AMCOL International. This financing will require a significant amount of cash to make interest payments. Further, borrowings under our senior secured credit facility are based on variable rates of interest, which could result in higher interest expense in the event of an increase in interest rates. Our ability to pay interest on our debt and to satisfy our other debt obligations will depend in part upon our future financial and operating performance and upon our ability to renew or refinance borrowings. Prevailing economic conditions and financial, business, competitive, regulatory and other factors, many of which are beyond our control, will affect our ability to make these payments. We cannot guarantee that our business will generate sufficient cash flow from operations or that future borrowings will be available to us in an amount sufficient to enable us to fund our liquidity needs. If we are unable to generate sufficient cash flow to meet our debt service obligations, we will have to pursue one or more alternatives, such as, reducing or delaying capital or other expenditures, refinancing debt, selling assets, or raising equity capital. Further, the requirement to make significant interest payments may reduce the Company's flexibility to respond to changing business and economic conditions or fund capital expenditure or working capital needs and may increase the Company's vulnerability to adverse economic conditions.

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- ***Our senior secured credit facility contains various covenants that limits our ability to take certain actions and our revolving credit facility, if used, also require us to meet financial maintenance tests, failure to comply with which could have a material adverse effect on us..***

The agreement governing our senior secured credit facility contains a number of significant covenants that, among other things, limit our ability to: incur additional debt or liens, consolidate or merge with any other person, alter the business we conduct, make investments, use the proceeds of asset sales or sale/leaseback transactions, enter into hedging arrangements, pay dividends or make certain other restricted payments, create dividend or other payment restrictions with respect to subsidiaries, and enter into transactions with affiliates. In addition, our revolving credit facility, if used, requires us to comply with specific financial ratios, under which we are required to achieve specific financial results. Our ability to comply with these provisions may be affected by events beyond our control. A breach of any of these covenants would result in a default under the agreements. In the event of any default, our lenders could elect to declare all amounts borrowed under the agreements, together with accrued interest thereon, to be due and payable. In such an event, we cannot assure you that we would have sufficient assets to pay debt then outstanding under the agreements governing our debt. Any future refinancing of the senior secured credit facility is likely to contain similar restrictive covenants.

- ***The Company's sales of PCC could be adversely affected by our failure to renew or extend long term sales contracts for our satellite operations.***

The Company's sales of PCC to paper customers are typically pursuant to long-term evergreen agreements, initially ten years in length, with paper mills where the Company operates satellite PCC plants. Sales pursuant to these contracts represent a significant portion of our worldwide Paper PCC sales, which were \$480.0 million in 2013, or approximately 47% of the Company's net sales. The terms of many of these agreements have been extended or renewed in the past, 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, or at all, 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.

- ***The Company's sales could be adversely affected by consolidation in customer industries, principally paper and steel.***

Several consolidations in the paper industry have taken place in recent years and such consolidation could continue in the future. 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, 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.

- ***The Company is subject to stringent regulation in the areas of environmental, health and safety, and tax, and may incur unanticipated costs or liabilities arising out of claims for various legal, environmental and tax matters or product stewardship issues.***

The Company's operations are subject to international, federal, state and local governmental environmental, health and safety, tax and other laws and regulations. We have expended, and may be required to expend in the future, substantial funds for compliance with such laws and regulations. In addition, future events, such as changes to or modifications of interpretations of existing laws and regulations, or enforcement policies, or further investigation or evaluation of the potential environmental impacts of operations or health hazards of certain products, may give rise to additional compliance and other costs that could have a material adverse effect on the Company. State, national, and international governments and agencies have been evaluating climate-related legislation and regulation that would restrict emissions of greenhouse gases in areas in which we conduct business, and some such legislation and regulation have already been enacted or adopted. Enactment of climate-related legislation or adoption of regulation that restrict emissions of greenhouse gases in areas in which we conduct business could have an adverse effect on our operations or demand for our products. Our manufacturing processes, particularly the manufacturing process for PCC, use a significant amount of energy and, should energy prices increase as a result of such legislation or regulation, we may not be able to pass these increased costs on to purchasers of our products. We cannot predict if or when currently proposed or additional laws and regulations regarding climate change or other environmental or health and safety concerns will be enacted or adopted. Moreover, changes in tax regulation and international tax treaties could reduce the financial performance of our foreign operations.

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The Company is currently a party in various litigation matters and tax and environmental proceedings and faces risks arising from various unasserted litigation matters, including, but not limited to, product liability, patent infringement, antitrust claims, and claims for third party property damage or personal injury stemming from alleged environmental torts. Failure to appropriately manage safety, human health, product liability and environmental risks associated with the Company's products and production processes could adversely impact the Company's employees and other stakeholders, the Company's reputation and its results of operations. Public perception of the risks associated with the Company's products and production processes could impact product acceptance and influence the regulatory environment in which the Company operates. While the Company has procedures and controls to manage these risks, carries liability insurance, which it believes to be appropriate to its businesses, and has provided reserves for current matters, which it believes to be adequate, an unanticipated liability, arising out of a current matter or proceeding or from the other risks described above, could have a material adverse effect on the Company's financial condition or results of operations.

- ***Delays or failures in new product development could adversely affect the Company's operations.***

The Company's future business success will depend in part upon its ability to maintain and enhance its technological capabilities, to respond to changing customer needs, and to successfully anticipate or respond to technological changes on a cost-effective and timely basis. 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.

- ***The Company's ability to compete is dependent upon its ability to defend its intellectual property against inappropriate disclosure and infringement.***

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.

- ***The Company's operations could be impacted by the increased risks of doing business abroad.***

The Company does business in many areas internationally. Approximately 45% of our sales in 2013 were derived from outside the United States and we have significant production facilities which are located outside of the United States. We have in recent years expanded our operations in emerging markets, and we plan to continue to do so in the future, particularly in China, India, Brazil, and Eastern Europe. Some of our operations are located in areas that have experienced political or economic instability, including Indonesia, Brazil, Thailand, China and South Africa. As the Company expands its operations overseas, it faces increased risks of doing business abroad, including inflation, fluctuation in interest 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 the areas in which we do business could cause actual results to differ materially from historical and expected results. In addition, a significant portion of our raw material purchases and sales outside the United States are denominated in foreign currencies, and liabilities for non-U.S. operating expenses and income taxes are denominated in local currencies. Accordingly, reported sales, net earnings, cash flows and fair values have been and, in the future, will be affected by changes in foreign currency exchange rates. Our overall success as a global business depends, in part, upon our ability to succeed in differing legal, regulatory, economic, social and political conditions. We cannot assure you that we will implement policies and strategies that will be effective in each location where we do business.

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- ***The Company's operations are dependent on the availability of raw materials and access to ore reserves at its mining operations. Increases in costs of raw materials or energy could adversely affect our financial results.***

The Company 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, and magnesia and alumina for its Refractory operations. Purchase prices and availability of these critical raw materials are subject to volatility. At any given time, we may be unable to obtain an adequate supply of these critical raw materials on a timely basis, on price and other terms, or at all. While most such raw materials are readily available, the Company purchases approximately forty-five percent of its magnesia requirements from sources in China. The majority of magnesia requirements were purchased from other countries. The price and availability of magnesia have fluctuated in the past and they may fluctuate in the future. Price increases for certain other of our raw materials, as well as increases in energy prices, have also affected our business. Energy costs typically have the most significant impact in the production of our Processed Minerals and Specialty PCC products, but also affect the cost of raw materials purchased in our Paper PCC product line and Refractories Segment. The contracts pursuant to which we construct and operate our satellite PCC plants generally adjust pricing to reflect the pass-through of increases in costs resulting from inflation, including energy. However, there is a time lag before such price adjustments can be implemented. The Company and its customers, especially customers for the Refractories Segment, Processed Minerals and Specialty PCC product lines will typically negotiate reasonable price adjustments in order to recover these escalating costs, but there can be no assurance that we will be able to recover increasing costs through such negotiations. In 2013, increased raw materials costs affected our Specialty Minerals segment by \$4.7 million. These increased raw material costs were partially offset by price increases.

The Company also depends on having adequate access to ore reserves of appropriate quality at its mining operations. There are numerous uncertainties inherent in estimating ore reserves including subjective judgments and determinations that are based on available geological, technical, contract and economic information.

We cannot predict whether, and how much, prices for our key raw materials will increase in the future. Changes in the costs or availability of such raw materials, to the extent we cannot recover them in price increases to our customers, could adversely affect the Company's results of operations.

- ***The Company operates in very competitive industries, which could adversely affect our profitability.***

The Company has many competitors. Some of our principal competitors have greater financial and other resources than we have. Accordingly, these competitors may be better able to withstand changes in conditions within the industries in which we operate and may have significantly greater operating and financial flexibility than we do. As a result of the competitive environment in the markets in which we operate, we currently face and will continue to face pressure on the sales prices of our products from competitors, which could reduce profit margins.

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- *Production facilities are subject to operating risks and capacity limitations that may adversely affect the Company's financial condition or results of operations.*

The Company is dependent on the continued operation of its production facilities. Production facilities are subject to hazards associated with the manufacturing, handling, storage, and transportation of chemical materials and products, including pipeline leaks and ruptures, explosions, fires, inclement weather and natural disasters, mechanical failure, unscheduled downtime, labor difficulties, transportation interruptions, and environmental risks. We maintain property, business interruption and casualty insurance but such insurance may not cover all risks associated with the hazards of our business and is subject to limitations, including deductibles and maximum liabilities covered. We may incur losses beyond the limits, or outside the coverage, of our insurance policies. Further, from time to time, we may experience capacity limitations in our manufacturing operations. In addition, if we are unable to effectively forecast our customers' demand, it could affect our ability to successfully manage operating capacity limitations. These hazards, limitations, disruptions in supply and capacity constraints could adversely affect financial results.

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