

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

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

For the quarterly period ended September 26, 2004

or

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

Commission File Number 1-3295

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**MINERALS TECHNOLOGIES INC.**

(Exact name of registrant as specified in its charter)

**DELAWARE**

(State or other jurisdiction of  
incorporation or organization)

**25-1190717**

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

**405 Lexington Avenue, New York, New York 10174-1901**

(Address of principal executive offices, including zip code)

**(212) 878-1800**

(Registrant's telephone number, including area code)

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

YES  NO

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

YES  NO

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

Class	Outstanding at October 22, 2004
Common Stock, \$0.10 par value	20,496,208

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MINERALS TECHNOLOGIES INC.

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**PART 1. FINANCIAL INFORMATION**

**ITEM 1. Financial Statements**

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

(in thousands, except per share data)	Three Months Ended		Nine Months Ended	
	Sept. 26, 2004	Sept. 28, 2003	Sept. 26, 2004	Sept. 28, 2003
Net sales	\$ 236,424	\$ 198,234	\$ 675,189	\$ 602,058
Operating costs and expenses:				
Cost of goods sold	181,295	150,748	516,100	454,809
Marketing and administrative expenses	23,670	21,854	69,460	64,853
Research and development expenses	6,991	6,093	21,186	18,713
Restructuring costs	26	--	1,026	--
Income from operations	24,442	19,539	67,417	63,683
Non-operating deductions, net	803	1,100	3,093	3,568
Income before provision for taxes				
on income and minority interests	23,639	18,439	64,324	60,115
Provision for taxes on income	7,024	5,144	19,117	16,772
Minority interests	402	526	1,286	1,374
Income before cumulative effect of accounting change	16,213	12,769	43,921	41,969

Cumulative effect of accounting change	--	--	--	3,453
Net income	\$ 16,213	\$ 12,769	\$ 43,921	\$ 38,536
Earnings per share:				
Basic:				
Before cumulative effect of accounting change	\$ 0.79	\$ 0.63	\$ 2.14	\$ 2.08
Cumulative effect of accounting change --	--	--	--	(0.17)
Basic earnings per share	\$ 0.79	\$ 0.63	\$ 2.14	\$ 1.91
Diluted:				
Before cumulative effect of accounting change	\$ 0.78	\$ 0.62	\$ 2.12	\$ 2.06
Cumulative effect of accounting change --	--	--	--	(0.17)
Diluted earnings per share	\$ 0.78	\$ 0.62	\$ 2.12	\$ 1.89
Cash dividends declared per common share	\$ 0.05	\$ 0.025	\$ 0.15	\$ 0.075
Shares used in computation of earnings per share:				
Basic	20,556	20,185	20,532	20,132
Diluted	20,769	20,489	20,763	20,349

See accompanying notes to Condensed Consolidated Financial Statements.

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

**ASSETS**

<b>(in thousands, except per share data)</b>	<b>Sept. 26, 2004*</b>	<b>Dec. 31, 2003**</b>
Current assets:		
Cash and cash equivalents	\$ 98,208	\$ 90,515
Accounts receivable, net	176,553	147,600
Inventories	97,231	86,378
Prepaid expenses and other current assets	20,778	15,632
Total current assets	<u>392,770</u>	<u>340,125</u>
Property, plant and equipment, less accumulated depreciation and depletion - September 26, 2004 - \$686,015; December 31, 2003 - \$648,362	572,349	561,588
Goodwill	52,749	52,721
Prepaid benefit cost	49,412	46,251
Other assets and deferred charges	33,136	34,815
Total assets	<u>\$ 1,100,416</u>	<u>\$ 1,035,500</u>

**LIABILITIES AND SHAREHOLDERS' EQUITY**

Current liabilities:		
Short-term debt	\$ 30,000	\$ 30,347
Current maturities of long-term debt	3,472	3,175
Accounts payable	58,298	44,217
Other current liabilities	50,105	44,296
Total current liabilities	<u>141,875</u>	<u>122,035</u>
Long-term debt	95,949	98,159
Other non-current liabilities	112,575	107,925
Total liabilities	<u>350,399</u>	<u>328,119</u>

Shareholders' equity:		
Common stock	2,771	2,742
Additional paid-in capital	244,852	225,512
Deferred compensation	( 2,297 )	( 1,220 )
Retained earnings	765,780	724,936
Accumulated other comprehensive income (loss)	<u>3,283</u>	<u>3,814</u>
	1,014,389	955,784
Less treasury stock	<u>264,372</u>	<u>248,403</u>
Total shareholders' equity	<u>750,017</u>	<u>707,381</u>
Total liabilities and shareholders' equity	<u>\$ 1,100,416</u>	<u>\$ 1,035,500</u>

\* Unaudited

\*\* Condensed from audited financial statements

See accompanying Notes to Condensed Consolidated Financial Statements.

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

(in thousands, except per share data)	Nine Months Ended	
	Sept. 26, 2004	Sept. 28, 2003
<b>Operating Activities:</b>		
Net income	\$ 43,921	\$ 38,536
Adjustments to reconcile net income to net cash provided by operating activities:		
Cumulative effect of accounting change	--	3,433
Depreciation, depletion and amortization	52,050	51,079
Other non-cash items	9,734	4,254
Net changes in operating activities	<u>( 23,252 )</u>	<u>( 36,228 )</u>
Net cash provided by operating activities	<u>82,453</u>	<u>61,074</u>
<b>Investing Activities:</b>		
Purchases of property, plant and equipment	( 65,740 )	( 40,090 )
Acquisition of business	--	1,990
Other	942	1,229
Net cash used in investing activities	<u>( 64,798 )</u>	<u>( 40,851 )</u>
<b>Financing Activities:</b>		
Proceeds from issuance of short-term debt	2,980	5,318
Repayment of debt	( 5,224 )	( 5,919 )
Purchase of common shares for treasury	( 15,969 )	( 4,716 )
Proceeds from issuance of stock under option plan	11,561	9,937
Cash dividends paid	<u>( 3,077 )</u>	<u>( 1,513 )</u>
Net cash used in financing activities	<u>( 9,729 )</u>	<u>3,107</u>
Effect of exchange rate changes on cash and cash equivalents	<u>( 233 )</u>	<u>1,617</u>
Net increase in cash and cash equivalents	7,693	25,037
	90,515	31,762

Cash and cash equivalents at beginning of period		
Cash and cash equivalents at end of period	\$ 98,208	\$ 56,799

**Supplemental disclosure of cash flow information:**

Interest paid	\$ 5,171	\$ 5,518
Income taxes paid	\$ 12,266	\$ 10,923

**Non-cash Investing and Financing Activities:**

Property, plant and equipment acquired by incurring installation obligations	\$ --	\$ 11,368
Property, plant and equipment additions related to asset retirement obligations	\$ --	\$ 6,762

See accompanying Notes to Condensed Consolidated Financial Statements

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

**Note 1 -- Basis of Presentation**

The accompanying unaudited condensed consolidated financial statements have been prepared by management in accordance with the rules and regulations of the United States Securities and Exchange Commission. Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles have been condensed or omitted. Therefore, these financial statements should be read in conjunction with the consolidated financial statements and notes thereto contained in the Company's Annual Report on Form 10-K/A for the year ended December 31, 2003. In the opinion of management, all adjustments, consisting solely of normal recurring adjustments necessary for a fair presentation of the financial information for the periods indicated, have been included. The results for the three-month and nine-month periods ended September 26, 2004 are not necessarily indicative of the results that may be expected for the year ending December 31, 2004.

**Note 2 -- Summary of Significant Accounting Policies**

*Property, Plant and Equipment*

Property, plant and equipment are recorded at cost. Significant improvements are capitalized, while maintenance and repair expenditures are charged to operations as incurred. The Company capitalizes interest cost as a component of construction in progress. In general, the straight-line method of depreciation is used for financial reporting purposes and accelerated methods are used for U.S. and certain foreign tax reporting purposes. The annual rates of depreciation are 3% - 6.67% for buildings, 6.67% - 12.5% for machinery and equipment, 8% - 12.5% for furniture and fixtures and 12.5% - 25% for computer equipment and software-related assets.

Property, plant and equipment are depreciated over their useful lives. Useful lives are based on management's estimates of the period that the assets can generate revenue, which does not necessarily coincide with the remaining term of a customer's contractual obligation to purchase products made using those assets. The Company's sales of PCC are predominantly pursuant to long-term contracts, initially ten years in length, with paper mills at which the Company operates satellite PCC plants. The terms of many of these agreements have been extended, often in connection with an expansion of the satellite PCC plant. The Company also continues to supply PCC at two locations at which the PCC contract has expired. Failure of a PCC customer to renew an agreement or continue to purchase PCC from a Company facility could result in an impairment of assets charge at such facility.

Depletion of mineral reserves is determined on a unit-of-extraction basis for financial reporting purposes and on a percentage depletion basis for tax purposes.

Mining costs associated with waste gravel and rock removal in excess of the expected average life of mine stripping ratio are deferred. These costs are charged to production on a unit-of-production basis when the ratio of waste to ore mined is less than the average life of mine stripping ratio.

**Note 3 -- Accounting for Stock-Based Compensation**

In December 2002, The FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure, an amendment of SFAS No. 123." This statement amends SFAS No. 123, "Accounting for Stock-Based Compensation," to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation, and requires additional disclosures in interim and annual financial statements. The FASB recently indicated that they would require stock-based employee compensation to be recorded as a charge to earnings beginning in the second half of 2005. The disclosure in interim periods requires pro forma net income and net income per share as if the Company adopted the fair value method of accounting for stock-based awards. The fair value of stock-based awards to employees was calculated using the Black-Scholes option-pricing model, modified for dividends, with the following weighted average assumptions:

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

	<u>Sept. 26, 2004</u>	<u>Sept. 28, 2003</u>
Expected life (years)	7	7
Interest rate	3.79%	3.96%
Volatility	29.8%	30.8%
Expected dividend yield	0.37%	0.20%

Pro forma net income and earnings per share reflecting compensation cost for the fair value of stock options were as follows:

(in millions, except per share data)	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>Sept. 26, 2004</u>	<u>Sept. 28, 2003</u>	<u>Sept. 26, 2004</u>	<u>Sept. 28, 2003</u>
Income before cumulative effect of accounting change, as reported	\$ 16.2	\$ 12.8	\$ 43.9	\$ 42.0
Add: Stock-based employee compensation included in reported income before accounting change	0.1	--	0.2	--
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(0.6)	(0.5)	(1.8)	(1.4)
Pro forma income before cumulative effect of accounting change	15.7	12.3	42.3	40.6
Cumulative effect of accounting change	--	--	--	3.4
Pro forma net income	<u>\$ 15.7</u>	<u>\$ 12.3</u>	<u>\$ 42.3</u>	<u>\$ 37.2</u>
Net income, as reported	<u>\$ 16.2</u>	<u>\$ 12.8</u>	<u>\$ 43.9</u>	<u>\$ 38.5</u>

#### Basic EPS

Income before cumulative effect of accounting change, as reported	\$ 0.79	\$ 0.63	\$ 2.14	\$ 2.08
Pro forma income before cumulative effect of accounting change	\$ 0.76	\$ 0.61	\$ 2.06	\$ 2.02
Net income, as reported	\$ 0.79	\$ 0.63	\$ 2.14	\$ 1.91
Pro forma net income	\$ 0.76	\$ 0.61	\$ 2.06	\$ 1.85

#### Diluted EPS

Income before cumulative effect of accounting change, as reported	\$ 0.78	\$ 0.62	\$ 2.12	\$ 2.06
Pro forma income before cumulative effect of accounting change	\$ 0.76	\$ 0.60	\$ 2.05	\$ 2.00
Net income, as reported	\$ 0.78	\$ 0.62	\$ 2.12	\$ 1.89
Pro forma net income	\$ 0.76	\$ 0.60	\$ 2.05	\$ 1.83

#### Note 4 -- Earnings Per Share (EPS)

Basic earnings per share are based upon the weighted average number of common shares outstanding during the period. Diluted earnings per share are based upon the weighted average number of common shares outstanding during the period assuming the issuance of common shares for all dilutive potential common shares outstanding. The following table sets forth the computation of basic and diluted earnings per share:

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

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>Sept. 26, 2004</u>	<u>Sept. 28, 2003</u>	<u>Sept. 26, 2004</u>	<u>Sept. 28, 2003</u>
Income before cumulative effect of accounting change	\$ 16,213	\$ 12,769	\$ 43,921	\$ 41,969
Cumulative effect of accounting change	--	--	--	3,433
Net income	<u>\$ 16,213</u>	<u>\$ 12,769</u>	<u>\$ 43,921</u>	<u>\$ 38,536</u>

#### Basic EPS

(in thousands, except per share data)

Weighted average shares outstanding	20,556	20,185	20,532	20,132
Basic earnings per share before cumulative effect of accounting change	\$ 0.79	\$ 0.63	\$ 2.14	\$ 2.08
Cumulative effect of accounting change	--	--	--	( 0.17)
Basic earnings per share	<u>\$ 0.79</u>	<u>\$ 0.63</u>	<u>\$ 2.14</u>	<u>\$ 1.91</u>

#### Diluted EPS

(in thousands, except per share data)

Income before cumulative effect of accounting change	\$ 16,213	\$ 12,769	\$ 43,921	\$ 41,969
Cumulative effect of accounting change	--	--	--	3,433
Net income	<u>\$ 16,213</u>	<u>\$ 12,769</u>	<u>\$ 43,921</u>	<u>\$ 38,536</u>
Weighted average shares outstanding	20,556	20,185	20,532	20,132
Diluted effect of stock options	<u>213</u>	<u>304</u>	<u>231</u>	<u>217</u>
Weighted average shares outstanding, adjusted	<u>20,769</u>	<u>20,489</u>	<u>20,763</u>	<u>20,349</u>
Diluted earnings per share before cumulative effect of accounting change	\$ 0.78	\$ 0.62	\$ 2.12	\$ 2.06
Cumulative effect of accounting change	--	--	--	( 0.17)
Diluted earnings per share	<u>\$ 0.78</u>	<u>\$ 0.62</u>	<u>\$ 2.12</u>	<u>\$ 1.89</u>

#### Note 5 -- Inventories

The following is a summary of inventories by major category:

(thousands of dollars)	Sept. 26, 2004	Dec. 31, 2003
Raw materials	\$ 43,478	\$ 34,132
Work-in-process	6,440	8,153
Finished goods	28,209	25,998
Packaging and supplies	<u>19,104</u>	<u>18,095</u>
Total inventories	<u>\$ 97,231</u>	<u>\$ 86,378</u>

#### Note 6 -- Restructuring Charges and Accounting for Costs Associated with Exit or Disposal Activities

During the fourth quarter of 2003, the Company announced plans to restructure its operations in an effort to reduce operating costs and to improve efficiency. The restructuring resulted in a total workforce reduction of approximately three percent of the Company's worldwide workforce. The Company recorded a pre-tax restructuring charge of \$3.3 million in the fourth quarter of 2003 to reflect these actions. This charge consisted of severance, other employee benefits, and lease termination costs. During the first nine months of 2004, additional severance

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

costs related to this program of approximately \$1.0 million were recorded. At the end of the third quarter of 2004 no liability remains to be paid.

The following is a reconciliation of the restructuring liability as of September 26, 2004:

(millions of dollars)	Dec. 31, 2003 Balance	2004 Provision	2004 Payments	Sept. 26, 2004 Balance
Employee Severance and Termination Benefits	<u>\$ 2.3</u>	<u>\$ 1.0</u>	<u>\$ (3.3)</u>	<u>--</u>

#### Note 7 -- Goodwill and Other Intangible Assets

The Company accounts for goodwill and other intangible assets in accordance with Statement of Financial Accounting Standards (SFAS) No. 142, "Goodwill and Other Intangible Assets." Under SFAS No. 142, goodwill and other intangible assets with indefinite lives are no longer amortized, but instead are tested for impairment at least annually in accordance with the provisions of SFAS No. 142.

The carrying amount of goodwill was \$52.7 million as of September 26, 2004 and December 31, 2003.

Acquired intangible assets subject to amortization as of September 26, 2004 and December 31, 2003 were as follows:

(millions of dollars)	September 26, 2004		December 31, 2003	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Patents and trademarks	\$ 5.8	\$ 1.2	\$ 5.8	\$ 0.9
Customer lists	1.4	0.3	1.4	0.2
Other	0.2	0.1	0.2	0.1
	<u>\$ 7.4</u>	<u>\$ 1.6</u>	<u>\$ 7.4</u>	<u>\$ 1.2</u>

The weighted average amortization period for acquired intangible assets subject to amortization is approximately 15 years. Estimated amortization expense is \$0.4 million for each of the next five years through 2009.

Included in other assets and deferred charges is an intangible asset of approximately \$12.1 million which represents the non-current unamortized amount paid to a customer in connection with contract extensions at eight PCC satellite facilities. In addition, a current portion of \$1.8 million is included in prepaid expenses and other current assets. Such amounts will be amortized as a reduction of sales over the remaining lives of the customer contracts. Approximately \$1.4 million was amortized in the first nine months of 2004. Estimated amortization as a reduction of sales is as follows: 2004 - \$1.8 million; 2005 - \$1.8 million; 2006 - \$1.8 million; 2007 - \$1.8 million; 2008 - \$1.8 million; with smaller reductions thereafter over the remaining lives of the contracts.

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

The Company accounts for impairment of long-lived assets in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS No. 144 establishes a uniform accounting model for disposition of long-lived assets. This Statement also requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If the carrying amount of the asset exceeds its estimated cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. There was no charge for impairment during the third quarter of 2004.

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

#### Note 9 -- Long-Term Debt and Commitments

The following is a summary of long-term debt:

(thousands of dollars)	Sept. 26, 2004	Dec. 31, 2003
7.49% Guaranteed Senior Notes Due July 24, 2006	\$ 50,000	\$ 50,000
Yen-denominated Guaranteed Credit Agreement		
Due March 31, 2007	7,206	8,256
Variable/Fixed Rate Industrial		
Development Revenue Bonds Due 2009	4,000	4,000
Economic Development Authority Refunding		
Revenue Bonds Series 1999 Due 2010	4,600	4,600
Variable/Fixed Rate Industrial		
Development Revenue Bonds Due August 1, 2012	8,000	8,000
Variable/Fixed Rate Industrial		
Development Revenue Bonds Series 1999 Due November 1, 2014	8,200	8,200
Variable/Fixed Rate Industrial		
Development Revenue Bonds Due March 31, 2020	5,000	5,000
Installment obligations	10,551	11,368
Other borrowings	1,864	1,910
Total	<u>99,421</u>	<u>101,334</u>
Less: Current maturities	3,472	3,175
Long-term debt	<u>\$ 95,949</u>	<u>\$ 98,159</u>

#### Note 10 -- Pension Plans

In December 2003, the FASB revised SFAS No. 132, "Employer's Disclosures about Pensions and Other Postretirement Benefits." The revised statement does not change the measurement or recognition of employers' Pension Plans. However, it requires additional disclosures to those in the original SFAS No. 132 regarding the assets, obligations, cash flows, and net periodic benefit costs of defined benefit pension and other postretirement plans on the interim and annual financial statements.

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

#### Components of Net Periodic Benefit Cost



(millions of dollars)

Pension Benefits

	Three Months Ended		Nine Months Ended	
	Sept. 26, 2004	Sept. 28, 2003	Sept. 26, 2004	Sept. 28, 2003
Service cost	\$ 1.7	\$ 1.4	\$ 5.0	\$ 4.2
Interest cost	2.2	2.0	6.5	6.0
Expected return on plan assets	(3.1)	(2.5)	(9.4)	(7.5)
Amortization of prior service cost	0.1	0.1	0.4	0.4
Recognized net actuarial loss	0.3	0.6	1.2	1.8
SFAS No. 88 settlement	--	--	0.7	--
Net periodic benefit cost	<u>\$ 1.2</u>	<u>\$ 1.6</u>	<u>\$ 4.4</u>	<u>\$ 4.9</u>

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

(millions of dollars)

Other Benefits

	Three Months Ended		Nine Months Ended	
	Sept. 26, 2004	Sept. 28, 2003	Sept. 26, 2004	Sept. 28, 2003
Service cost	\$ 0.4	\$ 0.3	\$ 1.0	\$ 0.9
Interest cost	0.5	0.4	1.3	1.2
Recognized net actuarial loss	--	--	0.2	--
Net periodic benefit cost	<u>\$ 0.9</u>	<u>\$ 0.7</u>	<u>\$ 2.5</u>	<u>\$ 2.1</u>

Employer Contributions

Minerals Technologies Inc. expects to contribute approximately \$13 million to its pension plan and \$3 million to its other post retirement benefit plan in 2004. As of September 26, 2004, approximately \$5 million of contributions have been made to the pension plan and approximately \$1.6 million has been contributed to the post retirement benefit plan.

Note 11 -- Comprehensive Income (Loss)

The following are the components of comprehensive income:

	Three Months Ended		Nine Months Ended	
	Sept. 26, 2004	Sept. 28, 2003	Sept. 26, 2004	Sept. 28, 2003
Net income	\$ 16,213	\$ 12,769	\$ 43,921	\$ 38,536
Other comprehensive income net of tax:				
Foreign currency translation adjustments	4,594	2,436	(755)	21,957
Cash flow hedges:				
Net derivative losses arising during the period	76	122	132	122
Reclassification adjustment	68	--	91	--
Comprehensive income	<u>\$ 20,951</u>	<u>\$ 15,330</u>	<u>\$ 43,389</u>	<u>\$ 60,615</u>

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

	Sept. 26, 2004	Dec. 31, 2003
Foreign currency translation adjustments	\$ 6.2	\$ 6.9
Minimum pension liability adjustment	(2.7)	(2.7)
Net loss on cash flow hedges	(0.2)	(0.4)
Accumulated other comprehensive income	<u>\$ 3.3</u>	<u>\$ 3.8</u>

Note 12 -- Accounting for Asset Retirement Obligations

Effective January 1, 2003, the Company adopted SFAS No. 143, "Accounting for Asset Retirement Obligations." SFAS No. 143 establishes the financial accounting and reporting for obligations associated with the retirement of long-lived assets and the associated asset retirement costs. This statement requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair

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

value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset.

Upon adoption, the Company recorded a non-cash, after-tax charge to earnings of approximately \$3.4 million for the cumulative effect of this accounting change related to retirement obligations associated with the Company's PCC satellite facilities and its mining properties, both within the Specialty Minerals segment.

The following is a reconciliation of asset retirement obligations as of September 26, 2004:

(thousands of dollars)

Asset retirement liability, December 31, 2003	\$ 9,315
Accretion expense	372
Payments	(47)
Asset retirement liability, September 26, 2004	\$ 9,640

**Note 13 -- Deferred Compensation**

The Company has granted certain corporate officers rights to receive shares of the Company's common stock under the Company's 2001 Stock Award and Incentive Plan (the 2001 Plan). The rights will be deferred for a specified number of years of service, subject to restrictions on transfer and other conditions. Upon issuance of the rights, a deferred Compensation expense equivalent to the market value of the underlying shares on the date of the grant was charged to stockholders' equity and is being amortized over the estimated average deferral period of approximately 5 years. The Company granted 26,900 shares in the first quarter of 2004 and 27,600 shares were granted in 2003. The compensation expense amortized with respect to the units during the three-month and nine-month periods ended September 26, 2004 was \$0.1 million and \$0.4 million, respectively.

**Note 14 -- Segment and Related Information**

Segment information for the three and nine month periods ended September 26, 2004 was as follows:

**Net Sales**

	Three Months Ended		Nine Months Ended	
	Sept. 26, 2004	Sept. 28, 2003	Sept. 26, 2004	Sept. 28, 2003
(in thousands, except per share data)				
Specialty Minerals	\$ 160,041	\$ 139,106	\$ 458,891	\$ 414,238
Refractories	76,383	59,128	216,298	187,820
Total	\$ 236,424	\$ 198,234	\$ 675,189	602,058

**Income from Operations**

	Three Months Ended		Nine Months Ended	
	Sept. 26, 2004	Sept. 28, 2003	Sept. 26, 2004	Sept. 28, 2003
(thousands of dollars)				
Specialty Minerals	\$ 17,427	\$ 15,012	\$ 47,047	\$ 46,140
Refractories	7,015	4,527	20,370	17,543
Total	\$ 24,442	\$ 19,539	\$ 67,417	\$ 63,683

Included in income from operations for the Specialty Minerals and Refractories segments for the first nine months of 2004 are restructuring costs of \$0.6 million for the Specialty Minerals segment and \$0.4 million for the Refractories segment, respectively.

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

Included in income from operations of the Specialty Minerals segment for the first nine months of 2003 was a charge for one-time termination benefits of \$0.7 million.

The carrying amount of goodwill by reportable segment as of September 26, 2004 and December 31, 2003 was as follows:

(thousands of dollars)	Goodwill	
	Sept. 26, 2004	Dec. 31, 2003
Specialty Minerals	\$ 15,746	\$ 15,682
Refractories	37,003	37,039
Total	\$ 52,749	\$ 52,721

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

(thousands of dollars)	Three Months Ended		Nine Months Ended	
	Sept. 26, 2004	Sept. 28, 2003	Sept. 26, 2004	Sept. 28, 2003
<b>Income before provision for taxes on income and minority interests:</b>				
Income from operations for reportable segments	\$ 24,442	\$ 19,539	\$ 67,417	\$ 63,683
Non-operating deductions, net	803	1,100	3,093	3,568
Income before provision for taxes on income and minority interests	\$ 23,639	\$ 18,439	\$ 64,324	\$ 60,115

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**REVIEW REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Board of Directors and Shareholders  
Minerals Technologies Inc.:

We have reviewed the condensed consolidated balance sheet of Minerals Technologies Inc. and subsidiary companies as of September 26, 2004 and the related condensed consolidated statements of income and cash flows for the three-month and nine-month periods ended September 26, 2004 and September 28, 2003. These condensed consolidated financial statements are the responsibility of the Company's management.

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

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

As discussed in Note 12 to the condensed consolidated financial statements, effective January 1, 2003, the Company adopted the provisions of SFAS No. 143, "Accounting for Asset Retirement Obligations."

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Minerals Technologies Inc. and subsidiary companies as of December 31, 2003, and the related consolidated statements of income, shareholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated January 22, 2004 (July 28, 2004 as to Note 2), 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, 2003 is fairly presented, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

KPMG LLP

New York, New York  
October 28, 2004

**ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations****Income and Expense Items as a Percentage of Net Sales**

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>Sept. 26, 2004</b>	<b>Sept. 28, 2003</b>	<b>Sept. 26, 2004</b>	<b>Sept. 28, 2003</b>
Net sales	100.0 %	100.0 %	100.0 %	100.0 %
Cost of goods sold	76.7	76.0	76.4	75.5
Marketing and administrative expenses	10.0	11.0	10.3	10.8
Research and development expenses	3.0	3.1	3.1	3.1
Restructuring costs	--	--	0.2	--
Income from operations	10.3	9.9	10.0	10.6
Income before cumulative effect of accounting change	6.9	6.4	6.5	7.0
Cumulative effect of accounting change	--	--	--	0.6
Net income	<u>6.9 %</u>	<u>6.4 %</u>	<u>6.5 %</u>	<u>6.4 %</u>

**Executive Summary**

At Minerals Technologies, approximately 80% of our sales are to customers in two industries: papermaking and steel making. The economic downturn of the past three years has had severe effects on the paper industry, by far our largest customer group, as paper mills have closed or taken significant downtime and the industry has consolidated. The effect on the steel industry has been even more dramatic, with several large steel makers declaring bankruptcy. Although the overall economy began to improve in late 2003 and early 2004, the paper and steel industries had been slow to participate in the recovery, while maintaining pricing pressure on their suppliers. Over the past two quarters, we have begun to experience improved conditions, particularly in the steel industry and construction industry in North America. As a result, the third quarter reflected an improved performance in both segments.

Our sales grew 19% to \$236.4 million from \$198.2 million in the third quarter of last year. Foreign exchange had a favorable impact of approximately 3 percentage points of growth. Operating income grew 25% to \$24.4 million and was 10.3% of sales.

We face some significant risks and challenges in the future:

- Our success depends in part on the performance of the industries we serve, particularly papermaking and steel making. Some of our customers may continue to face a difficult business environment, and may experience further shutdowns;
- The recent wave of consolidations in the paper and steel industries concentrates purchasing power in the hands of fewer customers, increasing pricing pressure on suppliers such as MTI;
- Most of our Precipitated Calcium Carbonate ("PCC") sales are under long-term contracts with paper companies at whose mills we operate satellite PCC plants; when they reach their expiration dates these contracts may not be renewed, or may be renewed on terms less favorable to us;
- The cost of employee benefits, particularly health insurance, has risen significantly in recent years and continues to do so;
- We are experiencing increased costs of magnesia and talc imported from China, including higher shipping costs and higher other raw material costs in both segments;
- We are also experiencing increased energy costs in both of our business segments;
- Although the *SYNSIL*<sup>®</sup> products family has received favorable reactions from potential customers and we have signed two supply contracts, this product line is not yet profitable and its commercial viability cannot be assured; and
- As we expand our operations abroad we face the inherent risks of doing business in many foreign countries, including foreign exchange risk, import and export restrictions, and security concerns.

Despite these risks and challenges, we are optimistic about the opportunities for continued growth that are open to us, including:

- Increasing our sales of PCC for paper by further penetration of the markets for paper filling at both free sheet and groundwood mills;
- Increasing our sales of PCC for paper coating, particularly from the coating PCC facility under construction in Walsum, Germany, which is now in the commissioning and start-up phase;
- Continuing research and development activities for new products, in particular our joint development project with International Paper Company (IP) to develop and implement a filler-fiber composite technology;
- Achieving market acceptance of the *SYNSIL*<sup>®</sup> family of synthetic silicate materials for the glass industry;
- Increasing market penetration in the Refractories segment through higher value specialty products and application systems; and
- Continuing our penetration in both business segments into China, including the recently announced construction of two four-unit satellite PCC plants through our joint venture with Asia Pulp & Paper Company Pte. Ltd. (APP China) and the construction of a new facility for the Refractories segment.

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 September 26, 2004 as compared with three months ended September 28, 2003:*

## Sales

(millions of dollars)		Third quarter 2004	% of Total Sales	Growth	Third quarter 2003	% of Total Sales
Net Sales						
U.S.	\$	145.3	61.5 %	18 %	\$ 123.3	62.2 %
International	\$	91.1	38.5 %	22 %	\$ 74.9	37.8 %
PCC Products	\$	123.6	52.3 %	14 %	\$ 108.5	54.8 %
Processed Minerals Products	\$	36.4	15.4 %	19 %	\$ 30.6	15.4 %
Specialty Minerals Segment	\$	160.0	67.7 %	15 %	\$ 139.1	70.2 %
Refractories Segment	\$	76.4	32.3 %	29 %	\$ 59.1	29.8 %
Net Sales	\$	236.4	100.0 %	19 %	\$ 198.2	100.0 %

Worldwide net sales in the third quarter of 2004 increased 19% from the previous year to \$236.4 million. Foreign exchange had a favorable impact on sales of approximately \$5.9 million or 3 percentage points of growth. Sales in the Specialty Minerals segment, which includes the PCC and Processed Minerals product lines, increased 15% to \$160.0 million compared with \$139.1 million for the same period in 2003. Sales in the Refractories segment grew 29% over the previous year to \$76.4 million.

Worldwide net sales of PCC, which is primarily used in the manufacturing process of the paper industry, increased 14% in the third quarter to \$123.6 million from \$108.5 million in the prior year. Sales growth was achieved in all regions, but most significantly in Europe. Excluding the effect of foreign currency, European sales grew 20%. This was due to an overall increase in production of printing and writing papers in that region. Asia reported 16% growth, excluding the effect of foreign currency, primarily due to our new satellite facility in Malaysia. North America also performed strongly with 8% growth, aided by the restart of our Millinocket, Maine satellite facility which had been idle since December 2002. Sales of Specialty PCC, used in non-paper applications, recorded 7% growth over prior year in the third quarter.

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Net sales of Processed Minerals products increased 19% in the third quarter to \$36.4 million from \$30.6 million in the third quarter of 2003. This increase was primarily attributable to improved market conditions and increased penetration in the building products and the plastics industries.

Net sales in the Refractories segment in the third quarter of 2004 increased 29% to \$76.4 million from \$59.1 million in the prior year. The favorable impact of foreign exchange was approximately 4 percentage points of growth. This growth was primarily attributable to both improved performance and better steel industry conditions in North America, our largest market, where sales grew 45% over the prior year.

Net sales in the United States were \$145.3 million in the third quarter of 2004, up 18% from the \$123.3 million in the prior year. International sales in the third quarter of 2004 increased 22%. Excluding the impact of foreign exchange, the international sales growth was approximately 14%.

Operating Costs and Expenses (millions of dollars)		Third Quarter 2004	Third Quarter 2003	Growth
Cost of goods sold	\$	181.3	\$ 150.7	20 %
Marketing and administrative	\$	23.7	\$ 21.9	8 %
Research and development	\$	7.0	\$ 6.1	15 %

Cost of goods sold was 76.7% of sales compared with 76.0% of sales in the prior year for the third quarter. In the Specialty Minerals segment, production margins were affected by higher raw material costs and some weakness in the North American Specialty PCC product line. In the Refractories segment, the production margin was impacted by the higher cost of magnesia and other raw materials.

Marketing and administrative costs increased 8% in the third quarter to \$23.7 million and represented 10.0% of net sales. Both segments increased marketing expenses to support worldwide business development efforts. The Company also experienced higher litigation costs to protect our intellectual property.

Research and development expenses increased 15% to \$7 million and represented 3.0% of net sales due to increased development activities in both segments, particularly in the IP filler/fiber composite material development efforts.

Income from Operations (millions of dollars)		Third Quarter 2004	Third Quarter 2003	Growth
Income from operations	\$	24.4	\$ 19.5	25 %

Income from operations in the third quarter of 2004 increased 25% to \$24.4 million from \$19.5 million in the third quarter of 2003. Income from operations was 10.3% of sales as compared with 9.9% of sales in 2003.

Income from operations for the Specialty Minerals segment increased 16% to \$17.4 million and was 10.9% of its net sales. Operating income for this segment was affected by higher raw material costs, increased energy costs and increased research and development spending. Operating income for the Refractories segment increased 55% to \$7.0 million and was 9.2% of its net sales. Operating income in this segment was affected by higher raw material costs.

<b>Non-Operating Deductions</b> <b>(millions of dollars)</b>	<b>Third Quarter 2004</b>	<b>Third Quarter 2003</b>	<b>Growth</b>
Non-operating deductions, net	\$ 0.8	\$ 1.1	(27)%

The decrease in non-operating deductions was due to lower net interest costs and foreign exchange.

<b>Income Taxes</b> <b>(millions of dollars)</b>	<b>Third Quarter 2004</b>	<b>Third Quarter 2003</b>	<b>Growth</b>
Income taxes	\$ 7.0	\$ 5.1	37%

The effective tax rate increased in 2004 to 29.7% from 27.9% in the prior year.

<b>Net Income</b> <b>(millions of dollars)</b>	<b>Third Quarter 2004</b>	<b>Third Quarter 2003</b>	<b>Growth</b>
Net income	\$ 16.2	\$ 12.8	27%

Net income increased 27% to \$16.2 million from \$12.8 million in the third quarter of 2003. Diluted earnings per common share increased 26% to \$0.78 compared with \$0.62 in 2003.

*Nine Months ended September 26, 2004 as compared with Nine Months ended September 28, 2003:*

<b>(millions of dollars)</b>	<b>Third Quarter 2004</b>	<b>% of Total Sales</b>	<b>Growth</b>	<b>Third Quarter 2003</b>	<b>% of Total Sales</b>
<b>Net Sales</b>					
U.S.	\$ 410.2	60.8%	10%	\$ 372.6	61.9%
International	\$ 265.0	39.2%	15%	\$ 229.4	38.1%
PCC Products	\$ 354.5	52.5%	9%	\$ 324.4	53.9%
Processed Minerals Products	\$ 104.4	15.5%	16%	\$ 89.8	14.9%
Specialty Minerals Segment	\$ 458.9	68.0%	11%	\$ 414.2	68.8%
Refractories Segment	\$ 216.3	32.0%	15%	\$ 187.8	31.2%
Net Sales	\$ 675.2	100.0%	12%	\$ 602.0	100.0%

Worldwide sales for the first nine months of 2004 increased 12% to \$675.2 from \$602.0 in the previous year. The favorable impact of foreign exchange on sales for the first nine months was approximately \$21.6 million, or four percentage points of growth. Sales in the Specialty Minerals segment increased 11% from the prior year to \$458.9 million. Refractories segment sales also increased 15% for the first nine months of 2004 to \$216.3 from \$187.8 in 2003.

For the first nine months, worldwide PCC sales increased 9% to \$354.5 million from \$324.4 million last year. This product line saw good volume growth in Europe with the increased acceptance of our new paper coating products. Sales in Europe grew 13% over prior, excluding foreign currency. Sales were also positively affected by our new PCC plant in Malaysia and the re-start of our PCC operations at Millinocket, Maine, a facility which had been idle since December 2002. Sales of Processed Minerals products increased 16% to \$104.4 million from \$89.8

million in 2003. There continues to be strong demand for these products which are used in the building materials, polymers, ceramics, paint and coatings, glass, and other manufacturing industries.

Sales in the Refractories segment for the first nine months of 2004 increased 15% to \$216.3 million from \$187.8 million in the prior year. This segment recorded significant growth in North America as a result of both increased penetration and improved conditions in the steel industry.

Net sales in the United States were \$410.2 million for the first nine months of 2004, a 10% increase from \$372.6 in the prior year. International sales grew 15% for the first nine months to \$265.0 million from \$229.4 million for the same period last year. Excluding the impact of foreign exchange, the international sales growth was approximately 6%.

On May 28, 2003, we reached a two-part agreement with IP that extended eight PCC plant supply contracts and gave us an exclusive license to patents held by IP relating to the use of novel fillers, such as PCC-fiber composites. We made a one-time \$16 million payment to IP in exchange for the contract extensions and a technology license, which will be amortized as a reduction of sales over the duration of the extended contracts. In addition, prices were adjusted at certain of the IP facilities covered by the contract extensions. The overall impact of the revisions to the IP contracts was to reduce earnings by approximately \$0.03 per share in the first nine months of 2004.

In March, we signed our second commercial contract with the same major glass manufacturer for the use of our *SYNSIL*<sup>®</sup> products.

<b>Operating Costs and Expenses</b> (millions of dollars)	<b>Nine Months 2004</b>	<b>Nine Months 2003</b>	<b>Growth</b>
Cost of goods sold	\$ 516.1	\$ 454.8	13 %
Marketing and administrative	\$ 69.5	\$ 64.9	7 %
Research and development	\$ 21.2	\$ 18.7	13 %
Restructuring Costs	\$ 1.0	\$ --	* %

\* Percentage not meaningful

Cost of goods sold was 76.4% of sales compared with 75.5% of sales in the prior year for the first nine months. In the Specialty Minerals segment, the production margin increased only 6% due to higher manufacturing costs, particularly in the North American Paper PCC product line. Margins in this segment were also affected by the impact of the IP agreement. In the Refractories segment, production margins increased 12% over the prior year. Production margins were affected by higher raw materials costs.

Marketing and administrative costs increased 7% in the first nine months to \$69.5 million and represented 10.3% of net sales. Both segments increased marketing expenses to support worldwide business development efforts. There were also higher litigation costs associated with a lawsuit to protect our intellectual property.

Research and development expenses increased 13% to \$21.2 million and represented 3.1% of net sales due to increased development activities in both segments, particularly in the IP filler/fiber composite material development efforts.

During the fourth quarter of 2003, we restructured our operations to reduce operating costs and improve efficiency. As part of this restructuring program, we recorded \$1.0 million in additional charges for the first nine months of 2004. The restructuring charges relate to workforce reductions from all of our business units and the termination of certain leases.

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<b>Income from Operations</b> (millions of dollars)	<b>Nine Months 2004</b>	<b>Nine Months 2003</b>	<b>Growth</b>
Income from operations	\$ 67.4	\$ 63.7	6 %

Income from operations in the first nine months of 2004 increased 6% to \$67.4 million from \$63.7 million in 2003. Income from operations decreased to 10.0% of sales as compared with 10.6% of sales in 2003.

Income from operations for the Specialty Minerals segment increased 2% to \$47.0 million and was 10.3% of its net sales. Unfavorable leveraging to operating income for this segment was primarily due to the impact of the IP agreement and higher manufacturing costs in North America, including higher raw material costs and energy costs. Operating income for the Refractories segment increased 16% to \$20.4 million and was 9.4% of its net sales. Operating income in this division was affected by higher raw material costs.

<b>Income Taxes</b> (millions of dollars)	<b>Nine Months 2004</b>	<b>Nine Months 2003</b>	<b>Growth</b>
Income taxes	\$ 19.1	\$ 16.8	14 %

The effective tax rate increased to 29.7% from 27.9% in the prior year.

<b>Net Income</b> (millions of dollars)	<b>Nine Months 2004</b>	<b>Nine Months 2003</b>	<b>Growth</b>
Net income	\$ 43.9	\$ 38.5	14 %

Income before the cumulative effect of accounting change increased 5% to \$43.9 million from \$42.0 million in the first nine months of 2003. Diluted earnings per common share before the cumulative effect of accounting change increased 3% to \$2.12 from \$2.06 in the prior year. In the first quarter of 2003, we adopted SFAS No. 143, "Accounting for Asset Retirement Obligations." Upon adoption of SFAS No. 143, we recorded a non-cash, after-tax charge to earnings of

approximately \$3.4 million for the cumulative effect of this accounting change related to retirement obligations associated with our PCC satellite facilities and mining properties, both within the Specialty Minerals segment.

Net income increased 14% for the first nine months of 2004 to \$43.9 million from \$38.5 million in the prior year. Earning per common share, on a diluted basis, increased 12% to \$2.12 as compared with \$1.89 in the prior year.

### **Liquidity and Capital Resources**

Cash flows in the first nine months of 2004 were provided from operations and were applied principally to fund capital expenditures and purchases of common shares for treasury. Cash provided from operating activities amounted to \$82.5 million in the first nine months of 2004 as compared with \$61.1 million for the same period last year. The increase in cash from operations was primarily due to the payment to International Paper of \$16 million in the prior year in exchange for customer contract extensions and a technology license.

We expect to utilize our cash to support the aforementioned opportunities for growth.

On October 23, 2003, our Board of Directors authorized our Management Committee, at its discretion, to repurchase up to \$75 million in shares over the next three-year period. As of September 26, 2004, we repurchased 288,800 shares under this program at an average price of approximately \$55.29 per share.

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On April 28, 2004, our Board of Directors declared a regular quarterly dividend on our common stock of \$0.05 per share. The dividend is an increase from the amount we have historically paid, which had been a quarterly dividend of \$0.025 per share since we became a publicly owned company in October 1992.

We have \$110 million in uncommitted short-term bank credit lines, of which \$30 million was in use at September 26, 2004. We anticipate that capital expenditures for all of 2004 will approximate \$80 million. We expect to meet our long-term financing requirements from internally generated funds, uncommitted bank credit lines and, where appropriate, project financing of certain satellite plants. The aggregate maturities of long-term debt are as follows: 2004 - \$3.2 million; 2005 - \$3.9 million; 2006 - \$54.1 million; 2007 - \$2.0 million; 2008 - \$7.0 million; thereafter - \$31.3 million.

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

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

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

### **Recently Issued Accounting Standards**

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure, an amendment of FASB Statement No. 123." This statement amends SFAS No. 123, "Accounting for Stock-Based Compensation," to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. The FASB recently indicated that they would require stock-based employee compensation to be recorded as a charge to earnings beginning in the second half of 2005. We continue to monitor their progress on the issuance of this standard as well as evaluating our position with respect to current guidance.

### **Critical Accounting Policies**

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

On an ongoing basis, we evaluate our estimates and assumptions, including those related to revenue recognition, allowance for doubtful accounts, valuation of inventories, valuation of long-lived assets, pension plan assumptions, 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.

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### *Property, Plant and Equipment*

Property, plant and equipment are depreciated over their useful lives. Useful lives are based on management's estimates of the period that the assets can generate revenue, which does not necessarily coincide with the remaining term of a customer's contractual obligation to purchase products made using those assets. The Company's sales of PCC are predominantly pursuant to long-term contracts, initially ten years in length, with paper mills at which the Company operates satellite PCC plants. The terms of many of these agreements have been extended, often in connection with an expansion of the satellite PCC plant. The Company also continues to supply PCC at two locations at which the PCC contract has expired. Failure of a PCC customer to renew an agreement or continue to purchase PCC from the Company facility could result in an impairment of assets charge at such facility.

### **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 rates. We are exposed to market risk because of changes in foreign currency exchange rates as measured against the U.S. dollar. We do not anticipate that near-term changes in exchange rates will have a material impact on our future earnings or cash flows. However, there can be no assurance that a sudden and significant decline in the value of foreign currencies would not have a material adverse effect on our financial condition and results of operations. Approximately 25% of our



bank debt bears interest at variable rates; therefore our results of operations would only be affected by interest rate changes to such outstanding bank debt. An immediate 10 percent change in interest rates would not have a material effect on our results of operations over the next fiscal year.

We are exposed to various market risks, including the potential loss arising from adverse changes in foreign currency exchange rates and interest rates. We do not enter into derivatives or other financial instruments for trading or speculative purposes. When appropriate, we enter into derivative financial instruments, such as forward exchange contracts and interest rate swaps, to mitigate the impact of foreign exchange rate movements and interest rate movements on our operating results. The counterparties are major financial institutions. Such forward exchange contracts and interest rate swaps would not subject us to additional risk from exchange rate or interest rate movements because gains and losses on these contracts would offset losses and gains on the assets, liabilities, and transactions being hedged. We have open forward exchange contracts to purchase approximately \$4.8 million of foreign currencies as of September 26, 2004. These contracts mature between October 2004 and March 2005. The fair value of these instruments at September 26, 2004 was a liability of \$0.1 million. We entered into three-year interest rate swap agreements with a notional amount of \$30 million that expire in January 2005. These agreements effectively convert a portion of our floating-rate debt to a fixed rate basis. The fair value of these instruments was a liability of approximately \$0.3 million at September 26, 2004.

#### ITEM 4. Controls and Procedures

Within the 90 days prior to the date of this report, and under the supervision and with the participation of the Company's management, including the Chief Executive Officer and the Chief Financial Officer, the Company carried out an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures, pursuant to Exchange Act Rule 13a-15(b). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective in timely alerting them to material information relating to the Company (including its consolidated subsidiaries) required to be included in the Company's periodic SEC filings.

Subsequent to the date the Company carried out its evaluation, there have been no significant changes in the Company's internal controls or in other factors which could significantly affect these controls.

## PART II. OTHER INFORMATION

#### ITEM 1. Legal Proceedings

On June 15, 2004, the Company filed suit against Switzerland-based Omya AG for patent infringement seeking injunctive relief and damages in the United States District Court for the Southern District of New York. The suit alleges that Omya and its subsidiaries have infringed, are inducing the infringement of, or are contributing to the infringement of two patents held by the Company covering the use of calcium carbonate in the manufacture of acidic paper. The Company's technology is commonly referred to as acid tolerant technology and is commercialized by Specialty Minerals Inc. through its AT<sup>TM</sup> precipitated calcium carbonate. Minerals Technologies argues that its business has been, and continues to be, damaged by this alleged infringement, including substantial loss of profits.

As previously reported, on April 9, 2003, the Connecticut Department of Environmental Protection ("DEP") issued an administrative consent order which had been agreed to by Minerals Technologies Inc., Specialty Minerals Inc., and Minteq International Inc. relating to the Canaan, Connecticut, site at which both Minteq and Specialty Minerals have operations. The order includes provisions requiring investigation and remediation of contamination associated with historic activities at a portion of site. The investigation is ongoing. The cost of remediation at the site remains uncertain.

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

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

##### e) Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of the Program	Dollar Value of Shares that May Yet be Purchased Under the Program
June 28 - July 25	25,900	\$ 57.13		
July 26 - August 22	37,900	\$ 55.12		
August 23 - September 26	56,200	\$ 55.86		
Total	120,000	\$ 55.90	288,800	\$ 59,030,947

On October 23, 2003, the Company's Board of Directors authorized the Company's Management Committee, at its discretion, to repurchase up to \$75 million in additional shares per year over the next three-year period. As of September 26, 2004, the Company had repurchased 288,800 shares under this program at an average price of approximately \$55.29 per share.

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**ITEM 6. Exhibits**

a) Exhibits

- 15 Accountants' Acknowledgement.
- 31 Rule 13a-14(a)/15d-14(a) Certifications.
- 32 Section 1350 Certifications.
- 99 Statement of Cautionary Factors That May Affect Future Results.

**SIGNATURE**

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

Minerals Technologies Inc.

By: **/s/John A. Sorel**

  
John A. Sorel

Senior Vice President-Finance and  
Chief Financial Officer  
(principal financial officer)

November 3, 2004



ACCOUNTANTS' ACKNOWLEDGEMENT

Board of Directors  
Minerals Technologies Inc.:

Re: Registration Statement Nos. 33-59080, 33-65268, 33-96558 and 333-62739

With respect to the subject registration statements, we acknowledge our awareness of the use therein of our report dated October 28, 2004, related to our review of interim financial information.

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

KPMG LLP

New York, New York  
November 3, 2004

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

I, Paul R. Saueracker, certify that:

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

Date: November 3, 2004

/s/ **Paul R. Saueracker**

  
Paul R. Saueracker

Chairman of the Board; President  
and Chief Executive Officer

I, John A. Sorel, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Minerals Technologies Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external

purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 3, 2004

/s/ **John A. Sorel**

A solid black rectangular box redacting the signature of John A. Sorel.

John A. Sorel

Senior Vice President-Finance and  
Chief Financial Officer  
(principal financial officer)

**SECTION 1350 CERTIFICATIONS**

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

The Quarterly Report on Form 10-Q for the quarter ended September 26, 2004 (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.

Dated: November 3, 2004

**/s/ Paul R. Saueracker**

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Paul R. Saueracker

Chairman of the Board; President and  
Chief Executive Officer

Dated: November 3, 2004

**/s/ John A. Sorel**

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John A. Sorel

Senior Vice President-Finance and  
Chief Financial Officer  
(principal financial officer)

The foregoing certifications are being furnished solely pursuant to Exchange Act Rule 13a-14(b); are 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 are not deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Exchange Act of 1934.

## CAUTIONARY FACTORS THAT MAY AFFECT FUTURE RESULTS

The disclosure and analysis set forth in this report contains certain forward-looking statements, particularly statements relating to future actions, future performance or results of current and anticipated products, sales efforts, expenditures, and financial results. From time to time, the Company also provides forward-looking statements in other publicly-released materials, both written and oral. Forward-looking statements provide current expectations and forecasts of future events such as new products, revenues and financial performance, and are not limited to describing historical or current facts. They can be identified by the use of words such as "expects," "plans," "anticipates," "will" and other words and phrases of similar meaning.

Forward-looking statements are necessarily based on assumptions, estimates and limited information available at the time they are made. A broad variety of risks and uncertainties, both known and unknown, as well as the inaccuracy of assumptions and estimates, can affect the realization of the expectations or forecasts in these statements. Consequently, no forward-looking statement can be guaranteed. Actual future results may vary materially.

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

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

- ***Historical Growth Rate***

Continuance of the historical growth rate of the Company depends upon a number of uncertain events, including the outcome of the Company's strategies of increasing its penetration into geographic markets such as Asia and Europe; increasing its penetration into product markets such as the market for paper coating pigments and the market for groundwood paper pigments; increasing sales to existing PCC customers by increasing the amount of PCC used per ton of paper produced; and developing, introducing and selling new products and acquisitions. Difficulties, delays or failures of any of these strategies could cause the future growth rate of the Company to differ materially from its historical growth rate.

- ***Contract Renewals***

The Company's sales of PCC are predominantly pursuant to long-term agreements, generally ten years in length, with paper mills at which the Company operates satellite PCC plants. The terms of many of these agreements have been extended, often in connection with an expansion of the satellite plant. Failure of a number of the Company's customers to renew existing agreements on terms as favorable to the Company as those currently in effect could cause the future growth rate of the Company to differ materially from its historical growth rate, could have a substantial adverse effect on the Company's results of operations, and could also result in impairment of the assets associated with the PCC plant.

- ***Consolidation in Paper Industry***

Several consolidations in the paper industry have taken place in recent years. These consolidations could result in partial or total closure of some paper mills at which 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. There can be no assurance, however, that this will occur. In addition, such consolidations concentrate purchasing power in the hands of a smaller number of papermakers, enabling them to increase pressure on suppliers, such as the Company. This increased pressure could have an adverse effect on the Company's results of operations in the future.

- ***Litigation; Environmental Exposures***

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

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

- ***New Products***

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

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

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

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

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



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

- ***Availability of Raw Materials***

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

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

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