

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

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

For the quarterly period ended September 26, 1999

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	25-1190717
(State or other jurisdiction	(I.R.S. Employer
incorporation or organization)	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 registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

YES	X	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 24, 1999
Common Stock, \$0.10 par value	21,149,684

MINERALS TECHNOLOGIES INC.

INDEX TO FORM 10-Q

Page No.  
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PART I. FINANCIAL INFORMATION

Item 1.

Financial Statements:

Condensed Consolidated Statement of Income for the three-month and nine-month periods ended September 26, 1999 and September 27, 1998	3
Condensed Consolidated Balance Sheet as of September 26, 1999 and December 31, 1998	4
Condensed Consolidated Statement of Cash Flows for the nine-month periods ended September 26, 1999 and September 27, 1998	5
Notes to Condensed Consolidated Financial Statements	6
Independent Auditors' Report	9
Item 2.	
Management's Discussion and Analysis of Financial Condition and Results of Operations	10
Item 3.	
Quantitative and Qualitative Disclosures about Market Risk	14
PART II. OTHER INFORMATION	
Item 1.	
Legal Proceedings	14
Item 6.	
Exhibits and Reports on Form 8-K	14
Signature	15

## PART I. FINANCIAL INFORMATION

### ITEM 1. FINANCIAL STATEMENTS

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

	Three Months Ended		Nine Months Ended	
	Sept. 26, 1999	Sept. 27, 1998	Sept. 26, 1999	Sept. 27, 1998
(thousands of dollars, except per share data)	----	----	----	----
Net sales	\$159,807	\$154,119	\$467,220	\$453,973
Operating costs and expenses:				
Cost of goods sold	110,248	104,670	322,581	311,199
Marketing, distribution and administrative expenses	18,347	19,513	55,961	58,196
Research and development expenses	6,001	5,143	18,176	15,302
	-----	-----	-----	-----
Income from operations	25,211	24,793	70,502	69,276
Non-operating deductions, net	1,892	1,289	3,679	5,115
	-----	-----	-----	-----

Income before provision for taxes on income and minority interests	23,319	23,504	66,823	64,161
Provision for taxes on income	7,311	7,270	20,956	20,518
Minority interests	100	783	506	734
	-----	-----	-----	-----
Net income	\$ 15,908	\$ 15,451	\$ 45,361	\$ 42,909
	=====	=====	=====	=====
Earnings per share:				
Basic	\$ 0.75	\$ 0.70	\$ 2.11	\$ 1.92
Diluted	\$ 0.71	\$ 0.68	\$ 2.03	\$ 1.86
Cash dividends declared per common share	\$ 0.025	\$ 0.025	\$ 0.075	\$ 0.075
Shares used in the computation of earnings per share:				
Basic	21,349	22,211	21,518	22,406
Diluted	22,281	22,814	22,351	23,076

See accompanying Notes to Condensed Consolidated Financial Statements.

MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES  
CONDENSED CONSOLIDATED BALANCE SHEET

ASSETS

(thousands of dollars)	Sept. 26, 1999*	Dec. 31, 1998**
	----	----
Current assets:		
Cash and cash equivalents	\$ 16,441	\$ 20,697
Accounts receivable, net	126,368	110,192
Inventories	60,069	63,657
Other current assets	14,595	16,284
	-----	-----
Total current assets	217,473	210,830
Property, plant and equipment, less accumulated depreciation and depletion		
Sept. 26, 1999 - \$419,696;		
Dec. 31, 1998 - \$381,690	519,973	524,529
Other assets and deferred charges	26,062	25,553
	-----	-----
Total assets	\$763,508	\$760,912
	=====	=====

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:		
Short-term debt	\$ 13,458	\$ 13,511
Accounts payable	40,892	32,084
Other current liabilities	61,347	52,343
	-----	-----
Total current liabilities	115,697	97,938
Long-term debt	74,831	88,167
Other noncurrent liabilities	89,395	85,644
	-----	-----

Total liabilities	279,923	271,749
	-----	-----
Shareholders' equity:		
Common stock	2,569	2,553
Additional paid-in capital	149,219	144,088
Retained earnings	510,792	467,257
Accumulated other comprehensive loss	(26,581)	(9,612)
	-----	-----
	635,999	604,286
Less treasury stock	152,414	115,123
	-----	-----
Total shareholders' equity	483,585	489,163
	-----	-----
Total liabilities and shareholders' equity	\$763,508	\$760,912
	=====	=====

\* Unaudited

\*\* Condensed from audited financial statements.

See accompanying Notes to Condensed Consolidated Financial Statements.

4

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

(thousands of dollars)	Nine Months Ended	
	Sept. 26, 1999	Sept. 27, 1998
	----	----
OPERATING ACTIVITIES		
Net income	\$ 45,361	\$ 42,909
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	42,926	40,132
Other non-cash items	3,897	6,884
Net changes in operating assets and liabilities	947	3,177
	-----	-----
Net cash provided by operating activities	93,131	93,102
	-----	-----
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	( 52,023)	(58,366)
Acquisition of business	--	(34,130)
Proceeds from disposition of business	--	32,357
Other investing activities, net	(854)	(336)
	-----	-----
Net cash used in investing activities	(52,877)	(60,475)
	-----	-----
FINANCING ACTIVITIES		
Proceeds from issuance of short-term and long-term debt	28,898	599
Repayment of debt	(42,253)	(14,125)
Purchase of common shares for treasury	(37,291)	(29,169)
Dividends paid	(1,613)	(1,690)
Proceeds from issuance of common stock	5,147	3,613
Equity and debt proceeds from minority interests	1,900	--
Other	(213)	--

Net cash used in financing activities	(45,425)	(40,772)
Effect of exchange rate changes on cash and cash equivalents	915	(2,077)
Net decrease in cash and cash equivalents	(4,256)	(10,222)
Cash and cash equivalents at beginning of period	20,697	41,525
Cash and cash equivalents at end of period	\$ 16,441	\$ 31,303
Interest paid	\$ 5,030	\$ 5,834
Income taxes paid	\$ 9,499	\$ 9,887

See accompanying Notes to Condensed Consolidated Financial Statements.

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

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 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, 1998. 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, 1999 are not necessarily indicative of the results that may be expected for the year ending December 31, 1999.

Note 2 -- INVENTORIES

The following is a summary of inventories by major category:

(thousands of dollars)	September 26, 1999	December 31, 1998
	----	----
Raw materials	\$20,843	\$21,681
Work in process	4,518	5,483
Finished goods	17,636	19,650
Packaging and supplies	17,072	16,843
Total inventories	\$60,069	\$63,657
	=====	=====

Note 3 -- LONG-TERM DEBT AND COMMITMENTS

The following is a summary of long-term debt:

(thousands of dollars)	September 26, 1999 ----	December 31, 1998 ----
7.75% Economic Development Revenue Bonds Series 1990 Due 2010	\$ --	\$ 4,600
Variable/Fixed Rate Industrial Development Revenue Bonds Due 2009	4,000	4,000
Variable/Fixed Rate Industrial Development Revenue Bonds Due April 1, 2012	7,545	7,545
Variable/Fixed Rate Industrial Development Revenue Bonds Due August 1, 2012	8,000	8,000
Economic Development Authority Refunding Revenue Bonds Series 1999 Due 2010	4,600	--
6.04% Guaranteed Senior Notes Due June 11, 2000	13,000	26,000
7.49% Guaranteed Senior Notes Due July 24, 2006	50,000	50,000
Other borrowings	1,144	1,533
	-----	-----
	88,289	101,678
Less: Current maturities	13,458	13,511
	-----	-----
Long-term debt	\$74,831	\$88,167
	=====	=====

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

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:

BASIC EPS (in thousands, except per share data)	Three Months Ended		Nine Months Ended	
	Sept. 26, 1999 ----	Sept. 27, 1998 ----	Sept. 26, 1999 ----	Sept. 27, 1998 ----
Net income	\$15,908	\$15,451	\$45,361	\$42,909
	-----	-----	-----	-----
Weighted average shares outstanding	21,349	22,211	21,518	22,406
	-----	-----	-----	-----
Basic earnings per share	\$ 0.75	\$ 0.70	\$ 2.11	\$ 1.92
	=====	=====	=====	=====
DILUTED EPS				
Net income	\$15,908	\$15,451	\$45,361	\$42,909

	-----	-----	-----	-----
Weighted average shares outstanding	21,349	22,211	21,518	22,406
Dilutive effect of stock options	932	603	833	670
	-----	-----	-----	-----
Weighted average shares outstanding, adjusted	22,281	22,814	22,351	23,076
	-----	-----	-----	-----
Diluted earnings per share	\$ 0.71	\$ 0.68	\$ 2.03	\$ 1.86
	=====	=====	=====	=====

Note 5 -- COMPREHENSIVE INCOME (LOSS)

The following are the components of comprehensive income:

	Three Months Ended		Nine Months Ended	
(thousands of dollars)	Sept. 26, 1999	Sept. 27, 1998	Sept. 26, 1999	Sept. 27, 1998
	----	----	----	----
Net income	\$15,908	\$15,451	\$45,361	42,909
Other comprehensive income, net of tax:				
Foreign currency translation adjustments	5,450	5,899	(16,883)	(666)
Unrealized holding gains (losses), net of reclassification adjustments	--	(47)	(86)	(45)
	-----	-----	-----	-----
Comprehensive income	\$21,358	\$21,303	\$28,392	\$42,198
	=====	=====	=====	=====

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

	Sept. 26, 1999	Dec. 31, 1998
	----	----
Foreign currency translation adjustments	\$ (25,580)	\$ (8,697)
Minimum pension liability adjustments	(1,001)	(1,001)
Unrealized holding gains	--	86
	-----	-----
Accumulated other comprehensive loss	\$ (26,581)	\$ (9,612)
	=====	=====

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

The change in unrealized holding gains for the nine months ended September 26, 1999 includes reclassification adjustments of \$174,000 for gains realized in income from the sale of securities.

Note 6 -- SEGMENT AND RELATED INFORMATION

Segment information for the three-month and nine-month periods ended September 26, 1999 and September 27, 1998 was as follows:

(thousands of dollars)

NET SALES

	Three Months Ended		Nine Months Ended	
	Sept. 26, 1999	Sept. 27, 1998	Sept. 26, 1999	Sept. 27, 1998
Specialty Minerals Segment	\$115,380	\$108,940	\$339,466	\$315,047
Refractories Segment	44,427	45,179	127,754	138,926
Total	\$159,807	\$154,119	\$467,220	\$453,973

(thousands of dollars)

INCOME FROM OPERATIONS

	Three Months Ended		Nine Months Ended	
	Sept. 26, 1999	Sept. 27, 1998	Sept. 26, 1999	Sept. 27, 1998
Specialty Minerals Segment	\$18,388	\$18,021	\$51,372	\$48,102
Refractories Segment	6,823	7,472	19,130	21,874
Total	\$25,211	\$25,493	\$70,502	\$69,976

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

(thousands of dollars)

	Three Months Ended		Nine Months Ended	
	Sept. 26, 1999	Sept. 27, 1998	Sept. 26, 1999	Sept. 27, 1998
INCOME BEFORE PROVISION FOR TAXES ON INCOME AND MINORITY INTERESTS				
Income from operations for reportable segments	\$25,211	\$25,493	\$70,502	\$69,976
Unallocated corporate expenses	--	(700)	--	(700)
Consolidated income from operations	25,211	24,793	70,502	69,276
Non-operating deductions, net	(1,892)	(1,289)	(3,679)	(5,115)
Income before provision for taxes on income and minority interests	\$23,319	\$23,504	\$66,823	\$64,161



## INDEPENDENT AUDITORS' REPORT

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, 1999 and the related condensed consolidated statements of income for each of the three-month and nine-month periods ended September 26, 1999 and September 27, 1998, and cash flows for the nine-month periods then ended. These financial statements are the responsibility of the company's management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. 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 generally accepted auditing standards, 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 generally accepted accounting principles.

We have previously audited, in accordance with generally accepted auditing standards, the consolidated balance sheet of Minerals Technologies Inc. and subsidiary companies as of December 31, 1998, 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 19, 1999, 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, 1998 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  
November 5, 1999

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Income and Expense Items As a Percentage of Net Sales			
Three Months Ended		Nine Months Ended	
Sept. 26, 1999	Sept. 27, 1998	Sept. 26, 1999	Sept. 27, 1998
----	----	----	----

Net sales	100.0%	100.0%	100.0%	100.0%
Cost of goods sold	69.0	67.9	69.0	68.5
Marketing, distribution and administrative expenses	11.5	12.7	12.0	12.8
Research and development expenses	3.7	3.3	3.9	3.4
	----	----	----	----
Income from operations	15.8	16.1	15.1	15.3
Net income	10.0%	10.0%	9.7%	9.5%
	====	====	====	====

## RESULTS OF OPERATIONS

Three Months Ended September 26, 1999 as Compared with Three Months Ended  
-----  
September 27, 1998  
-----

Net sales in the third quarter of 1999 increased 3.7% to \$159.8 million from \$154.1 million in the third quarter of 1998.

Net sales in the Specialty Minerals segment, which includes the Precipitated Calcium Carbonate ("PCC") and Processed Minerals product lines, grew 6.0% in the third quarter of 1999 to \$115.4 million.

Worldwide net sales of PCC grew 7.4% to \$95.8 million from \$89.2 million in the third quarter of 1998. This sales growth was primarily attributable to the commencement of operations at two new satellite PCC plants in 1999, increased sales from four satellite plants that commenced operations during the first nine months of 1998, and to the growth in the specialty PCC product line. The new satellite plants are located at Courtland, Alabama and Dagang, China.

In the third quarter of 1999, the average price per ton of PCC sold by the Company's satellite PCC plants was approximately the same as in the second quarter of 1999 but was approximately 7% lower than the average selling price per ton in the third quarter of 1998. Over half of the decline was due to the commencement of operations at two new large PCC satellite facilities in 1999 and to ramp-ups of volume at several other satellite facilities. Approximately 20% of the decline was related to foreign exchange. Other factors, such as price adjustments associated with contract extensions, accounted for the rest.

In the third quarter, the Company announced that it has secured an agreement with Sociedade de Portuguesa de Papel, S.A. - Soporcel, to provide PCC to a new 400,000 ton paper machine in Figueira da Foz, Portugal. This satellite, which will be in operation by the second quarter of 2000, is equivalent to approximately three satellite units. (A satellite unit is equivalent to annual production capacity of between 25,000 and 35,000 tons of PCC.) The Company now operates 55 satellite PCC plants around the world.

In October 1999, the Company announced that its majority-owned joint venture has signed an agreement with a major Japanese paper manufacturer for the construction of its initial PCC satellite plant in Japan. This satellite, which will be in operation in the second quarter of 2000, will be equivalent to approximately two satellite units.

Net sales of Processed Minerals products decreased 0.5% in the third quarter to \$19.6 million compared to the same period in 1998. The sales decline in Processed Minerals was primarily due to a decline in sales of talc products.

Net sales in the Refractories segment were \$44.4 million for the third quarter of 1999, a 1.8% decrease compared to the same period last year. The sales decline was due primarily to unfavorable economic conditions in the worldwide steel industry.

Net sales in the United States in the third quarter of 1999 increased approximately 2.6%. Foreign sales increased approximately 5.9% in the third quarter of 1999.

Income from operations was \$25.2 million, an increase of 1.6% from \$24.8 million in the third quarter of 1998. Income from operations in the Specialty Minerals segment was \$18.4 million, a 2.2% increase over the third quarter in the prior year. Income from operations in the Refractories segment decreased 9.3% in the third quarter. The decrease in operating income of the Refractories

segment was primarily attributable to the worldwide downturn in the steel industry that began late in the third quarter of 1998.

10

Net non-operating deductions increased primarily as a result of foreign exchange losses in 1999 as compared to foreign exchange gains in the same period of 1998.

Net income increased 2.6% to \$15.9 million from \$15.5 million in the prior year. Diluted earnings per common share increased 4% to \$0.71 in the third quarter of 1999, compared to \$0.68 in the prior year.

Nine Months Ended September 26, 1999 as Compared with Nine Months Ended  
-----  
September 27, 1998  
-----

Net sales for the first nine months of 1999 increased 2.9% to \$467.2 million from \$454.0 million in 1998.

Net sales in the Specialty Minerals segment increased 7.8% in the first nine months of 1999 to \$339.5 million. Worldwide net sales in the PCC product line grew 10.6% to \$281.2 million for the first nine months of 1999. Net sales in the Processed Minerals product line declined 4.1% in the first nine months of 1999. Excluding the divested Midwest limestone business, which was sold in April 1998, the sales decline was 1.5%.

Net sales in the Refractories segment decreased 8.0% to \$127.8 million. This decrease was due to the unfavorable economic conditions in the worldwide steel industry.

Income from operations rose 1.7% to \$70.5 million in the first nine months of 1999 from \$69.3 million in the previous year. Income from operations in the Specialty Minerals segment increased 6.8% in the first nine months of 1999 to \$51.4 million. Income from operations in the Refractories segment declined 12.8% for the first nine months of 1999. This decline was due to the aforementioned weakness in the worldwide steel industry.

Non-operating deductions decreased primarily as a result of a decrease in foreign exchange losses in 1999 as compared to the same period in 1998.

Net income increased 5.8% to \$45.4 million from \$42.9 million in 1998. Diluted earnings per common share increased 9% to \$2.03 as compared with \$1.86 for the first nine months of 1998.

#### LIQUIDITY AND CAPITAL RESOURCES

The Company's financial position remained strong in the first nine months of 1999. Cash flows were provided from operations and were applied principally to fund capital expenditures, to repurchase common shares for treasury and to remit the required principal payment of \$13 million under the Company's Guaranteed Senior Notes due June 11, 2000. Cash provided from operating activities amounted to \$93.1 million in the first nine months of 1999.

On February 26, 1998, the Company's Board of Directors authorized a \$150 million program to repurchase Company stock on the open market from time to time. As of October 24, 1999, the Company had repurchased approximately 1.7 million shares under this program at an average price of approximately \$48 per share.

The Company has available approximately \$110 million in uncommitted, short-term bank credit lines, none of which were in use at September 26, 1999. The Company anticipates that capital expenditures for all of 1999 will be between \$80-\$90 million. The capital expenditures will principally be related to construction of satellite PCC plants, expansion projects at existing satellite PCC plants, a merchant manufacturing facility in Brookhaven, Mississippi for the production of specialty PCC, and other opportunities that meet the strategic growth objectives of the Company. The Company expects to meet such requirements from internally generated funds, the aforementioned uncommitted bank credit lines and, where appropriate, project financing of certain satellite plants.

## 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 "anticipate," "estimate," "expects," and "projects," and words and terms of similar substance used in connection with any discussion of future operating or financial performance, identify these forward-looking statements.

The Company cannot guarantee that the outcomes suggested in any forward-looking statement will be realized, although it believes it has been prudent in its 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

11

risks, uncertainties and assumptions under the heading "Cautionary Factors That May Affect Future Results" in Exhibit 99 to this Quarterly Report on Form 10-Q.

## RECENTLY ISSUED ACCOUNTING STANDARDS

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." The statement establishes accounting and reporting standards for derivative instruments and for hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. The statement, as amended, is effective for all fiscal quarters of fiscal years beginning after June 15, 2000. The Company will adopt SFAS 133 by January 1, 2001. Adoption of SFAS 133 is not expected to have a material effect on the consolidated financial statements.

## YEAR 2000

The "year 2000 issue" arises because many computer programs and electronically controlled devices denote years using only the last two digits. Because these programs and devices may fail to recognize the year 2000 correctly, calculations or other tasks that involve the years 2000 and beyond may cause the programs to produce erroneous results or to fail altogether. Like other companies, the Company uses operating systems, applications and electronically controlled devices that were produced by many different vendors at different times, and many of which were not originally designed to be year 2000 compatible.

### The Company's State of Readiness

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### Information Technology

The Company has completed its assessment of its exposure to year 2000-related risks arising from information technology, and is engaged in remediation of the areas of exposure it has identified.

In 1996, the Company began a project to install new computer hardware and software systems to improve the capability of its technology, to harmonize the various information technology platforms in use, and to centralize certain financial functions. The project encompasses corporate financial and accounting functions as well as manufacturing and costing, procurement, planning and scheduling of production and maintenance, and customer order management.

The Company has completed all systems implementation and testing to ensure that its financial and operating systems are year 2000 ready in its operations throughout North America.

Outside of the United States, preparations for the year 2000 are being

carried out by the relevant business units on a decentralized basis. Implementation and testing of information technology systems has been substantially accomplished, with a small number of European locations expected to complete this process by year-end.

The Company's exposures to the year 2000 issue other than in the area of information technology arise mostly with respect to process control systems and instrumentation at the Company's manufacturing locations and in equipment used at customer locations. Telephone and e-mail systems, operating systems and applications in free-standing personal computers, local area networks, and site services such as electronic security systems and elevators may also be affected. A failure of these systems which interrupts the Company's ability to supply products to its customers could have a material adverse impact on its results of operations. These issues are being addressed by the individual business units, by obtaining from vendors and service providers either necessary modifications to the software or assurance that the system will not be disrupted by the year 2000 issue. This process is substantially complete.

#### Third Parties

The Company's divisions have communicated with their principal customers and vendors to inquire about their year 2000 readiness. No such customer or vendor has indicated that it expects an interruption of a type that would have, in the Company's opinion, a material adverse effect on the Company's results of operations. However, because so many firms are exposed to the risk of failure not only of their own systems, but of the systems of other firms, the ultimate effect of the year 2000 issue is subject to a very high degree of uncertainty.

#### Costs

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The Company expects that it will spend approximately \$16-19 million, cumulatively, before January 1, 2000 for new computer hardware and software, other information technology upgrades and replacements, and upgrades and replacements to non-IT systems worldwide. These expenditures, which include both internal and external costs, will provide benefits to the Company which include, but are not limited to, the achievement of year 2000 readiness. Of this amount approximately

12

\$16 million had been expended as of September 26, 1999. These expenditures will be capitalized or expensed in accordance with Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use," which the Company has adopted, and other related pronouncements.

The Company will finance these expenditures solely from working capital, and does not expect the total cost associated with its plans to address the year 2000 issue to have a material effect on its financial position or results of operations.

None of the Company's other significant information technology projects have been delayed due to the implementation of year 2000 solutions.

#### Risks of the Year 2000 Issue

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Like other companies, the Company relies on its customers for revenues, on its suppliers for raw materials and on its other vendors for products and services of all kinds. These third parties all face the year 2000 issue. An interruption in the ability of any of them to provide goods or services, or to pay for goods or services provided to them, or an interruption in the business operations of customers causing a decline in demand for the Company's products, could have a material adverse effect on the Company. In particular, each of the Company's satellite PCC plants relies on one customer for most or all of its business, and in many cases for raw materials as well, so that a shutdown of a host paper mill's operation could also cause the satellite PCC plant to shut down. The Company believes that the most reasonably likely worst-case scenario caused by the transition to the year 2000 would involve interruption of its ability to obtain raw materials or to conduct manufacturing operations at multiple manufacturing sites simultaneously.

## Contingency Plan

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Based upon the risks described above, the Company has prepared a contingency plan to mitigate the effects of an interruption of its ability to obtain raw materials or to conduct manufacturing operations at multiple manufacturing locations. The components of this plan were generated by the individual sites, taking into consideration their particular conditions, such as customer relationships and the availability of alternate sources of supply.

The statements in this section regarding the effect of the year 2000 and the Company's responses to it are forward-looking statements. They are based on assumptions that the Company believes to be reasonable in light of its current knowledge and experience. A number of contingencies could cause actual results to differ materially from those described in forward-looking statements made by or on behalf of the Company. Please see "Cautionary Factors That May Affect Future Results" in Exhibit 99 to this Quarterly Report on Form 10-Q.

## ADOPTION OF A COMMON EUROPEAN CURRENCY

On January 1, 1999, eleven European countries adopted the euro as their common currency. From that date until January 1, 2002, debtors and creditors may choose to pay or be paid in euros or in the former national currencies. On and after January 1, 2002, the former national currencies will cease to be legal tender.

The Company's information technology systems are now able to convert among the former national currencies and the euro, and process transactions and balances in euros, as required. The financial institutions with which the Company does business are capable of receiving deposits and making payments both in euros and in the former national currencies. The Company does not expect that adapting its information technology systems to the euro will have a material impact on its financial condition or results of operations. The Company is also reviewing contracts with customers and vendors calling for payments in currencies that are to be replaced by the euro, and intends to complete in a timely way any required changes to those contracts.

Adoption of the euro is likely to have competitive effects in Europe, as prices that had been stated in different national currencies become directly comparable to one another. In addition, the adoption of a common monetary policy by the countries adopting the euro can be expected to have an effect on the economy of the region. These competitive and economic effects had no material impact on the Company's financial condition or results of operations in the third quarter, and the Company does not expect any such material impact to occur. There can be no assurance, however, that the transition to the euro will not have a material effect on the Company's business in Europe in the future.

13

## ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

### Market Risk

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The Company is exposed to various market risks, including the potential loss arising from adverse changes in foreign currency exchange rates. The Company does not enter into derivatives or other financial instruments for trading or speculative purposes. When appropriate, the Company enters into derivative financial instruments, such as forward exchange contracts, to mitigate the impact of foreign exchange rate movements on the Company's operating results. The counterparties are major financial institutions. Such forward exchange contracts would not subject the Company to additional risk from exchange rate movements because gains and losses on these contracts would offset losses and gains on the assets, liabilities and transactions being hedged. There were no open forward exchange contracts outstanding at September 26, 1999 or September 27, 1998.

## PART II. OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

On or about October 5, 1999, the Company was notified by the U.S. Department of Justice that it had received an enforcement referral from the U.S. Environmental Protection Agency regarding alleged violations by the Company's subsidiary Barretts Minerals Inc. ("BMI") of a state-issued permit regulating pit dewatering and storm water discharge at BMI's talc mine in Barretts, Montana. The threatened federal enforcement action would duplicate in part a state enforcement action that was resolved in May 1999 through settlement and payment of a civil penalty of \$14,000. The Department of Justice has proposed to enter into prefiling negotiations with BMI, and as of November 5, 1999, no complaint had been filed. There can be no assurance that the amount of monetary penalty or the cost of other relief sought by the Department of Justice in any such complaint, if filed, would not be substantially in excess of the amount for which the previous state enforcement action was settled. The Company has received no indication of the amount of any monetary penalty or the nature of any other relief intended to be sought.

On August 2, 1999, the Company, without admitting any wrongdoing, entered into a confidential settlement agreement with the plaintiff, Eaton Corporation, in a lawsuit captioned EATON CORPORATION V. PFIZER INC, MINERALS TECHNOLOGIES INC. AND SPECIALTY MINERALS INC. which was filed on July 31, 1996. The suit alleged that certain materials sold to Eaton for use in truck transmissions were defective, necessitating repairs for which Eaton sought reimbursement. The Company's insurance covered a substantial portion of the settlement and there was no material impact on the Company's results of operations or financial position as a result of this settlement.

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

#### ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

a) Exhibits:

- 4 - Rights Agreement, executed effective as of September 13, 1999 (the "Rights Agreement"), between Minerals Technologies Inc. and ChaseMellon Shareholder Services, L.L.C., as Rights Agent, including as Exhibit B the forms of Rights Certificate and of Election to Exercise (incorporated by reference to Exhibit No. 4 to the Company's current report on Form 8-K filed September 3, 1999).
- 10 - Employee Protection Program, as amended August 27, 1999.
- 15 - Accountants' Acknowledgment (Part I Data).
- 27 - Financial Data Schedule for the nine months ended September 26, 1999.
- 99 - Statement of Cautionary Factors That May Affect Future Results.

b) Report on Form 8-K filed September 3, 1999.

#### 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/ Neil M. Bardach

-----  
Neil M. Bardach  
Vice President-Finance and  
Chief Financial Officer; Treasurer

(principal financial officer)

November 8, 1999



EXHIBIT 10

EMPLOYEE PROTECTION PROGRAM

The Company has a plan for the protection of employees in the event of a takeover of the Company. The plan provides for severance pay following a change in control for any employee who is terminated other than for cause. The employee would receive four weeks of pay for each year of service, up to a maximum of two years' pay. Also, as discussed previously, the Company has established additional protection by entering into severance agreements with certain key employees.

A copy of the plan follows.

EMPLOYEE PROTECTION PROGRAM

1. Establishment of the Program

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This Employee Protection Program was established by the Board of Directors of Minerals Technologies Inc. (the "Company") at its meeting of August 27, 1999 (the "Effective Date"). This Employee Protection Program has been established for the benefit of the Participants, as defined herein.

2. Purposes

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The purposes of the Program are to attract and retain valued employees, allay job security fears and concerns, improve employee morale and dedication to the Company, increase productivity by eliminating extraneous distractions and anxieties, and help ensure that employees receive the benefits they legitimately earn in the normal course of their employment. The accomplishment of these purposes is in the best interest of the Company and its stockholders.

3. Definitions

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For purposes of this Program, the following terms shall have the meanings provided below:

"Change in Control" shall mean a change in control of the Company of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), whether or not the Company is then subject to such reporting requirement; provided that, without limitation, such a Change in Control shall be deemed to have occurred if (A) any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes the "beneficial owner" (as determined for purpose of Regulation 13D-G under the Exchange Act as currently in effect), directly or indirectly, of securities of the Company representing 15% or more of the combined voting power of the Company's then outstanding securities; or (B) during any period of two consecutive years (not including any period prior to the execution of this Agreement), individuals who at the beginning of such period constitute the Board and any new director, whose election to the Board or nomination for election to the Board by the Company's stockholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority of the Board; or (C) the stockholders of the Company approve a merger or

consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the holders of the voting securities of the Company outstanding immediately prior thereto holding immediately thereafter

#### EMPLOYEE PROTECTION PROGRAM

securities representing more than 80% of the combined voting power of the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation; or (D) the stockholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets.

The foregoing notwithstanding, no Change in Control shall be deemed to have occurred for purposes of this Program if: (A) that certain Rights Agreement approved by the Board of Directors on the Effective Date and effective as of September 13, 1999, by and between the Company and ChaseMellon Shareholder Services, L.L.C. shall be in effect at the time such "person" becomes the "beneficial owner", directly or indirectly, of 15% or more of the combined voting power of the Company's then outstanding securities; and (B) the Board of Directors determines that such person has become an Acquiring Person inadvertently and such person divests as promptly as practicable a sufficient number of shares of the Company's voting securities so that such person would no longer be an Acquiring Person. For purposes hereof, the term "Acquiring Person" shall have the meanings set forth in Section 1 of the Rights Agreement.

"Compensation" shall mean the annual base salary and bonus rate of a Participant (as defined herein), as in effect as of the Participant's Employment Termination (as defined herein).

"Constructive Termination" with respect to a Participant shall mean the resignation of such Participant from employment with the Company or a Participating Subsidiary, as the case may be, after a Change in Control on account of (i) demotion, (ii) decrease in salary, (iii) a material change in reporting responsibilities or employment duties or status inconsistent with the Participant's pre-Change in Control employment or status, (iv) involuntary relocation or transfer, (v) discontinuance of medical, health or life insurance benefits or any retirement plan in which such Participant participated before the Change in Control (without equivalent compensating remuneration or replacement by a plan providing substantially similar benefits) or any action that materially reduces such Participant's benefits or payment under such plans, or (vi) any other action which has an equivalent adverse economic effect on such Participant.

"Disability" shall mean such condition of disability as would permit an employee to obtain disability benefits under the disability insurance or other disability benefits program of the Company or a Participating Subsidiary applicable to such Participant.

"Employment Termination" shall mean the cessation of a Participant's employment with the Company or a Participating Subsidiary, as the case may be, after a Change in Control, other than by reason of death, disability, retirement, voluntary resignation not constituting a Constructive Termination, or as a result of a valid Summary Dismissal.

#### EMPLOYEE PROTECTION PROGRAM

"Participant" shall mean any employee of the Company or of a Participating Subsidiary.

"Participating Subsidiary" shall mean any corporation owned, in whole or in part, by the Company which adopts this Program for the benefit of its employees.

"Retirement" shall mean retirement at or after a Participant's normal retirement date as determined in accordance with the Retirement Annuity Plan of Minerals Technologies Inc. or the pension plan or policy of a Participating Subsidiary in which such Participant participates or pursuant to early retirement as permitted by such pension plan or policy.

"Subsidiary" shall mean any corporation a majority of the voting stock of which is or was owned, directly or indirectly, by the Company.

"Severance Pay" shall mean the cash severance payments payable to a Participant under this Program pursuant to the schedule set forth in Section 5 of this Program.

"Summary Dismissal" shall mean the discharge of a Participant from employment with the Company or a Participating Subsidiary, as the case may be, for cause, including but not limited to an act or acts of dishonesty which result in improper personal enrichment of the Participant at the expense of the Company or any Subsidiary, as the case may be, including a resignation in lieu of such dismissal.

#### 4. Eligibility -----

All U.S. employees of the Company or of a Participating Subsidiary other than an employee who is party to an executive severance agreement substantially in the form approved by the Board of Directors on May 23, 1996, and other than an employee covered by a collective bargaining agreement that does not provide for participation in the Program shall be eligible to participate in the Program. Eligible employees outside the U.S. shall be treated similarly to those in the U.S. with appropriate offsets being made for severance arrangements that exist by reason of local plan or practice or applicable law.

#### 5. Severance Pay -----

If a Participant incurs an Employment Termination within a two-year period following a Change in Control, the Participant shall become entitled to Severance Pay in an amount equal to four weeks' Compensation for each full year of employment service of such Participant to the Company, to any Participating Subsidiary, and to Pfizer Inc or any of its affiliates in the case of those employees who joined the Company directly from Pfizer Inc or any of its affiliates prior to May 1, 1993. However, in no event shall such Severance Pay be more than twice the Participant's annual compensation.

### EMPLOYEE PROTECTION PROGRAM

Severance Pay shall be paid in a lump sum as soon as practicable after Employment Termination and shall be in lieu of any cash severance payments otherwise payable to such Participant on account of the Participant's separation from service, unless otherwise provided by a written agreement between such Participant and the Company or a Participating Subsidiary. Any amount payable pursuant to any such agreement shall reduce the amount payable under this Program on a dollar-for-dollar basis unless otherwise

explicitly provided in such agreement.

No benefits shall be payable hereunder unless there shall have been a Change in Control of the Company.

6. Administration  
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The Board of Directors of the Company or a committee thereof shall appoint a committee to administer the Program (the "Administrative Committee") consisting of at least three Participants, one of whom shall be the Vice President - Organization and Human Resources, who shall act as chairman. The committee shall have the authority to adopt such rules and procedures as it deems necessary or appropriate for the implementation of this Program and to interpret and apply this Program in order to carry out its purposes.

7. Dispute Resolution  
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In the event a dispute arises between a Participant and the Company or a Participating Subsidiary, as the case may be, relating to any matter under this Program, the Participant (including the Participant's duly authorized representative) shall have the option (a) to file an appeal of the Participant's denied claim with the Administrative Committee (or any committee of the Board of Directors of the Company authorized by the Board of Directors of the Company to act on such matters) which shall be the Participant's named fiduciary for review of denied claims under Sections 402(a)(2) and 503(2) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), or (b) submit such denied claim to an arbitration panel for decision. If a Participant chooses to prosecute an appeal as contemplated by clause (a) of the foregoing sentence, the Participant shall be entitled to a full and fair review in conformance with Section 2560.503-1(g) and (h) of Chapter 29 of the Code of Federal Regulations. If a Participant chooses to submit the denied claim to an arbitration panel, it shall be heard, promptly, before a panel of three independent arbitrators, one selected by the Company or Participating Subsidiary, as the case may be, one selected by the Participant, and a third selected by the two other arbitrators. In the event that agreement cannot be reached on the selection of the third arbitrator, such arbitrator shall be selected by the American Arbitration Association ("AAA"). Any such arbitration shall be conducted in accordance with the rules of the AAA. All matters presented to a panel shall be decided by majority vote. All decisions of either the named fiduciary for review of denied claims or the arbitration panel shall be conclusive and binding upon the

EMPLOYEE PROTECTION PROGRAM

Company or Participating Subsidiary, as the case may be, the Participant and any other interested parties. (If a Participant believes the dispute resolution mechanism provided by this Program would be futile or cause such Participant irreparable harm, the Participant may, in the Participant's sole discretion, elect to enforce the Participant's rights under the Program pursuant to Section 502 of ERISA.)

8. Expenses  
-----

All Program administration expenses incurred by the Administrative Committee shall be borne by the Company and all other administration expenses incurred by the Company or any Participating Subsidiary shall be borne by the Company or such Participating Subsidiary, as appropriate. All expenses of a Participant reasonably incurred in

successfully enforcing the Participant's rights under this Program, including, without limitation, attorney's fees and disbursements, if any, shall be borne by the Company. The Company shall reimburse the Participant for such expenses, promptly upon presentment of appropriate documentation thereof.

9. Amendment

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The Program may be amended by the Board of Directors of the Company or a duly authorized committee thereof, at any time or from time to time; provided, however, that any amendment which would have a significant adverse effect on any Participant's rights under this Program after a Change in Control shall not be amended as to such Participant without the written consent of such Participant.

10. Termination

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This Program shall continue for a term of two years from the Effective Date; provided, however, that it may be renewed for subsequent two-year periods by the Board of Directors of the Company or a duly authorized committee thereof, by duly adopting a resolution stating that the Program shall be renewed as to it. If, however, a Change in Control occurs during the term of the Program, the Program shall continue until the Company or Participating Subsidiary, as appropriate, shall have fully performed all of its obligations under this Program with respect to all Participants.

11. Participant Rights

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The Company and any Participating Subsidiary intend this Program to constitute a legally enforceable obligation between (a) the Company or Participating Subsidiary, as the case may be, and (b) each Participant, and to be subject to enforcement under Section 502(a) of ERISA. It is also intended that the Program confer vested rights on each Participant under the terms of this Program with Participants being third party

EMPLOYEE PROTECTION PROGRAM

beneficiaries hereof. Nothing in the Program, however, shall be construed to confer on any Participant any right to continue in the employ of the Company or a Participating Subsidiary or affect in any way the right of the Company or a Participating Subsidiary to terminate a Participant's employment without prior notice at any time for any reason or for no reason.

12. Governing Law

-----

The Program is intended to be an unfunded "employee welfare benefit plan" providing severance benefits within the meaning of Section 3(1) of ERISA and Section 2510.3-2(b) of Chapter 29 of the Code of Federal Regulations. Except to the extent that the Program is subject to the provisions of ERISA, the Program shall be construed and governed by, and construed and enforced in accordance with, the laws of the State of Delaware (regardless of the law that might otherwise govern under applicable principles, policies or provisions of choice or conflict of laws).

13. Effect on Other Benefits

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Except as otherwise provided herein, this Program shall not

affect any Participant's rights or entitlement under any other retirement or employee benefit plan offered to the Participant by the Company or any Participating Subsidiary, as appropriate, as of the Participant's Employment Termination.

14. Successors  
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The Program shall be binding upon any successor in interest of the Company or a Participating Subsidiary, as the case may be, and shall inure to the benefit of, and be enforceable by, a Participant's assigns or heirs.

15. Severability  
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The various provisions of the Program are severable and any determination of invalidity or unenforceability of any one provision shall not have any effect on the remaining provisions.

16. Construction  
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In determining the meaning of any provision of this Program, the singular shall include the plural, unless the context otherwise requires. Headings of sections of this Program are for convenience only and are not intended to modify or affect the meaning of the substantive provisions of this Program.

(August 27, 1999)

ACCOUNTANTS' ACKNOWLEDGMENT

The 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 November 5, 1999, 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.

Very truly yours,

KPMG LLP

New York, New York  
November 8, 1999

<ARTICLE> 5

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This schedule contains summary financial information extracted from the condensed consolidated financial statements of Minerals Technologies Inc., and is qualified in its entirety by reference to such condensed consolidated financial statements.

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## 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, 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 their use of words such as "plans", "expects", "anticipated", "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. You should not consider this list an exhaustive statement of all potential risks, uncertainties and 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 geographical markets such as Asia, Latin America 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. 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 PCC plant. The Company continues to operate every PCC plant that it has built. There is no assurance, however, that this will continue to be the case. 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, and could have a substantial adverse effect on the Company's results of operations.

- LITIGATION; ENVIRONMENTAL EXPOSURES

The Company's operations are subject to international, federal, state and local environmental, 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.

- NEW PRODUCTS

The Company is engaged in a continuous effort to develop new products in all of its product lines. Difficulties, delays or failures in the development, testing, production, marketing of sale of such new products could cause its 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 competes 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, fluctuations 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, 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 PCC operations and magnesias for refractory operations, 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.

- YEAR 2000

The Company faces the risk that the transition to the year 2000 may cause its own systems and equipment, or the systems and equipment of other firms, to fail unexpectedly. The Company is taking steps to study and reduce this risk, as outlined above in the Management's Discussion and Analysis section of this quarterly report on Form 10-Q. However, failure of the Company's efforts to repair or replace its information technology systems and non-information technology systems according to schedule; failure to identify a mission-critical, non-year 2000-compatible item of software or embedded control; failure of a significant vendor or customer to provide the Company with goods or services or to purchase or pay for goods or services, because of year 2000-related breakdowns; or widespread year 2000-related disruption of the electrical, banking, telecommunications or transportation systems or of the economy in general, could adversely affect the Company's financial position or results of operations.

- CYCLICAL NATURE OF CUSTOMERS' BUSINESS

The bulk of the Company's sales are to customers in two industries, paper and steel, which have historically been cyclical. The Company's exposure to variations in its customers' business 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, since economic problems are usually not equally felt in all parts of the world. In addition, the structure of some of the Company's long-term contracts gives it a degree of protection against declines in the quantity of product purchased, since the price per ton rises as the number of tons purchased declines. In addition, many of the Company's product lines lower its customers' cost 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 which the Company serves, or in the worldwide economy, could cause actual results of operations to differ materially from historical and expected results.

- ADOPTION OF A COMMON EUROPEAN CURRENCY

On January 1, 1999, eleven European countries adopted the euro as their common currency. Adoption of a single currency and a common monetary policy by the countries adopting the euro can be expected to have effects on competition in Europe and on the overall economy of the region, which could adversely affect the Company's financial position or results of operations.