MINERALS TECHNOLOGIES INC
Form 10-Q
July 29, 2008

UNITED STATES
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 June 29, 2008

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 of incorporation or organization)	(I.R.S. Employer Identification No.)

405 Lexington Avenue, New York, New York 10174-0002

(Address of principal executive offices, including zip code)

(212) 878-1800

(Registrant s telephone number, including area code)

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

YES X **NO** _____

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

Large Accelerated Filer [X]	Accelerated Filer [ ]	Non- accelerated Filer [ ]	Smaller Reporting Company [ ]

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

YES __ **NO X**

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

Class	Outstanding at July 21, 2008
Common Stock, $0.10 par value	18,907,040

MINERALS TECHNOLOGIES INC.

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PART 1. FINANCIAL INFORMATION

ITEM 1. Financial Statements

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

	Three Months Ended		Six Months Ended	
(in thousands, except per share data)	June 29, 2008	July 1, 2007	June 29, 2008	July 1, 2007
Net sales	$ 299,794	$ 271,432	$ 577,314	$ 536,915
Cost of goods sold	237,512	211,318	454,297	420,281
Production margin	62,282	60,114	123,017	116,634
Marketing and administrative expenses	26,590	26,570	52,630	53,469
Research and development expenses	6,014	6,600	12,134	13,528
Restructuring and other costs	899	--	2,331	--
Income from operations	28,779	26,944	55,922	49,637
Non-operating income (deductions), net	(724)	(1,749)	(2,238)	(4,428)
Income before provision for taxes on income, minority interests and discontinued operations	28,055	25,195	53,684	45,209
Provision for taxes on income	8,653	8,245	16,598	14,808
Minority interests	713	823	1,566	1,671
Income from continuing operations	18,689	16,127	35,520	28,730
Income (loss) from discontinued operations, net of tax	4,646	(1,753)	5,022	(3,535)
Net income	$ 23,335	$ 14,374	$ 40,542	$ 25,195
Earnings per share:				
Basic:				
Income from continuing operations	$ 0.99	$ 0.84	$ 1.87	$ 1.50
Income (loss) from discontinued operations	0.24	(0.09)	0.26	(0.18)
Basic earnings per share	$ 1.23	$ 0.75	$ 2.13	$ 1.32
Diluted:				
Income from continuing operations	$ 0.98	$ 0.83	$ 1.86	$ 1.48
Income (loss) from discontinued operations	0.24	(0.09)	0.26	(0.18)
Diluted earnings per share	$ 1.22	$ 0.74	$ 2.12	$ 1.30
Cash dividends declared per common share	$ 0.05	$ 0.05	$ 0.10	$ 0.10

Shares used in computation of earnings per share:				
Basic	18,937	19,202	19,006	19,133
Diluted	19,065	19,457	19,114	19,358

See accompanying Notes to Condensed Consolidated Financial Statements.

MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES
CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS

(thousands of dollars)	June 29, 2008*	December 31, 2007**
Current assets:		
Cash and cash equivalents	$ 138,979	$ 128,985
Short-term investments, at cost which approximates market	13,210	9,697
Accounts receivable, net	211,906	180,868
Inventories	128,654	103,373
Prepaid expenses and other current assets	27,289	22,773
Assets held for disposal	22,099	27,614
Total current assets	542,137	473,310
Property, plant and equipment, less accumulated depreciation and depletion - June 29, 2008 - 907,639; December 31, 2007 - $862,457	479,182	489,386
Goodwill	71,816	71,964
Prepaid pension costs	54,625	53,667
Other assets and deferred charges	35,481	40,566
Total assets	$ 1,183,241	$ 1,128,893

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:		
Short-term debt	$ 19,368	$ 9,518
Current maturities of long-term debt	397	7,210
Accounts payable	78,016	66,084
Restructuring liabilities	4,695	14,479
Other current liabilities	59,091	65,057
Liabilities of assets held for disposal	3,312	4,801
Total current liabilities	164,879	167,149
Long-term debt	101,221	111,006
Other non-current liabilities	113,872	99,565
Total liabilities	379,972	377,720
Shareholders' equity:		
Common stock	2,881	2,854
Additional paid-in capital	309,733	294,367
Retained earnings	840,733	802,096
Accumulated other comprehensive gain	67,445	45,365
Less common stock held in treasury	(417,523)	(393,509)
Total shareholders' equity	803,269	751,173
Total liabilities and shareholders' equity	$ 1,183,241	$ 1,128,893

* Unaudited
** Condensed from audited financial statements

See accompanying Notes to Condensed Consolidated Financial Statements.

MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Six Months Ended	
(thousands of dollars)	June 29, 2008	July 1, 2007
Operating Activities:		
Net income	$ 40,542	$ 25,195
Income (loss) from discontinued operations	5,023	(3,535)
Income from continuing operations	35,519	28,730
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	40,837	43,192
Payments relating to restructuring activities	(11,800)	--
Tax benefits related to stock incentive programs	1,643	1,830
Other non-cash items	5,594	4,278
Net changes in operating assets and liabilities	(35,676)	(1,894)
Net cash provided by continuing operations	36,117	76,136
Net cash provided by (used in) discontinued operations	2,003	(3,841)
Net cash provided by operating activities	38,120	72,295
Investing Activities:		
Purchases of property, plant and equipment	(19,906)	(23,942)
Proceeds from sale of short-term investments	520	8,527
Purchases of short-term investments	(4,076)	(9,840)
Net cash used in investing activities - continuing operations	(23,462)	(25,255)
Net cash provided by (used in) investing activities - discontinued operations	7,440	(2,832)
Net cash used in investing activities	(16,022)	(28,087)
Financing Activities:		
Proceeds from issuance of long-term debt	--	7,741
Repayment of long-term debt	(16,845)	(2,509)
Net proceeds (repayment) of short-term debt	9,988	(35,450)
Purchase of common shares for treasury	(23,717)	(7,291)
Proceeds from issuance of stock under option plan	10,921	11,922
Excess tax benefits related to stock incentive programs	610	560
Cash dividends paid	(1,904)	(1,914)
Net cash used in financing activities	(20,947)	(26,941)
Effect of exchange rate changes on cash and cash equivalents	8,843	868
Net increase in cash and cash equivalents	9,994	18,135
Cash and cash equivalents at beginning of period	128,985	67,929
Cash and cash equivalents at end of period	$ 138,979	$ 86,064

Supplemental disclosure of cash flow information:

Interest paid	$ 2,755	$ 4,992
Income taxes paid	$ 11,378	$ 9,283
Non-cash financing activities:		
Treasury stock purchases settled after period-end	$ 297	$ --

See accompanying Notes to Condensed Consolidated Financial Statements.

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

Note 1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared by management in accordance with the rules and regulations of the United States Securities and Exchange Commission. Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles have been condensed or omitted. Therefore, these financial statements should be read in conjunction with the consolidated financial statements and notes thereto contained in the Company s Annual Report on Form 10-K for the year ended December 31, 2007. In the opinion of management, all adjustments, consisting solely of normal recurring adjustments necessary for a fair presentation of the financial information for the periods indicated, have been included. The results for the three-month and six-month periods ended June 29, 2008 are not necessarily indicative of the results that may be expected for the year ending December 31, 2008.

Note 2. Summary of Significant Accounting Policies

Use of Estimates

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

Note 3. Earnings Per Share (EPS)

Basic earnings per share are based upon the weighted average number of common shares outstanding during the period. Diluted earnings per share are based upon the weighted average number of common shares outstanding during the period assuming the issuance of common shares for all dilutive potential common shares outstanding.

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

	Three Months Ended		Six Months Ended	
Basic EPS (in millions, except per share data)	June 29, 2008	July 1, 2007	June 29, 2008	July 1, 2007
Income from continuing operations	$ 18.7	$ 16.1	$ 35.5	$ 28.7
Income (loss) from discontinued operations	4.6	(1.7)	5.0	(3.5)
Net income	$ 23.3	$ 14.4	$ 40.5	$ 25.2
Weighted average shares outstanding	18,937	19,202	19,006	19,133

Basic earnings per share from continuing operations	$ 0.99	$ 0.84	$ 1.87	$ 1.50
Basic earnings (loss) per share from discontinued operations	0.24	(0.09)	0.26	(0.18)
Basic earnings per share	$ 1.23	$ 0.75	$ 2.13	$ 1.32

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

Diluted EPS (in millions, except per share data)	Three Months Ended June 29, 2008	Three Months Ended July 1, 2007	Six Months Ended June 29, 2008	Six Months Ended July 1, 2007
Income from continuing operations	$ 18.7	$ 16.1	$ 35.5	$ 28.7
Income (loss) from discontinued operations	4.6	(1.7)	5.0	(3.5)
Net income	$ 23.3	$ 14.4	$ 40.5	$ 25.2
Weighted average shares outstanding	18,937	19,202	19,006	19,133
Dilutive effect of stock options and stock units	128	255	108	225
Weighted average shares outstanding, adjusted	19,065	19,457	19,114	19,358
Diluted earnings per share from continuing operations	$ 0.98	$ 0.83	$ 1.86	$ 1.48
Diluted earnings (loss) per share from discontinued operations	0.24	(0.09)	0.26	(0.18)
Diluted earnings per share	$ 1.22	$ 0.74	$ 2.12	$ 1.30

The weighted average diluted common shares outstanding for the six months ended June 29, 2008 and July 1, 2007 excludes the dilutive effect of 240,300 options and 203,567 options, respectively, as such options had an exercise price in excess of the average market value of the Company s common stock during such period.

Note 4. Discontinued Operations

During the third quarter of 2007, the Company conducted an in-depth strategic review of its operations. This review resulted in a realignment of its operations, which included the exiting of certain businesses.

Accordingly, during the fourth quarter of 2007, the Company classified its Synsil operations and its plants at Mount Vernon, Indiana and Wellsville, Ohio as discontinued operations. These operations were part of the Company s Specialty Minerals segment. The assets of these operations are held for disposal. During the second quarter of 2008, the Company sold two of its idle Synsil operations in Chester, South Carolina and Woodville, Ohio for approximately $7.5 million. This resulted in a pre-tax gain of approximately $6.5 million ($4.3 million after-tax). The Company expects the sale of the remaining assets to be completed during 2008. The Company does not anticipate the ongoing operating cash flows of these operations to be significant.

The following table details selected financial information for the discontinued operations in the consolidated statements of operations. The amounts exclude general corporate overhead and interest expense which were previously allocated to the entities comprising discontinued operations.

	Three Months Ended	Six Months Ended

Thousands of Dollars	June 29, 2008	July 1, 2007	June 29, 2008	July 1, 2007
Net sales	$ 6.4	$ 8.0	$ 12.7	$ 16.1
Production margin	0.7	(1.5)	1.5	(3.1)
Expenses	0.2	1.2	0.5	2.4
Restructuring and other costs (reversals)	(0.2)	--	(0.3)	--
Gain on sale of assets	6.5	--	6.5	--
Income (loss) from operations	$ 7.2	$ (2.7)	$ 7.8	$ (5.5)
Other income	$ --	$ --	$ --	$ 0.1
Provision (benefit) for taxes on income	$ 2.6	$ (0.9)	$ 2.8	$ (1.9)
Income (loss) from discontinued operations, net of tax	$ 4.6	$ (1.8)	$ 5.0	$ (3.5)

MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES
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(Unaudited)

The major classes of assets and liabilities held for disposal in the consolidated balance sheets are as follows:

Millions of Dollars	June 29, 2008	Dec. 31, 2007
Assets:		
Accounts receivable	$ 2.6	$ 4.3
Inventories	7.8	10.2
Property, plant and equipment, net	10.1	11.5
Goodwill	1.6	1.6
Other assets	--	--
Assets held for disposal	$ 22.1	$ 27.6
Liabilities:		
Accounts payable	$ 2.2	$ 2.9
Accrued liabilities	1.1	1.9
Liabilities of assets held for disposal	$ 3.3	$ 4.8

Note 5. Income Taxes

Effective January 1, 2007, the Company adopted the provisions of FASB Interpretation No. 48 (FIN 48), "Accounting for Uncertainty in Income Taxes." FIN 48 specifies the way companies are to account for uncertainty in income tax reporting and prescribes a recognition threshold and measurement attribute for tax positions taken or expected to be taken in a tax return. As a result of the adoption of FIN 48, the Company recognized a $1.9 million decrease in the liability for unrecognized income tax benefits, resulting in an increase to the January 1, 2007 balance of retained earnings.

As of June 29, 2008, the Company had approximately $10.9 million of total unrecognized income tax benefits. Included in this amount were a total of $6.5 million of unrecognized income tax benefits that if recognized would affect the Company s effective tax rate. While it is expected that the amount of unrecognized tax benefits will change in the next 12 months, we do not expect the change to have a significant impact on the results of operations or the financial position of the Company.

The Company s accounting policy prior to the adoption of FIN 48 and upon the adoption of FIN 48 is to recognize interest and penalties accrued, relating to unrecognized income tax benefits as part of its provision for income taxes. The Company accrued approximately $0.2 million and $0.5 million during the second quarter and first half of 2008, respectively, and has an accrued balance of $3.4 million of interest and penalties accrued as of June 29, 2008.

The Company operates in multiple taxing jurisdictions, both within and outside the U.S. In certain situations, a taxing authority may challenge positions that the Company has adopted in its income tax filings. The Company, with a few exceptions (none of which are material), is no longer subject to U.S. federal, state, local, and European income tax examinations by tax authorities for years prior to 2003.

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

Note 6. Inventories

The following is a summary of inventories by major category:

(millions of dollars)	June 29, 2008	December 31, 2007
Raw materials	$ 60.0	$ 42.0
Work-in-process	9.5	8.1
Finished goods	37.0	31.2
Packaging and supplies	22.2	22.1
Total inventories	$ 128.7	$ 103.4

Note 7. Goodwill and Other Intangible Assets

The Company accounts for goodwill and other intangible assets in accordance with SFAS No. 142, "Goodwill and Other Intangible Assets." Under SFAS No. 142, goodwill and other intangible assets with indefinite lives are not amortized, but instead are tested for impairment, at least annually, in accordance with the provisions of SFAS No. 142.

The carrying amount of goodwill was $71.8 million, and $72.0 million as of June 29, 2008 and December 31, 2007, respectively. The net change in goodwill since January 1, 2008 was primarily attributable to the effect of foreign exchange.

Acquired intangible assets subject to amortization as of June 29, 2008 and December 31, 2007 were as follows:

	June 29, 2008		December 31, 2007	
(millions of dollars)	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Patents and trademarks	$ 7.8	$ 3.1	$ 7.9	$ 2.7
Customer lists	10.8	1.7	11.1	1.4
Other	0.4	0.1	0.4	0.1
	$ 19.0	$ 4.9	$ 19.4	$ 4.2

The weighted average amortization period for acquired intangible assets subject to amortization is approximately 15 years. Estimated amortization expense is $1.2 million for each of the next five years through 2012.

Included in other assets and deferred charges is an intangible asset of approximately $4.6 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

$0.4 million was amortized in the second quarter of 2008. Estimated amortization as a reduction of sales is as follows: remainder of 2008 - $0.9 million; 2009 - $1.5 million; 2010 - $1.2 million; 2011 - $0.9 million; 2012 - $0.6 million; with smaller reductions thereafter over the remaining lives of the contracts.

Note 8. Restructuring Costs

Following an in-depth review of all our operations and development of a new strategic focus, the Company recorded a pre-tax charge of $16.0 million for restructuring and other costs during the second half of 2007. This charge consists of severance and other employee benefit costs, contract termination costs and other exit costs. Additional restructuring costs of $0.9 million and $2.3 million were recorded in the second quarter and first six

MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES
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months of 2008, respectively. The restructuring will result in a total workforce reduction of approximately 249 employees, of which 185 reductions have been implemented as of June 29, 2008.

A reconciliation of the restructuring liability, as of June 29, 2008, is as follows:

(millions of dollars)	Balance as of December 31, 2007	Additional Provisions	Cash Expenditures	Other	Balance as of June 29, 2008
Severance and other employee benefits	$ 12.6	$ 1.8	$ (11.2)	$ (0.3)	$ 2.9
Contract termination costs	1.8	--	--	--	1.8
Other exit costs	0.1	0.5	(0.6)	--	--
	$ 14.5	$ 2.3	$ (11.8)	$ (0.3)	$ 4.7

Note 9. Long-Term Debt and Commitments

The following is a summary of long-term debt:

(millions of dollars)	June 29, 2008	Dec. 31, 2007
5.53% Series 2006A Senior Notes Due October 5, 2013	$ 50.0	$ 50.0
Floating Rate Series 2006A Senior Notes Due October 5, 2013	25.0	25.0
Variable/Fixed Rate Industrial Development Revenue Bonds Due 2009	4.0	4.0
Economic Development Authority Refunding Revenue Bonds Series 1999 Due 2010	4.6	4.6
Variable/Fixed Rate Industrial Development Revenue Bonds Due August 1, 2012	8.0	8.0
Variable/Fixed Rate Industrial Development Revenue Bonds Series 1999 Due November 1, 2014	8.2	8.2
Variable/Fixed Rate Industrial Development Revenue Bonds Due March 31, 2020	--	5.0
Variable Rate Renminbi Denominated Loan Agreement Due 2009	--	4.8
Installment obligations	1.4	7.9
Other borrowings	0.4	0.7

Total	101.6	118.2
Less: Current maturities	0.4	7.2
Long-term debt	$ 101.2	$ 111.0

As of June 29, 2008, the Company had $193.8 million of uncommitted short-term bank credit lines, of which approximately $19.4 million were in use.

During the first quarter of 2007, the Company entered into a series of Renminbi ("RMB") denominated loan agreements through two of its consolidated joint ventures in China with the Communication Bank of China totaling RMB 60.0 million. During 2007, the Company repaid RMB 25.0 million of principal related to these loans. During the first quarter of 2008, the Company repaid the remaining RMB 35.0 million related to these loans. The interest rate on these loans was approximately 7.56% for the first quarter of 2008.

On June 9, 2000 the Company entered into a twenty-year, taxable, Variable/Fixed Rate Industrial Development Revenue Bond agreement to finance a portion of the construction of a merchant manufacturing facility for the production of Specialty PCC in Brookhaven, Mississippi. This facility has ceased operations during the first quarter of 2008 and the Company repaid this obligation on March 31, 2008.

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

Note 10. Pension Plans

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

Components of Net Periodic Benefit Cost

(millions of dollars)	Pension Benefits			
	Three Months Ended		Six Months Ended	
	June 29, 2008	July 1, 2007	June 29, 2008	July 1, 2007
Service cost	$ 2.0	$ 2.2	$ 4.2	$ 4.6
Interest cost	2.9	2.8	6.2	6.0
Expected return on plan assets	(4.7)	(4.5)	(9.9)	(9.5)
Amortization:				
Prior service cost	0.4	0.7	0.7	1.1
Recognized net actuarial loss	0.5	0.8	1.1	1.7
Net periodic benefit cost	$ 1.1	$ 2.0	$ 2.3	$ 3.9

(millions of dollars)	Other Benefits			
	Three Months Ended		Six Months Ended	
	June 29, 2008	July 1, 2007	June 29, 2008	July 1, 2007
Service cost	$ 0.6	$ 0.7	$ 1.2	$ 1.4
Interest cost	0.6	0.6	1.2	1.2
Expected return on plan assets	--	--	--	--
Amortization:				
Prior service cost	0.1	0.1	0.3	0.3
Recognized net actuarial loss	0.1	0.3	0.1	0.5
Net periodic benefit cost	$ 1.4	$ 1.7	$ 2.8	$ 3.4

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

Employer Contributions

The Company expects to contribute $10 million to its pension plan and $2 million to its other post retirement benefit plans in 2008. As of June 29, 2008, $1.2 million has been contributed to the pension fund and approximately $0.9 million has been contributed to the post retirement benefit plans.

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

Note 11. Comprehensive Income

The following are the components of comprehensive income:

	Three Months Ended		Six Months Ended	
(millions of dollars)	June 29, 2008	July 1, 2007	June 29, 2008	July 1, 2007
Net income	$ 23.3	$ 14.4	$ 40.5	$ 25.2
Other comprehensive income, net of tax:				
Foreign currency translation adjustments	1.6	7.8	20.8	15.0
Pension and postretirement plan adjustments	0.6	1.0	1.2	2.1
Cash flow hedges:				
Net derivative gains (losses) arising during the period	(0.1)	--	0.1	(0.1)
Reclassification adjustment	--	--	--	0.1
Comprehensive income	$ 25.4	$ 23.2	$ 62.6	$ 42.3

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

(millions of dollars)	June 29, 2008	December 31, 2007
Foreign currency translation adjustments	$ 102.5	$ 81.7
Unrecognized pension costs	(35.1)	(36.2)
Net loss on cash flow hedges	--	(0.1)
Accumulated other comprehensive gain	$ 67.4	$ 45.4

Note 12. Accounting for Asset Retirement Obligations

SFAS No. 143, "Accounting for Asset Retirement Obligations" establishes the financial accounting and reporting obligations associated with the retirement of long-lived assets and the associated asset retirement costs. The Company records asset retirement obligations in which the Company will be required to retire tangible long-lived assets. These are primarily related to its PCC satellite facilities and mining operations. The Company has also adopted the provisions of FASB Interpretation No. 47, "Accounting for Conditional Asset Retirement Obligations," related to conditional asset retirement obligations at its facilities. The Company has recorded asset retirement obligations at all of its facilities except where there are no legal or contractual obligations. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset.

The following is a reconciliation of asset retirement obligations as of June 29, 2008:

(millions of dollars)

Asset retirement liability, December 31, 2007	$	12.9
Accretion expense		0.4
Foreign currency translation		0.2
Asset retirement liability, June 29, 2008	$	13.5

Approximately $0.4 million is included in other current liabilities and $13.1 million is included in other non-current liabilities in the Condensed Consolidated Balance Sheet as of June 29, 2008.

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

Note 13. Non-Operating Income and Deductions

	Three Months Ended		Six Months Ended	
(millions of dollars)	June 29, 2008	July 1, 2007	June 29, 2008	July 1, 2007
Interest income	$ 1.0	$ 0.6	$ 2.1	$ 1.1
Interest expense	(1.1)	(2.6)	(2.6)	(5.1)
Foreign exchange gains (losses)	(0.3)	0.2	(1.1)	(0.1)
Other deductions	(0.3)	0.1	(0.6)	(0.2)
Non-operating income (deductions), net	$ (0.7)	$ (1.7)	$ (2.2)	$ (4.3)

Note 14. Segment and Related Information

Segment information for the three and six-month periods ended June 29, 2008 and July 1, 2007 were as follows:

	Net Sales			
	Three Months Ended		Six Months Ended	
	June 29, 2008	July 1, 2007	June 29, 2008	July 1, 2007
Specialty Minerals	$ 189.1	$ 180.8	$ 369.9	$ 356.8
Refractories	110.7	90.6	207.4	180.1
Total	$ 299.8	$ 271.4	$ 577.3	$ 536.9

	Income from Operations			
	Three Months Ended		Six Months Ended	
	June 29, 2008	July 1, 2007	June 29, 2008	July 1, 2007
Specialty Minerals	$ 20.1	$ 18.4	$ 38.5	$ 34.4
Refractories	8.9	8.5	17.8	15.2
Total	$ 29.0	$ 26.9	$ 56.3	$ 49.6

The carrying amount of goodwill by reportable segment as of June 29, 2008 and December 31, 2007 was as follows:

Goodwill

Three Months Ended

	June 29, 2008	December 31, 2007
Specialty Minerals	$ 15.3	$ 15.3
Refractories	56.5	56.7
Total	$ 71.8	$ 72.0

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

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

Income before provision for taxes on income, minority interests and discontinued operations:

	Three Months Ended		Six Months Ended	
	June 29, 2008	July 1, 2007	June 29, 2008	July 1, 2007
Income from operations for reportable segments	$ 29.0	$ 26.9	$ 56.3	$ 49.6
Unallocated corporate expenses	(0.2)	--	(0.4)	--
Consolidated income from operations	28.8	26.9	55.9	49.6
Non-operating income (deductions) from operations	(0.7)	(1.7)	(2.2)	(4.4)
Income before provision for taxes on income, minority interests and discontinued operations	$ 28.1	$ 25.2	$ 53.7	$ 45.2

The Company s sales by product category are as follows:

	Three Months Ended		Six Months Ended	
	June 29, 2008	July 1, 2007	June 29, 2008	July 1, 2007
Paper PCC	$ 142.2	$ 133.9	$ 280.0	$ 267.6
Specialty PCC	15.8	15.6	31.1	30.5
Talc	9.5	9.7	18.7	19.1
Ground Calcium Carbonate	21.6	21.6	40.1	39.6
Refractory Products	89.8	73.1	168.9	144.7
Metallurgical Products	20.9	17.5	38.5	35.4
Net sales	$ 299.8	$ 271.4	$ 577.3	$ 536.9

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 June 29, 2008 and the related condensed consolidated statements of income for the three-month and six-month periods ended June 29, 2008 and July 1, 2007, and the related condensed consolidated statements of cash flows for the six-month periods ended June 29, 2008 and July 1, 2007. These condensed consolidated financial statements are the responsibility of the company s management.

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

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

We have previously audited, in accordance with 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, 2007, and the related consolidated statements of income, shareholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated February 27, 2008, 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, 2007 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ KPMG LLP

New York, New York
July 29, 2008

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

	Income and Expense Items as a Percentage of Net Sales			
	Three Months Ended		Six Months Ended	
	June 29, 2008	July 1, 2007	June 29, 2008	July 1, 2007
Net sales	100.0 %	100.0 %	100.0 %	100.0 %
Cost of goods sold	79.2	77.9	78.7	78.3
Production margin	20.8	22.1	21.3	21.7
Marketing and administrative expenses	8.9	9.8	9.1	10.0
Research and development expenses	2.0	2.4	2.1	2.5
Restructuring and other costs	0.3	--	0.4	--
Income from operations	9.6	9.9	9.7	9.2
Income from continuing operations	6.2	5.9	6.1	5.4
Income (loss) from discontinued operations	1.6	(0.6)	0.9	(0.7)
Net income	7.8 %	5.3 %	7.0 %	4.7 %

Executive Summary

Consolidated sales for the second quarter of 2008 increased 10% over the prior year to $299.8 million from $271.4 million. Foreign exchange had a favorable impact on sales growth of approximately $14.1 million or 5 percentage points of growth. Operating income increased 7% to $28.8 million from $26.9 million in the prior year. Income from continuing operations increased 16% to $18.7 million from $16.1 million in the prior year. Net income increased 62% to $23.3 million from $14.4 million. Included in discontinued operations is a gain of $4.6 million primarily related to the sale of two of our idle Synsil facilities.

Second quarter results were positively affected by the effects of foreign exchange, benefits derived from the restructuring program announced in the third quarter of 2007, increased selling prices in all product lines, particularly in our Refractories segment, expense and manufacturing cost savings and volume growth in the Metallurgical product line. This was partially offset by the continued decline in the residential construction and automotive markets affecting the Processed Minerals product line and significant raw material and energy cost increases in both segments.

The Company will continue to focus on innovation and new product development and other opportunities for continued growth as follows:

&#8226 Increasing our sales of PCC for paper by further penetration of the markets for paper filling at both freesheet and groundwood mills;

&#8226 Development of the filler-fiber composite program, to increase the fill-rate for uncoated freesheet paper, which continues to undergo large-scale paper machine trials.

&#8226 Further development of the Company s PCC coating products for use in the satellite model.

&#8226 Leverage the Company s expertise in crystal engineering, especially in helping papermakers customize PCC morphologies for specific paper applications.

&#8226 Development of unique calcium carbonates used in the manufacture of novel biopolymers, an emerging market opportunity.

&#8226 Rapid deployment of value-added formulations of refractory materials that not only reduce costs but improve performance.

&#8226 Continuing our penetration in emerging markets through our manufacturing facility in China and our 2006 acquisition in Turkey, both within the Refractories segment.

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

We face some significant risks and challenges in the future:

&#8226 Our success depends in part on the performance of the industries we serve, particularly papermaking and steel making. Some of our customers may continue to experience consolidations and shutdowns;

&#8226 Consolidations in the paper and steel industries concentrate purchasing power in the hands of fewer customers, increasing pricing pressure on suppliers such as Minerals Technologies Inc.;

&#8226 Most of our Paper PCC sales are subject to long-term contracts that may be terminated pursuant to their terms, or may be renewed on terms less favorable to us;

&#8226 Our filler-fiber composite technology continues in development through customer trials, but has yet to be proven on a long-term commercial scale;

&#8226 We are subject to rapid escalations on raw materials and energy costs in all product lines, including shipping costs, particularly for materials sourced from China;

&#8226 We are subject to potential shortages in supply of magnesium oxide sourced from China due to limited availability of export licenses;

&#8226 Our Processed Minerals and Specialty PCC product lines are highly influenced by the ongoing weakness in the domestic building, construction and automotive markets; and

&#8226 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.

Results of Operations

Sales

(millions of dollars)	Second Quarter 2008	% of Total Sales	Growth	Second Quarter 2007	% of Total Sales
Net Sales					
U.S	$ 158.3	52.8 %	6 %	$ 148.7	54.8 %
International	141.5	47.2 %	15 %	122.7	45.2 %
Net sales	$ 299.8	100.0 %	10 %	$ 271.4	100.0 %
Paper PCC	$ 142.2	47.4 %	6 %	$ 133.9	49.3 %
Specialty PCC	15.8	5.3 %	1 %	15.6	5.8 %

PCC Products	$	158.0	52.7 %	6 %	$	149.5	55.1 %
Talc	$	9.5	3.2 %	(2) %	$	9.7	3.5 %
Ground Calcium Carbonate		21.6	7.2 %	-- %		21.6	8.0 %
Processed Minerals Products	$	31.1	10.4 %	(1) %	$	31.3	11.5 %
Specialty Minerals Segment	$	189.1	63.1 %	5 %	$	180.8	66.6 %
Refractory Products	$	89.8	29.9 %	23 %	$	73.1	26.9 %
Metallurgical Products		20.9	7.0 %	19 %		17.5	6.5 %
Refractories Segment	$	110.7	36.9 %	22 %	$	90.6	33.4 %
Net sales	$	299.8	100.0 %	10 %	$	271.4	100.0 %

Worldwide net sales in the second quarter of 2008 increased 10% from the previous year to $299.8 million. Foreign exchange had a favorable impact on sales of approximately $14.1 million or 5 percentage points of growth. Sales in the Specialty Minerals segment, which includes the PCC and Processed Minerals product lines, increased 5% to $189.1 million compared with $180.8 million for the same period in 2007. Sales in the Refractories segment grew 22% over the previous year to $110.7 million.

Worldwide net sales of PCC, which is primarily used in the manufacturing process of the paper industry, increased 6% in the second quarter to $158.0 million from $149.5 million in the prior year. Foreign exchange had a favorable impact on sales of approximately 5 percentage points of growth. Paper PCC sales grew 6% to $142.2 million in the second quarter of 2008 from $133.9 million in the prior year. However, total Paper PCC volumes declined slightly. Weakness in the North American and European markets was partially offset by volume growth, particularly in Asia, and the impact of foreign currency. Sales of Specialty PCC increased 1% to $15.8 million from $15.6 million in the prior year.

Net sales of Processed Minerals products decreased 1% in the second quarter to $31.1 million from $31.3 million in the second quarter of 2007. This decrease was attributable primarily to the continued weakness in the residential and commercial construction markets, as well as the automotive market.

Net sales in the Refractories segment in the second quarter of 2008 increased 22% to $110.7 million from $90.6 million in the prior year. This segment was positively affected by increased selling prices to mitigate significant raw material increases, a more favorable product mix in the Refractory product line, and volume growth in the metallurgical product line. In addition, foreign exchange had a favorable impact on sales of $6.0 million or approximately 7 percentage points of growth. Sales of refractory products and systems to steel and other industrial applications increased 23 percent to $89.8 million from $73.1 million. Sales of metallurgical products within the Refractories segment increased 19 percent to $20.9 million as compared with $17.5 million in the same period last year. This increase was primarily attributable to higher volumes and favorable mix, particularly in North America.

Net sales in the United States increased 6% to $158.3 million in the second quarter of 2008. International sales in the second quarter of 2008 increased 15% to $141.5 million, primarily due to foreign exchange.

Operating Costs and Expenses (millions of dollars)		Second Quarter 2008		Second Quarter **2007**	Growth
Cost of goods sold	$	237.5	$	211.3	12 %
Marketing and administrative	$	26.6	$	26.6	-- %
Research and development	$	6.0	$	6.6	(9) %
Restructuring and other costs	$	0.9	$	--	* %

*

Percentage not meaningful

Cost of goods sold was 79.2% of sales compared with 77.9% of sales in the prior year. In the Specialty Minerals segment, production margin increased 1% as compared with 5% sales growth. This segment has been affected by weakness in the Processed Minerals product line and paper machine and paper mill shutdowns, partially offset by the recovery of raw material costs, the benefits of the restructuring program, foreign exchange and manufacturing cost savings initiatives. In the Refractories segment, production margin increased 7% as compared with the 22% sales growth. This segment has been affected by increased raw material costs, partially offset by price increases, the benefits of the restructuring program, and the impact of foreign exchange.

Marketing and administrative costs remained flat in the second quarter at $26.6 million and represented 8.9% of net sales as compared with 9.8% of net sales in the prior year. This decline was due to the benefits of the restructuring program and other cost savings initiatives.

Research and development expenses decreased 9% to $6.0 million and represented 2.0% of net sales as compared with 2.4% of net sales in the prior year.

Restructuring and other costs during the second quarter relate to additional provisions for severance and other employee benefits.

Income from Operations (millions of dollars)	Second Quarter 2008	Second Quarter 2007	Growth
Income from operations	$ 28.8	$ 26.9	7 %

Income from operations in the second quarter of 2008 increased 7% to $28.8 million from $26.9 million in the prior year. Income from operations represented 9.6% of net sales in the second quarter of 2008 compared with 9.9% in the second quarter of 2007.

Income from operations for the Specialty Minerals segment increased 9% to $20.1 million and was 10.6% of its net sales. Operating income for this segment was impacted by the aforementioned factors affecting production margin but were offset by lower expense levels than in the prior year. Operating income for the Refractories segment increased 5% and was 8.1% of its net sales as compared with 9.4% of its net sales in 2007.

Non-Operating Deductions (millions of dollars)	Second Quarter 2008	Second Quarter 2007	Growth
Non-operating deductions, net	$ (0.7)	$ (1.7)	(59) %

In the second quarter of 2008, net non-operating deductions decreased 58% to $0.7 million. This decrease was primarily attributable to lower interest expense due to lower interest rates and reduced debt levels. In addition, higher interest income was generated in connection with increased cash on hand.

Provision for Taxes on Income (millions of dollars)	Second Quarter 2008	Second Quarter 2007	Growth
Provision for taxes on income	$ 8.7	$ 8.2	6 %

The effective tax rate decreased to 30.8% in the second quarter of 2008 from 32.7% in the prior year, primarily due to a change in the geographic mix of earnings.

Income from Continuing Operations (millions of dollars)	Second Quarter 2008	Second Quarter 2007	Growth
Income from continuing operations	$ 18.7	$ 16.1	16 %

Income from continuing operations increased 16% to $18.7 million from $16.1 million in the prior year.

Income (Loss) from Discontinued Operations (millions of dollars)	Second Quarter 2008	Second Quarter 2007	Growth

Income (loss) from discontinued operations	$	4.6	$	(1.8)	* %

*

Percentage not meaningful

In the second quarter of 2008 the Company recognized income from discontinued operations of $4.6 million as compared with a loss in the prior year of $1.8 million. Included in income from discontinued operations for 2008 is a gain of approximately $4.3 million, net of tax, for the sale of our idle Woodville and Chester facilities. The loss in the prior year was primarily attributable to the results of operations of *SYNSIL*&#174.

Net Income (millions of dollars)	Second Quarter 2008	Second Quarter 2007	Growth
Net income	$ 23.3	$ 14.4	62 %

Net income increased 62% in the second quarter of 2008 to $23.3 million. Diluted earnings per common share increased 65% to $1.22 per share in the second quarter of 2008 as compared with $0.74 per share in the prior year.

Six months ended June 29, 2008 as compared with six months ended July 1, 2007

(millions of dollars)	First Half 2008	% of Total Sales	Growth