

MINERALS TECHNOLOGIES INC  
Form 10-Q  
October 24, 2014

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

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

For the quarterly period ended September 28, 2014

or

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

Commission File Number 1-11430

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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.)

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

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

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

YES  NO

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

YES  NO

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

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Large Accelerated Filer  Accelerated Filer  Non-accelerated Filer  Smaller Reporting Company

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

YES  NO

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

Class	Outstanding at October 14, 2014
Common Stock, \$0.10 par value	34,504,758

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MINERALS TECHNOLOGIES INC.

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## PART 1. FINANCIAL INFORMATION

## ITEM 1. Financial Statements

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

	Three Months Ended		Nine Months Ended	
	Sept. 28, 2014	Sept. 29, 2013	Sept. 28, 2014	Sept. 29, 2013
	(in millions, except per share data)			
Product sales	\$458.1	\$254.2	\$1,075.0	\$761.5
Service revenue	85.4	-	134.0	-
Total net sales	543.5	254.2	1,209.0	761.5
Cost of goods sold	337.8	194.3	812.0	586.9
Cost of service revenue	60.7	-	94.0	-
Total cost of sales	398.5	194.3	906.0	586.9
Production margin	145.0	59.9	303.0	174.6
Marketing and administrative expenses	59.7	21.9	127.4	66.3
Research and development expenses	6.6	5.3	18.0	14.9
Amortization expense of intangible assets acquired	1.9	-	2.9	-
Acquisition related transaction and integration costs	4.2	-	16.7	-
Restructuring and other charges	5.8	-	11.8	-
Income from operations	66.8	32.7	126.2	93.4
Interest expense, net	(16.0)	(0.1)	(25.2)	(0.5)
Premium on early extinguishment of debt	-	-	(5.8)	-
Other non-operating income (deductions), net	0.9	(1.1)	0.5	(2.1)
Total non-operating deductions, net	(15.1)	(1.2)	(30.5)	(2.6)
Income from continuing operations before provision for taxes and equity in earnings	51.7	31.5	95.7	90.8
Provision for taxes on income	14.4	8.9	24.8	25.2
Equity in earnings of affiliates, net of tax	0.3	-	0.6	-
Income from continuing operations, net of tax	37.6	22.6	71.5	65.6
Income (loss) from discontinued operations, net of tax	0.2	-	2.0	(5.7)
Consolidated net income	37.8	22.6	73.5	59.9
Less:				
Net income attributable to non-controlling interests	0.8	0.7	2.4	2.2
Net income attributable to Minerals Technologies Inc. (MTI)	\$37.0	\$21.9	\$71.1	\$57.7
Earnings (Loss) per share:				

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Basic:				
Income from continuing operations attributable to MTI	\$1.07	\$0.63	\$2.00	\$1.82
Income (loss) from discontinued operations attributable to MTI	-	-	0.06	(0.16 )
Basic earnings per share attributable to MTI	\$1.07	\$0.63	\$2.06	\$1.66
Diluted:				
Income from continuing operations attributable to MTI	\$1.06	\$0.63	\$1.99	\$1.81
Income (loss) from discontinued operations attributable to MTI	-	-	0.06	(0.16 )
Diluted earnings per share attributable to MTI	\$1.06	\$0.63	\$2.05	\$1.65
Cash dividends declared per common share	\$0.05	\$0.05	\$0.15	\$0.15
Shares used in computation of earnings per share:				
Basic	34.5	34.6	34.5	34.8
Diluted	34.8	34.9	34.8	35.1

See accompanying Notes to Condensed Consolidated Financial Statements.

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IndexMINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES  
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

	Three Months Ended		Nine Months Ended	
	Sept. 28, 2014	Sept. 29, 2013	Sept. 28, 2014	Sept. 29, 2013
	(millions of dollars)			
Consolidated net income	\$37.8	\$22.6	\$73.5	\$59.9
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	(27.7)	7.5	(22.0)	(15.0)
Pension and postretirement plan adjustments	0.8	1.9	2.5	5.6
Cash flow hedges:				
Net derivative gains (losses) arising during the period	-	-	-	0.5
Total other comprehensive income (loss), net of tax	(26.9)	9.4	(19.5)	(8.9 )
Total comprehensive income including non-controlling interests	10.9	32.0	54.0	51.0
Comprehensive (income) loss attributable to non-controlling interest	(0.7 )	(0.6 )	(1.9 )	(0.7 )
Comprehensive income attributable to MTI	\$10.2	\$31.4	\$52.1	\$50.3

See accompanying Notes to Condensed Consolidated Financial Statements.

IndexMINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES  
CONDENSED CONSOLIDATED BALANCE SHEETS

	Sept. 28, 2014*	Dec. 31, 2013**
(millions of dollars)		
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$202.7	\$490.3
Short-term investments, at cost which approximates market	17.7	15.8
Accounts receivable, net	443.7	204.4
Inventories	233.7	89.2
Prepaid expenses and other current assets	72.9	15.4
Total current assets	970.7	815.1
Property, plant and equipment, less accumulated depreciation and depletion –September 28, 2014 - \$996.8; December 31, 2013 - \$976.3	1,219.0	306.1
Goodwill	767.3	64.4
Intangible assets	217.7	3.0
Other assets and deferred charges	99.1	28.9
Total assets	\$3,273.8	\$1,217.5
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Short-term debt	\$4.7	\$5.5
Current maturities of long-term debt	3.9	8.2
Accounts payable	184.3	94.9
Other current liabilities	162.6	72.3
Total current liabilities	355.5	180.9
Long-term debt, net of unamortized discount	1,512.3	75.0
Deferred income taxes	318.9	-
Other non-current liabilities	161.4	87.2
Total liabilities	2,348.1	343.1
Shareholders' equity:		
Common stock	4.8	4.7
Additional paid-in capital	367.2	361.5
Retained earnings	1,172.2	1,106.3
Accumulated other comprehensive loss	(50.3 )	(31.3 )
Less common stock held in treasury	(593.7 )	(593.7 )
Total MTI shareholders' equity	900.2	847.5
Non-controlling interest	25.5	26.9
Total shareholders' equity	925.7	874.4
Total liabilities and shareholders' equity	\$3,273.8	\$1,217.5

\* Unaudited

\*\* Condensed from audited financial statements

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	Nine Months Ended	
	Sept. 28, 2014	Sept. 29, 2013
	(millions of dollars)	
Operating Activities:		
Consolidated net income	\$73.5	\$59.9
Gain (loss) from discontinued operations	2.0	(5.7 )
Income from continuing operations	71.5	65.6
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	59.8	35.2
Other non-cash items	12.5	5.3
Net changes in operating assets and liabilities	50.5	(12.8 )
Net cash provided by continuing operations	194.3	93.3
Net cash used in discontinued operations	(3.5 )	(2.5 )
Net cash provided by operating activities	190.8	90.8
Investing Activities:		
Purchases of property, plant and equipment	(62.4 )	(32.0 )
Acquisition of business, net of cash acquired	(1,802.3)	-
Proceeds from sale of assets	8.7	-
Net purchases of short-term investments	(1.8 )	(3.0 )
Net cash used in investing activities	(1,857.8)	(35.0 )
Financing Activities:		
Proceeds from issuance of long-term debt	1,545.3	-
Debt issuance and settlement costs	(38.2 )	-
Repayment of long-term debt	(113.2 )	(1.7 )
Net issuance (repayment) of short-term debt	(0.8 )	-
Purchase of common shares for treasury	-	(42.9 )
Proceeds from issuance of stock under option plan	2.8	11.4
Excess tax benefits related to stock incentive programs	0.5	2.1
Purchase of non-controlling interest share	(2.1 )	-
Dividends paid to non-controlling interest	(3.3 )	(0.8 )
Cash dividends paid	(5.2 )	(5.2 )
Net cash provided by (used in) financing activities	1,385.8	(37.1 )
Effect of exchange rate changes on cash and cash equivalents	(6.4 )	(3.1 )
Net increase (decrease) in cash and cash equivalents	(287.6 )	15.6

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Cash and cash equivalents at beginning of period	490.3	454.1
Cash and cash equivalents at end of period	\$202.7	\$469.7
Supplemental disclosure of cash flow information:		
Interest paid	\$18.6	\$2.1
Income taxes paid	\$17.0	\$21.5
Non-cash financing activities:		
Treasury stock purchases settled after period-end	\$-	\$1.1

See accompanying Notes to Condensed Consolidated Financial Statements.

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

Note 1. Basis of Presentation and Summary of Significant Accounting Policies

The accompanying unaudited condensed consolidated financial statements have been prepared by management of Minerals Technologies Inc. (the "Company" or "MTI") in accordance with the rules and regulations of the United States Securities and Exchange Commission. Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles have been condensed or omitted. Therefore, these financial statements should be read in conjunction with the consolidated financial statements and notes thereto contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2013. In the opinion of management, all adjustments, consisting solely of normal recurring adjustments necessary for a fair presentation of the financial information for the periods indicated, have been included. The results for the three-month and nine-month periods ended September 28, 2014 are not necessarily indicative of the results that may be expected for the year ending December 31, 2014.

Company Operations

The Company is a resource- and technology-based company that develops, produces and markets worldwide a broad range of specialty mineral, mineral-based and synthetic mineral products and supporting systems and services. On May 9, 2014, the Company acquired AMCOL International Corporation ("AMCOL"). See Note 2. The accompanying Condensed Consolidated Statements of Income include the results of operations of the acquired AMCOL businesses from May 9, 2014, through September 28, 2014.

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

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

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

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

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)

## Use of Estimates

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

## Note 2. Business Combination

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

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

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

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

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

The acquisition of AMCOL has been accounted for using the acquisition method of accounting, which requires, among other things, the assets acquired and liabilities assumed be recognized at their respective fair values as of the acquisition date. As of September 28, 2014, the purchase price allocation remains preliminary as the Company completes its assessment of property, certain reserves including, environmental, legal, and tax matters, obligations and deferred taxes, as well as complete our review of AMCOL's existing accounting policies.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)

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

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

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

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

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

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

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

The Company incurred \$4.2 million and \$16.7 million of acquisition-related costs during the three and nine months ended September 28, 2014, respectively, which are reflected within the Acquisition related transaction and integration costs line of the Condensed Consolidated Statements of Income.



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

The accompanying Condensed Consolidated Statements of Income include the results of operations of the acquired AMCOL businesses from May 9, 2014, through September 28, 2014. The three months period ended September 28, 2014 includes net sales of \$290.1 million and operating income of \$37.2 million generated by the acquired AMCOL businesses during the 91 days of post-acquisition period; and the nine months period ended September 28, 2014 includes net sales of \$451.7 million and operating income of \$48.1 million generated by the acquired AMCOL businesses during the 143 days of post-acquisition period.

The following table presents the unaudited pro forma summary of the Company's Condensed Consolidated Statements of Income for the three and nine months ended September 28, 2014 and three and nine months ended September 29, 2013, which includes AMCOL's Statement of Operations for the respective periods, as if the acquisition and related financing occurred on January 1, 2013. The following unaudited pro forma financial information is not necessarily indicative of the results of operations as they would have been had the transaction occurred on the assumed date, nor is it necessarily an indication of trends in future results for a number of reasons, including, but not limited to, differences between the assumptions used to prepare the pro forma information, potential synergies, and cost savings from operating efficiencies.

	Three Months Ended		Nine Months Ended	
	Sept. 28, 2014	Sept. 29, 2013	Sept. 28, 2014	Sept. 29, 2013
Pro Forma Results				
Net sales	\$543.5	\$521.4	\$1,582.6	\$1,528.2
Income (loss) from continuing operations before provision for taxes and equity in earnings	61.7	(16.2)	125.9	48.3
Income (loss) from continuing operations, net of tax	44.4	(12.9)	85.6	37.3

The income from continuing operations before provision for taxes and equity earnings for the three and nine months ended September 29, 2013, in the table above, includes a \$52.3 million impairment charge related to AMCOL's South African chromite operations, and a \$6.6 million impairment charge related to AMCOL's Health and Beauty operations. The after-tax impact of these charges was an impairment of \$42.0 million related to the South African chromite operations impairment and \$4.2 million related to the Health and Beauty operations during the three and nine months ended September 29, 2013.

The unaudited pro forma financial information presented in the table include certain adjustments that are factually supportable, directly related to business combination, and expected to have a continuing impact. These adjustments include, but are not limited to, depreciation, depletion, and amortization expense based upon the preliminary fair value step-up of depreciable fixed assets and amortizable intangibles assets, interest expense on acquisition related debt, acquisition related transaction and integration costs, and restructuring charges.

## Note 3. Earnings Per Share (EPS)

Basic earnings per share are based upon the weighted average number of common shares outstanding during the period. Diluted earnings per share are based upon the weighted average number of common shares outstanding during

the period assuming the issuance of common shares for all potentially dilutive common shares outstanding.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)

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

	Three Months Ended		Nine Months Ended	
	Sept. 28, 2014	Sept. 29, 2013	Sept. 28, 2014	Sept. 29, 2013
	(in millions, except per share data)			
<b>Basic EPS</b>				
Amounts attributable to MTI				
Income from continuing operations	\$36.8	\$21.9	\$69.1	\$63.4
Income (loss) from discontinued operations	0.2	-	2.0	(5.7 )
Net income	\$37.0	\$21.9	\$71.1	\$57.7
Weighted average shares outstanding	34.5	34.6	34.5	34.8
<b>Earnings (Loss) per share attributable to MTI</b>				
Continuing operations	\$1.07	\$0.63	\$2.00	\$1.82
Discontinued operations	-	-	0.06	(0.16)
Net income	\$1.07	\$0.63	\$2.06	\$1.66
<b>Diluted EPS</b>				
Amounts attributable to MTI				
Income from continuing operations	\$36.8	\$21.9	\$69.1	\$63.4
Income (loss) from discontinued operations	0.2	-	2.0	(5.7 )
Net income	\$37.0	\$21.9	\$71.1	\$57.7
Weighted average shares outstanding	34.5	34.6	34.5	34.8
Dilutive effect of stock options and stock units	0.3	0.3	0.3	0.3
Weighted average shares outstanding, adjusted	34.8	34.9	34.8	35.1
<b>Earnings (Loss) per share attributable to MTI</b>				
Continuing operations	\$1.06	\$0.63	\$1.99	\$1.81
Discontinued operations	-	-	0.06	(0.16)
Net income	\$1.06	\$0.63	\$2.05	\$1.65

Options to purchase 173,068 shares and 238,287 shares of common stock for the three-month and nine-month periods ended September 28, 2014 and September 29, 2013, respectively, were not included in the computation of diluted earnings per share because they were anti-dilutive, as the exercise prices of the options were greater than the average market price of the common shares.

## Note 4. Restructuring Charges

During the second and third quarters of 2014, the Company announced it would undertake a restructuring program that will result in the permanent reduction of 8 percent of its workforce. This restructuring will occur across all business segments of the Company and is estimated to provide annualized savings of approximately \$20 million. The reductions, which will occur over the next twelve months, will include elimination of duplicate corporate functions, deployment of our shared service model, and consolidation and alignment of various corporate functions and regional locations across the Company. The following table outlines the amount of restructuring expenses recorded within the Condensed Consolidated Statements of Income, and the segments they relate to:

Restructuring Charges	Three	Nine
	Month	Months
	Ended	Ended
	Sept. 28, 2014	
	(millions of dollars)	
Specialty Minerals	\$0.5	\$ 2.7
Refractories	-	0.6
Performance Materials	2.0	3.2
Construction Technologies	2.0	3.0
Energy Services	1.3	2.3
Total	\$5.8	\$ 11.8

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)

At September 28, 2014, we had \$11.2 million included within accrued liabilities within our Condensed Consolidated Balance Sheets for cash expenditures needed to satisfy remaining obligations under these reorganization initiatives. The Company expects to pay these amounts by the end of June 2015.

The following table is a reconciliation of our restructuring liability balance as of September 28, 2014:

	(millions of dollars)
Restructuring liability, December 31, 2013	\$ -
Additional provisions	11.8
Cash payments	(0.6 )
Restructuring liability, September 28, 2014	\$ 11.2

## Note 5. Discontinued Operations

During the second quarter of 2013, the Company ceased its operations at its Paper PCC merchant plant in Walsum, Germany and reclassified such operations as discontinued. The remaining assets at this facility are not material and will be disposed. All prior periods have been restated to reflect such reclassification. These operations were part of the Company's Specialty Minerals segment.

The following table provides selected financial information for the Walsum plant included within discontinued operations in the Consolidated Statements of Income. The amounts exclude general corporate overhead and interest expense which were previously allocated to the entity comprising the discontinued operations.

	Three Months		Nine Months	
	Ended		Ended	
	Sept. 28, 2014	Sept. 29, 2013	Sept. 28, 2014	Sept. 29, 2013
	(millions of dollars)			
Net sales	\$-	\$ -	\$-	\$ 1.7
Production margin	-	-	-	(2.3)
Expenses (income)	(0.2)	-	(0.2)	0.4
Facility closure costs accrual (reversal)	-	-	(2.4)	5.9
Income (loss) from operations	\$0.2	\$ -	\$ 2.6	\$(8.6)
Provision for taxes on income	\$-	\$ -	\$ 0.6	\$(2.9)
Income (loss) from discontinued operations, net of tax	\$0.2	\$ -	\$ 2.0	\$(5.7)

During the nine months ended September 28, 2014, the Company reversed a facility closure accrual of \$1.8 million, net of \$0.6 million tax expense, resulting from the settlement of a contractual obligation.

Note 6. Income Taxes

As of September 28, 2014, the Company had approximately \$4.4 million of total unrecognized income tax benefits. Included in this amount were a total of \$2.9 million of unrecognized income tax benefits that, if recognized, would affect the Company's effective tax rate. While it is expected that the amount of unrecognized tax benefits will change in the next 12 months, the Company does not expect the change to have a significant impact on the results of operations or the financial position of the Company.

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The Company's accounting policy is to recognize interest and penalties accrued relating to unrecognized income tax benefits as part of its provision for income taxes. The Company had a net increase of approximately \$0.1 million and \$0.2 million during the three and nine months ended September 28, 2014, respectively, and has an accrued balance of \$0.9 million of interest and penalties as of September 28, 2014.

The Company operates in multiple taxing jurisdictions, both within and outside the U.S. In certain situations, a taxing authority may challenge positions that the Company has adopted in its income tax filings. The Company, with a few exceptions (none of which are material), is no longer subject to income tax examinations by tax authorities for years prior to 2007.

Provision for taxes was \$24.8 million as compared to \$25.2 million in the prior year. The effective tax rate was 25.9% as compared to 27.8% in prior year. The lower effective tax rate was primarily due to a change in the mix of earnings, tax benefits on one-time charges at a higher rate, and higher depletion deductions.

## Note 7. Inventories

The following is a summary of inventories by major category:

	Sept. 28, 2014	Dec. 31, 2013
	(millions of dollars)	
Raw materials	\$103.9	\$35.1
Work-in-process	6.3	6.3
Finished goods	94.6	26.3
Packaging and supplies	28.9	21.5
Total inventories	\$233.7	\$89.2

Inventory balance at September 28, 2014 included \$143.3 million of inventories relating to acquisition of business (discussed in Note 2).

## Note 8. Goodwill and Other Intangible Assets

Goodwill and other intangible assets with indefinite lives are not amortized, but instead are assessed for impairment, at least annually. The carrying amount of goodwill was \$767.3 million, and \$64.4 million as of September 28, 2014 and December 31, 2013, respectively. The increase in goodwill is related to the acquisition of the AMCOL businesses on May 9, 2014 (as discussed in Note 2).

Acquired intangible assets subject to amortization were as follows:

Sept. 28, 2014	Dec. 31, 2013
Gross	Gross
Carrying Amount	Carrying Amount
Accumulated Amortization	Accumulated Amortization
(millions of dollars)	(millions of dollars)

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Tradenames	\$194.9	\$ 2.2	\$-	\$ -
Technology	18.7	0.6	-	-
Patents and trademarks	6.4	3.9	6.4	3.7
Customer relationships	4.3	0.1	-	-
Customer lists	2.9	2.7	2.9	2.6
	\$227.2	\$ 9.5	\$9.3	\$ 6.3

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



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The weighted average amortization period for acquired intangible assets subject to amortization is approximately 33 years. Estimated amortization expense is \$5.3 million for 2014, \$7.9 million for 2015–2016, \$7.7 million for 2017, \$7.5 million for 2018-2019, and \$192.5 million thereafter.

## Note 9. Long-Term Debt and Commitments

The following is a summary of long-term debt:

	2014 (millions of dollars)	2013
Term Loan Facility, net of unamortized discount of \$14.7 million due May 9, 2021	\$ 1,515.3	\$ -
3.46% Series A Senior Notes due October 7, 2020	-	30.0
4.13% Series B Senior Notes due October 7, 2023	-	45.0
China Loan Facility Variable/Fixed Rate Industrial Development Revenue Bonds Series 1999 due November 1, 2014	0.9	-
Total	\$ 1,516.2	\$ 83.2
Less: Current maturities	3.9	8.2
Long-term debt	\$ 1,512.3	\$ 75.0

On May 9, 2014, in connection with the acquisition of AMCOL, the Company entered into a credit agreement providing for the \$1.56 billion Term Facility and a \$200 million senior secured revolving credit facility (the “Revolving Facility” and, together with the Term Facility, the “Facilities”). The net proceeds of the Term Facility, together with the Company’s cash on hand, were used as cash consideration for the acquisition of AMCOL and to refinance certain existing indebtedness of the Company (including the Company’s 3.46% Series A Senior Notes due October 7, 2020 and 4.13% Series B Senior Notes due October 7, 2023) and AMCOL and to pay fees and expenses in connection with the foregoing. Loans under the Revolving Facility will be used for working capital and other general corporate purposes of the Company and its subsidiaries. During the third quarter, the Company repaid \$30.0 million in principal on this Term Facility. An additional \$3.9 million in principal was repaid in October 2014. As of September 28, 2014, the Revolving Facility was unused.

The loans outstanding under the Term Facility will mature on May 9, 2021 and the loans outstanding (if any) and commitments under the Revolving Facility will mature and terminate, as the case may be, on May 9, 2019. Loans

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

The Company incurred \$28.7 million in deferred financing costs associated with the debt financing of the acquisition. Such amounts are included in other assets and deferred charges on the Condensed Consolidated Balance Sheet as of September 28, 2014.

During the third quarter of 2014, the Company entered into a committed loan facility for the funding of a new manufacturing facility in China. The loan facility is for 47.5 million RMB and \$1.8 million with an availability period until December 20, 2014. The Company has borrowed \$0.9 million on this facility as of September 28, 2014. Principal will be repaid in accordance with a payment schedule beginning in 2015 and ending in 2017, with final maturity of this facility in December 2017.

As of September 28, 2014, the Company had \$38.4 million in uncommitted short-term bank credit lines, of which approximately \$4.7 million was in use.

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

## Note 10. Benefit Plans

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

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

## Components of Net Periodic Benefit Cost

	Three Months Ended		Nine Months Ended	
	Sept. 28, 2014	Sept. 29, 2013	Sept. 28, 2014	Sept. 29, 2013
	(millions of dollars)			
Service cost	\$2.1	\$1.9	\$6.5	\$6.4
Interest cost	4.0	2.9	10.8	8.5
Expected return on plan assets	(5.0)	(3.8)	(14.2)	(11.1)
Amortization:				
Prior service cost	0.3	0.3	0.9	0.9
Recognized net actuarial loss	1.9	3.4	5.4	10.2
Net periodic benefit cost	\$3.3	\$4.7	\$9.4	\$14.9

	Three Months Ended		Nine Months Ended	
	Sept. 28, 2014	Sept. 29, 2013	Sept. 28, 2014	Sept. 29, 2013
	(millions of dollars)			
Service cost	\$-	\$0.2	\$0.3	\$0.5
Interest cost	0.1	0.1	0.3	0.2
Amortization:				
Prior service cost	(0.8)	(0.8)	(2.3)	(2.3)
Recognized net actuarial (gain)/loss	(0.1)	-	(0.2)	-
Net periodic benefit cost	\$(0.8)	\$(0.5)	\$(1.9)	\$(1.6)

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

#### Employer Contributions

The Company expects to contribute approximately \$6.0 million to its pension plans and \$1.5 million to its other postretirement benefit plans in 2014. As of September 28, 2014, \$5.1 million has been contributed to the pension plans and approximately \$1.1 million has been contributed to the other postretirement benefit plans.

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## Note 11. Comprehensive Income

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

	Three Months Ended		Nine Months Ended	
	Sept. 28, 2014	Sept. 29, 2013	Sept. 28, 2014	Sept. 29, 2013
Amounts Reclassified Out of Accumulated Other Comprehensive Income (Loss)	(millions of dollars)			
Amortization of pension items:				
Pre-tax amount	\$1.3	\$2.9	\$3.8	\$8.8
Tax	(0.5)	(1.0)	(1.3)	(3.2)
Net of tax	\$0.8	\$1.9	\$2.5	\$5.6

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

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

	Foreign Currency Translation Adjustment	Unrecognized Pension Costs	Net Gain on Cash Flow Hedges	Total
	(millions of dollars)			
Balance as of December 31, 2013	\$17.1	\$ (51.0)	\$ 2.6	\$(31.3)
Other comprehensive income (loss) before reclassifications	(21.5)	-	-	(21.5)
Amounts reclassified from AOCI	-	2.5	-	2.5
Net current period other comprehensive income (loss)	(21.5)	2.5	-	(19.0)
Balance as of September 28, 2014	\$(4.4)	\$ (48.5)	\$ 2.6	\$(50.3)

## Note 12. Accounting for Asset Retirement Obligations

The Company records asset retirement obligations for situations in which the Company will be required to incur costs to retire tangible long-lived assets. These are primarily related to its PCC satellite facilities and mining operations. The Company has also recorded the provisions related to conditional asset retirement obligations at its facilities. The Company has recorded asset retirement obligations at all of its facilities except where there are no legal or contractual obligations.

The following is a reconciliation of asset retirement obligations as of September 28, 2014:

	(millions of dollars)
Asset retirement liability, December 31, 2013	\$ 14.7
Accretion expense	0.5
Reversals	(0.5 )
Acquisition	8.9
Foreign currency translation	(0.2 )
Asset retirement liability, September 28, 2014	\$ 23.4

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The Company's Performance Materials segment mines various minerals using a surface mining process that requires the removal of overburden. In certain areas and under various governmental regulations, the Company is obligated to restore the land comprising each mining site to its original condition at the completion of the mining activity. The table above includes \$8.9 million related to this land reclamation liability assumed in connection with the purchase of AMCOL. This liability will be adjusted to reflect the passage of time, mining activities, and changes in estimated future cash outflows.

The asset retirement costs are capitalized as part of the carrying amount of the associated asset. The current portion of the liability of approximately \$2.0 million is included in other current liabilities and the long-term portion of the liability of approximately \$21.4 million is included in other non-current liabilities in the Condensed Consolidated Balance Sheet as of September 28, 2014.

Note 13. Contingencies

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

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

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

Certain of the Company's subsidiaries are among numerous defendants in a number of cases seeking damages for exposure to silica or to asbestos containing materials. The Company currently has 102 pending silica cases and 13 pending asbestos cases. These totals include 30 silica cases and one asbestos case against AMCOL International Corporation and/or its subsidiary, American Colloid Company, that were pending on the date we acquired AMCOL. To date, 1,394 silica cases and 37 asbestos cases have been dismissed, not including any lawsuits against AMCOL or

American Colloid Company dismissed prior to our acquisition of AMCOL. No new asbestos or silica cases were filed in the third quarter of 2014.

Most of these claims do not provide adequate information to assess their merits, the likelihood that the Company will be found liable, or the magnitude of such liability, if any. Additional claims of this nature may be made against the Company or its subsidiaries. At this time management anticipates that the amount of the Company's liability, if any, and the cost of defending such claims, will not have a material effect on its financial position or results of operations.



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The Company has not settled any silica or asbestos lawsuits to date (not including any that may have been settled by AMCOL prior to completion of the acquisition). We are unable to state an amount or range of amounts claimed in any of the lawsuits because state court pleading practices do not require identifying the amount of the claimed damage. The aggregate cost to the Company for the legal defense of these cases since inception continues to be insignificant. The majority of the costs of defense for these cases, excluding cases against AMCOL or American Colloid, are reimbursed by Pfizer Inc. pursuant to the terms of certain agreements entered into in connection with the Company's initial public offering in 1992. Of the 12 pending asbestos cases excluding the case against AMCOL / American Colloid, all allege liability based on products sold largely or entirely prior to the initial public offering, and for which the Company is therefore entitled to indemnification pursuant to such agreements. Our experience has been that the Company is not liable to plaintiffs in any of these lawsuits and the Company does not expect to pay any settlements or jury verdicts in these lawsuits.

Environmental Matters

On April 9, 2003, the Connecticut Department of Environmental Protection issued an administrative consent order relating to our Canaan, Connecticut, plant where both our Refractories segment and Specialty Minerals segment have operations. We agreed to the order, which includes provisions requiring investigation and remediation of contamination associated with historic use of polychlorinated biphenyls ("PCBs") and mercury at a portion of the site. We have completed the required investigations and submitted several reports characterizing the contamination. We are now conducting a site-specific risk assessment required by the regulators.

We believe that the most likely form of overall site remediation will be to leave the existing contamination in place (with some limited soil removal), encapsulate it, and monitor the effectiveness of the encapsulation. We anticipate that a substantial portion of the remediation cost will be borne by the United States based on its involvement at the site from 1942 – 1964, as historic documentation indicates that PCBs and mercury were first used at the facility at a time of U.S. government ownership for production of materials needed by the military. Though the cost of the likely remediation remains uncertain pending completion of the phased remediation decision process, we have estimated that the Company's share of the cost of the encapsulation and limited soil removal described above would approximate \$0.4 million, which has been accrued as of September 28, 2014.

The Company is evaluating options for upgrading the wastewater treatment facilities at its Adams, Massachusetts plant. This work has been undertaken pursuant to an administrative Consent Order originally issued by the Massachusetts Department of Environmental Protection ("DEP") on June 18, 2002. This order was amended on June 1, 2009 and on June 2, 2010. The amended Order includes the investigation by January 1, 2022 of options for ensuring that the facility's wastewater treatment ponds will not result in unpermitted discharge to groundwater. Additional requirements of the amendment include the submittal by July 1, 2022 of a plan for closure of a historic lime solids disposal area. Preliminary engineering reviews completed in 2005 indicate that the estimated cost of wastewater treatment upgrades to operate this facility beyond 2024 may be between \$6 million and \$8 million. The Company estimates that the remaining remediation costs would approximate \$0.4 million, which has been accrued as of September 28, 2014.

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

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## Note 14. Non-controlling interests

The following is a reconciliation of beginning and ending total equity, equity attributable to MTI, and equity attributable to non-controlling interests:

	Equity Attributable to MTI				Treasury Stock	Non-controlling Interests	Total
	Common Stock (millions of dollars)	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)			
Balance as of December 31, 2013	\$4.7	\$ 361.5	\$1,106.3	\$ (31.3 )	\$ (593.7 )	\$ 26.9	\$874.4
Net income	-	-	71.1	-	-	2.4	73.5
Other comprehensive income (loss)	-	-	-	(19.0 )	-	(0.5 )	(19.5 )
Dividends declared	-	-	(5.2 )	-	-	-	(5.2 )
Dividends to non-controlling interest	-	-	-	-	-	(3.3 )	(3.3 )
Purchase of non-controlling interest shares	-	(2.1 )	-	-	-	-	(2.1 )
Issuance of shares pursuant to employee stock compensation plans	0.1	2.8	-	-	-	-	2.9
Income tax benefit arising from employee stock compensation plans	-	1.2	-	-	-	-	1.2
Stock based compensation	-	3.8	-	-	-	-	3.8
Balance as of September 28, 2014	\$4.8	\$ 367.2	\$1,172.2	\$ (50.3 )	\$ (593.7 )	\$ 25.5	\$925.7

The income attributable to non-controlling interests for the nine-month periods ended September 28, 2014 and September 29, 2013 was from continuing operations. The remainder of income was attributable to MTI.

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

	Three Months Ended		Nine Months Ended	
	Sept. 28, 2014	Sept. 29, 2013	Sept. 28, 2014	Sept. 29, 2013
Net income attributable to MTI	\$37.0	\$21.9	\$71.1	\$57.7
Transfer from non-controlling interest:				
Decrease in additional paid-in capital for purchase of the remaining non-controlling interest in CETCO India	-	-	(2.1 )	-

Change from net income attributable to MTI and transfers from non-controlling interest	\$37.0	\$21.9	\$69.0	\$57.7
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## Note 15. Segment and Related Information

As a result of the acquisition of AMCOL, the Company currently has 5 reportable segments: Specialty Minerals, Refractories, Performance Materials, Construction Technologies, and Energy Services, compared to 2 reportable segments in the prior year (Specialty Minerals and Refractories). See Note 1. Segment information for the three and nine-month periods ended September 28, 2014 and September 29, 2013 were as follows:

	Three Months Ended		Nine Months Ended	
	Sept. 28, 2014	Sept. 29, 2013	Sept. 28, 2014	Sept. 29, 2013
	(millions of dollars)			
Net Sales				
Specialty Minerals	\$ 163.0	\$ 167.4	\$ 490.5	\$ 502.5
Refractories	90.4	86.8	266.8	259.0
Performance Materials	135.6	-	211.4	-
Construction Technologies	69.1	-	106.3	-
Energy Services	85.4	-	134.0	-
Total	\$ 543.5	\$ 254.2	\$ 1,209.0	\$ 761.5
Income from Operations				
Specialty Minerals	\$ 26.0	\$ 26.0	\$ 71.4	\$ 74.4
Refractories	9.7	8.4	29.0	23.8
Performance Materials	18.7	-	23.0	-
Construction Technologies	8.3	-	9.0	-
Energy Services	10.2	-	16.1	-
Total	\$ 72.9	\$ 34.4	\$ 148.5	\$ 98.2

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 from operations before provision for taxes on income			
	Three Months Ended		Nine Months Ended	
	Sept. 28, 2014	Sept. 29, 2013	Sept. 28, 2014	Sept. 29, 2013
	(millions of dollars)			
Income from operations for reportable segments	\$ 72.9	\$ 34.4	\$ 148.5	\$ 98.2
Acquisition Related Transaction and Integration Costs	(4.2 )	-	(16.7 )	-
Unallocated corporate expenses	(1.9 )	(1.7 )	(5.6 )	(4.8 )
Consolidated income from operations	66.8	32.7	126.2	93.4
Non-operating deductions, net	(15.1)	(1.2 )	(30.5 )	(2.6 )
Income from continuing operations before provision for taxes on income	\$ 51.7	\$ 31.5	\$ 95.7	\$ 90.8



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

	Three Months		Nine Months	
	Ended		Ended	
	Sept.	Sept.	Sept.	Sept.
	28,	29,	28,	29,
	2014	2013	2014	2013
	(millions of dollars)			
Paper PCC	\$113.4	\$119.3	\$341.3	\$357.9
Specialty PCC	16.5	16.6	50.7	50.8
Talc	13.8	12.8	41.7	38.2
Ground Calcium Carbonate	19.3	18.7	56.8	55.6
Refractory Products	69.7	66.3	201.4	195.9
Metallurgical Products	20.7	20.5	65.4	63.1
Metalcasting	70.0	-	109.4	-
Household, Personal Care and Specialty Products	42.8	-	66.2	-
Basic Minerals and Other Products	22.8	-	35.8	-
Environmental Products	34.5	-	51.8	-
Building Materials and Other Products	34.6	-	54.5	-
Energy Services	85.4	-	134.0	-
Total	\$543.5	\$254.2	\$1,209.0	\$761.5

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REVIEW REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders  
Minerals Technologies Inc.:

We have reviewed the accompanying condensed consolidated balance sheet of Minerals Technologies Inc. and subsidiaries as of September 28, 2014, the related condensed consolidated statements of income and comprehensive income for the three-month and nine-month periods ended September 28, 2014 and September 29, 2013, and the related condensed consolidated statements of cash flows for the nine-month periods ended September 28, 2014 and September 29, 2013. These condensed consolidated financial statements are the responsibility of the Company's management.

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

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

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Minerals Technologies Inc. and subsidiaries as of December 31, 2013, and the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated February 21, 2014, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2013 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ KPMG LLP

New York, New York  
October 24, 2014  
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ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Executive Summary

On May 9, 2014, pursuant to the Merger Agreement dated March 10, 2014, the Company acquired AMCOL International Corporation ("AMCOL"). The Company acquired AMCOL by completing a tender offer to purchase AMCOL's outstanding shares of common stock and the subsequent merger of AMCOL with and into a wholly-owned subsidiary of MTI. Upon completion of the merger, AMCOL became a wholly owned direct subsidiary of MTI. Through the tender offer and the merger, the Company paid \$1,519.4 million in cash to acquire all of the outstanding shares of AMCOL. The fair value of total consideration transferred, net of cash acquired was \$1,802.3 million. The Company's operating results include the results of operations of the acquired AMCOL businesses from May 9, 2014, through September 28, 2014.

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

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

- The Specialty Minerals segment produces and sells the synthetic mineral product precipitated calcium carbonate ("PCC") and processed mineral product quicklime ("lime"), and mines mineral ores then processes and sells natural mineral products, primarily limestone and talc.

-The Refractories segment produces and markets monolithic and shaped refractory materials and specialty products, services and application and measurement equipment, and calcium metal and metallurgical wire products.

-The Performance Materials segment is a leading supplier of bentonite and bentonite-related products. This segment also supplies chromite and leonardite and operates more than 25 mining or production facilities worldwide.

-The Construction Technologies segment provides products for non-residential construction, environmental and infrastructure projects worldwide. It serves customers engaged in a broad range of construction projects, including site remediation, concrete waterproofing for underground structures, liquid containment on projects ranging from landfills to flood control, and drilling applications including foundation, slurry wall, tunneling, water well, and horizontal drilling.

-The Energy Services segment provides services to improve the production, costs, compliance, and environmental impact of activities performed in oil and gas industry. This segment offers a range of patented and unpatented technologies, products and services for all phases of oil and gas production, refining, and storage throughout the world.

Diluted earnings from continuing operations in the third quarter ended September 28, 2014 were \$1.06 per share. Included in pre-tax income and earnings per share were items related to the acquisition and integration which, when combined, reduced earnings by \$0.19 per share. These were as follows:

Acquisition transaction and integration costs	\$4.2 million
Restructuring charges	\$5.8 million



Total  
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\$10.0 million

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

Worldwide sales for the third quarter of 2014 increased 113.8% from the prior year to \$543.5 million from \$254.2 million. Sales growth was achieved primarily from the activity of the acquired business. Sales in the Specialty Minerals segment were \$163.0 million, a 3 percent decrease from the prior year. In the Refractories segment, sales were \$90.4 million a 4 percent increase over the prior year.

The Company continued to advance the execution of its growth strategies of geographic expansion and new product innovation and development. We began operations at one new satellite facility in China in the second quarter. In addition, we are currently constructing four additional satellite plants in China, including the recently announced 50,000 metric ton facility with Zhejiang Zhengda Paper Group Ltd that should be operational in the fourth quarter of 2015. The total capacity being installed with these four new satellite plants is approximately 300,000 tons. The Company continues to see progress in our major growth strategy of developing and commercializing new products in advancing our FulFill® platform of technologies of higher filler loading. In the third quarter, we signed another commercial agreement with a North American paper company. We presently have seventeen commercial contracts for FulFill®. We expect the contribution of our FulFill® program to operating income to be approximately \$3 million in 2014. Our agreement with United Steel Company B.S.C. (SULB), in Bahrain, which began operations in the third quarter of 2012, generated sales of \$3.4 million in the third quarter of 2014. We expect to generate on average \$10 million per year over the 3 year term of the contract. Our Refractories segment entered into a three-year agreement with Bhushan Steel Ltd. of India, to provide cost-per-ton (CPT) steel refractory maintenance for two of Bhushan's Basic Oxygen Furnaces (BOF) at its new steel-making facility in Angul, India. This is the first CPT contract in India. We expect to generate on average sales of \$2 million per year over the 3 year term of the contract. In addition, we entered into a two-year CPT contract with Tata Steel in Europe. We expect to generate on average sales of \$2.0 million per year over the term of the contract.

In connection with the acquisition of AMCOL, the Company entered into a \$1.56 billion senior secured term loan facility (the "Term Facility"). At the same time, the Company entered into a \$200 million senior secured revolving credit facility (the "Revolving Facility" and, together with the Term Facility, the "Facilities"). As of September 28, 2014, the Revolving Facility was unused. Long term debt as of September 28, 2014 was \$1.512 billion. During the third quarter, we repaid \$38.2 million of our long-term debt. Cash, cash equivalents and short-term investments were \$202.7 million. Cash flow from continuing operations was strong in the third quarter of 2014 at approximately \$86.9 million and was \$194.3 million during the nine months ended September 28, 2014. Our intention is to use excess cash flow to repay debt and to de-lever as quickly as possible.

## Outlook

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

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

- Develop multiple high-filler technologies, such as filler-fiber, under the FulFill® platform of products, to increase the fill rate in freesheet paper and continue to progress with commercial discussions and full-scale paper machine trials.

Develop products and processes for waste management and recycling, opportunities to reduce the environmental impact of the paper mill, reduce energy consumption and improve the sustainability of the papermaking process and further penetration into the packaging segment of the paper industry.

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

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

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Three months ended September 28, 2014 as compared with three months ended September 29, 2013

Consolidated Income Statement Review

	Three Months		Growth	
	Ended Sept. 28 2014	Sept. 29 2013	\$	%
	(Dollars in millions)			
Net sales	\$543.5	\$254.2	\$289.3	113.8 %
Cost of sales	398.5	194.3	204.2	105.1 %
Production margin	145.0	59.9	85.1	142.1 %
Production margin %	26.7 %	23.6 %		
Marketing and administrative expenses	59.7	21.9	37.8	172.6 %
Research and development expenses	6.6	5.3	1.3	24.5 %
Amortization expense of intangible assets acquired	1.9	-	1.9	*
Acquisition related transaction and integration costs	4.2	-	4.2	*
Restructuring and other charges	5.8	-	5.8	*
			-	
Income from operations	66.8	32.7	34.1	104.3 %
Operating margin %	12.3 %	12.9 %		
Interest expense, net	(16.0)	(0.1)	(15.9)	*
Premium on early extinguishment of debt	-	-	-	*
Other non-operating income (deductions), net	0.9	(1.1)	2.0	-181.8 %
Total non-operating deductions, net	(15.1)	(1.2)	(13.9)	*
Income from continuing operations before provision for taxes and equity in earnings	51.7	31.5	20.2	64.1 %
Provision for taxes on income	14.4	8.9	5.5	*
Effective tax rate	27.9 %	28.3 %		
Equity in earnings of affiliates, net of tax	0.3	-	0.3	*
Income from continuing operations, net of tax	37.6	22.6	15.0	66.4 %
Income (loss) from discontinued operations, net of tax	0.2	-	0.2	*
Net income attributable to non-controlling interests	0.8	0.7	0.1	14.3 %
Net income attributable to Minerals Technologies Inc. (MTI)	37.0	21.9	15.1	68.9 %

\* Not meaningful

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## Net Sales

	Three Months Ended Sept. 28, 2014			Three Months Ended Sept. 29, 2013		
	Net Sales	% of Total Sales	% Growth		Net Sales	% of Total Sales
	(Dollars in millions)					
U.S.	\$326.3	60.0 %	129.6 %		\$142.1	55.9 %
International	217.2	40.0 %	93.8 %		112.1	44.1 %
Total sales	\$543.5	100.0%	113.8 %		\$254.2	100.0%
Specialty Minerals Segment	\$163.0	30.0 %	-2.6 %		\$167.4	65.9 %
Refractories Segment	90.4	16.6 %	4.1 %		86.8	34.1 %
Performance Materials Segment	135.6	24.9 %	*		-	*
Construction Technologies Segment	69.1	12.7 %	*		-	*
Energy Services Segment	85.4	15.8 %	*		-	*
Total sales	\$543.5	100.0%	113.8 %		\$254.2	100.0%

\* Not meaningful

Total sales increased \$289.3 million or 113.8% from the previous year to \$543.5million. The increase was from the Performance Materials, Construction Technologies and Energy Services segments relating to the acquisition of the AMCOL businesses. Sales from operations owned for more than one year decreased 0.3% mainly due to decreased sales in Specialty Minerals segment resulting from paper capacity realignments in North America, partially offset by increased sales in Refractories segment due to increased volumes.

Approximately \$188.0 million of sales within United States and \$102.1 million of sales within international regions relate to the acquired businesses.

## Operating Costs and Expenses

Cost of sales from Specialty Minerals and Refractories segments was \$194.1 million. Our Specialty Minerals and Refractories segments production margin benefitted from increased pricing, strong performance in Refractories in Europe and North America, improved productivity and cost improvements which more than offset the impact of paper mill and paper machine shutdowns in the U.S. and increased energy costs.

Marketing and administrative costs were \$59.7 million and 11.0% of sales compared to \$21.9 million and 8.6% of sales in prior year. All of the increases related to marketing and administrative costs of the acquired businesses.

Research and development expenses were \$6.6 million and represented 1.2 percent of sales. All of the increases related to research and development costs of the acquired businesses.

The Company incurred \$1.9 million charge relating to the amortization of intangible assets acquired and a \$4.2 million charge for the transaction and integration costs during the three months ended September 28, 2014 resulting from the acquisition.

During the second and third quarters of 2014, the Company announced it would undertake an initial restructuring program that will result in the permanent reduction of approximately 8 percent of its workforce. This restructuring will occur across all business segments of the Company and is estimated to provide annualized savings of approximately \$20 million. The reductions, which will occur over the next twelve months, includes elimination of duplicate corporate functions, deployment of our shared service model and consolidation and alignment of various corporate functions and regional locations across the Company. The Company has recorded a \$11.8 million severance-related restructuring charge for this program, of which \$5.8 million was recorded in the third quarter.

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## Income from Operations

The Company recorded income from operations of \$66.8 million as compared to \$32.7 million in the prior year. Operating income during the three months ended September 28, 2014, includes acquisition related transaction and integration costs of \$4.2 million, and restructuring charges of \$5.8 million.

## Non-Operating Income (Deductions)

In May 2014, the Company repaid its \$75 million Senior Notes and entered into the of \$1.56 billion Term Facility to fund the acquisition of the AMCOL business (see Note 9). The increase in debt level resulted in the \$15.9 million increase in interest expense compared to the prior year.

## Provision for Taxes on Income

Provision for taxes on income was \$14.4 million as compared to \$8.9 million in prior year. The effective tax rate was 27.9% as compared to 28.3% in prior year. The reduction in the effective tax rate during 2014 was primarily due to tax benefits on one-time charges at a higher tax rate.

## Income from Continuing Operations, Net of Tax

Income from continuing operations, net of tax, was \$37.6 million during the three months ended September 28, 2014 and included a \$6.8 million charge, net of tax, relating to the impact of acquisition transaction and integration costs, and employee termination costs.

Segment Review

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

## Specialty Minerals Segment

	Three Months Ended		Growth	
	Sept. 28, 2014	Sept. 29, 2013		
Specialty Minerals Segment				
	(millions of dollars)			
Net Sales				
Paper PCC	\$ 113.4	\$ 119.3	\$(5.9)	-4.9 %
Specialty PCC	16.5	16.6	(0.1)	-0.6 %
PCC Products	\$ 129.9	\$ 135.9	\$(6.0)	-4.4 %
Talc	\$ 13.8	\$ 12.8	\$ 1.0	7.8 %
Ground Calcium Carbonate	19.3	18.7	0.6	3.2 %
Processed Minerals Products	\$ 33.1	\$ 31.5	\$ 1.6	5.1 %
Total net sales	\$ 163.0	\$ 167.4	\$(4.4)	-2.6 %
Income from operations	\$ 26.0	\$ 26.0	\$-	0.0 %
% of net sales	16.0 %	15.5 %		



Worldwide net sales in the Specialty Minerals segment were \$163.0 million, a decrease of \$4.4 million or 2.6% compared to the prior year. Worldwide net sales of PCC products, which is primarily used in the manufacturing process of the paper industry, decreased 4.4% to \$129.9 million from \$135.9 million in the prior year. Paper PCC sales decreased 4.9% to \$113.4 million primarily due to paper capacity grade realignments in North America. Sales of Specialty PCC were approximately the same as the prior year.

Net sales of Processed Minerals products increased 5.1% to \$33.1 million. Talc sales increased 7.8% and Ground Calcium Carbonate sales increased 3.2% primarily due to increased volumes.

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Income from operations was \$26.0 million and included employee termination costs of \$0.5 million during the three months ended September 28, 2014. Income from operations as a percentage of sales improved due to increased sales and improved profitability in the Processed Minerals product line.

## Refractories Segment

Refractories Segment	Three Months Ended		Growth		
	Sept. 28, 2014	Sept. 29, 2013		(millions of dollars)	
Net Sales					
Refractory Products	\$69.7	\$66.3	\$3.4	5.1	%
Metallurgical Products	20.7	20.5	0.2	1.0	%
Total net sales	\$90.4	\$86.8	\$3.6	4.1	%
Income from operations	\$9.7	\$8.4	\$1.3	15.5	%
% of net sales	10.7%	9.7	%		

Net sales in the Refractories segment increased 4.1% to \$90.4 million from \$86.8 million in the prior year. Sales of refractory products and systems to steel and other industrial applications grew 5.1% to \$69.7 million due to volume increases in all regions. Sales of metallurgical products increased 1.0% to \$20.7 million due to volume increases in Europe.

Income from operations increased 15.5% to \$9.7 million from \$8.4 million in the prior year. The growth in income from operations was primarily due to strong volumes, improved profitability in North America and Europe, and improved productivity, and was partially offset by a \$0.8 million bad debt provision recorded during the third quarter of 2014 relating to a customer's bankruptcy in North America.

## Performance Materials Segment

Performance Materials Segment	Three Months Ended Sept. 28, 2014 (millions of dollars)
Net Sales	
Metalcasting	\$ 70.0
Household, Personal Care and Specialty Products	42.8
Basic Minerals and Other Products	22.8
Total net sales	\$ 135.6
Income from operations	\$ 18.7
% of net sales	13.8 %

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

Net sales were \$135.6 million during the quarter ended September 28, 2014. Approximately \$77.6 million sales were generated within United States and \$58.0 million sales were generated internationally.

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Income from operations was \$18.7 million and 13.8% of sales and was impacted by employee termination costs of \$2.0 million.

Operating income was negatively affected by approximately \$1.0 million due to railway transportation and railroad congestion issues in the Western United States.

## Construction Technologies Segment

	Three Months Ended Sept. 28, 2014 (millions of dollars)
Construction Technologies Segment	
Net Sales	
Environmental Products	\$ 34.5
Building Materials and Other Products	34.6
Total net sales	\$ 69.1
Income from operations	\$ 8.3
% of net sales	12.0 %

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

Net sales were \$69.1 million during the quarter ended September 28, 2014. Approximately \$40.7 million sales were generated within United States and \$28.4 million sales were generated internationally.

Income from operations was \$8.3 million and 12.0% of sales and was impacted by employee termination costs of \$2.0 million.

## Energy Services Segment

	Three Months Ended Sept. 28, 2014 (millions of dollars)
Energy Services Segment	
Net Sales	\$ 85.4

Income from operations	\$ 10.2
% of net sales	11.9 %

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

Net sales were \$85.4 million during the quarter ended September 28, 2014. Approximately \$69.7 million sales were generated within United States and \$15.7 million sales were generated internationally.

Income from operations was \$10.2 million and 11.9% of sales and included employee termination costs of \$1.3 million. The Segment had a strong performance in Filtration, Well Testing and Pipeline services primarily due to large projects that continued throughout the quarter. Coiled Tubing had a difficult quarter with lower demand due to the significant amount of capacity that currently exists in the onshore market.

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Nine months ended September 28, 2014 as compared with nine months ended September 29, 2013

Consolidated Income Statement Review

	Nine Months Ended,		Growth	
	Sept. 28 2014	Sept. 29 2013	\$	%
	(Dollars in millions)			
Net sales	\$1,209.0	\$761.5	\$447.5	58.8 %
Cost of sales	906.0	586.9	319.1	54.4 %
Production margin	303.0	174.6	128.4	73.5 %
Production margin %	25.1 %	22.9 %		
Marketing and administrative expenses	127.4	66.3	61.1	92.2 %
Research and development expenses	18.0	14.9	3.1	20.8 %
Amortization expense of intangible assets acquired	2.9	-	2.9	*
Acquisition related transaction and integration costs	16.7	-	16.7	*
Restructuring and other charges	11.8	-	11.8	*
			-	
Income from operations	126.2	93.4	32.8	35.1 %
Operating margin %	10.4 %	12.3 %		
Interest expense, net	(25.2 )	(0.5 )	(24.7 )	*
Premium on early extinguishment of debt	(5.8 )	-	(5.8 )	*
Other non-operating income (deductions), net	0.5	(2.1 )	2.6	-123.8 %
Total non-operating deductions, net	(30.5 )	(2.6 )	(27.9 )	*
Income from continuing operations before provision for taxes and equity in earnings	95.7	90.8	4.9	5.4 %
Provision for taxes on income	24.8	25.2	(0.4 )	*
Effective tax rate	25.9 %	27.8 %		
Equity in earnings of affiliates, net of tax	0.6	-	0.6	*
Income from continuing operations, net of tax	71.5	65.6	5.9	9.0 %
Income (loss) from discontinued operations, net of tax	2.0	(5.7 )	7.7	*
Net income attributable to non-controlling interests	2.4	2.2	0.2	9.1 %
Net income attributable to Minerals Technologies Inc. (MTI)	71.1	57.7	13.4	23.2 %

\* Not meaningful

## Net Sales

Nine Months Ended Sept. 28, 2014			Nine Months Ended Sept. 29, 2013		
Net Sales	% of Total	% Growth	Net Sales	% of Total	

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	Sales				Sales	
	(Dollars in millions)					
U.S.	\$704.6	58.3 %	65.9 %	%	\$424.7	55.8 %
International	504.4	41.7 %	49.8 %	%	336.8	44.2 %
Total sales	\$1,209.0	100.0%	58.8 %	%	\$761.5	100.0%
Specialty Minerals Segment	\$490.5	40.6 %	-2.4 %	%	\$502.5	66.0 %
Refractories Segment	266.8	22.1 %	3.0 %	%	259.0	34.0 %
Performance Materials Segment	211.4	17.5 %	*		-	*
Construction Technologies Segment	106.3	8.8 %	*		-	*
Energy Services Segment	134.0	11.1 %	*		-	*
Total sales	\$1,209.0	100.0%	58.8 %	%	\$761.5	100.0%

\* Not meaningful

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Total sales increased \$447.5 million or 58.8% from the previous year to \$1,209.0 million. All of the growth during the nine months ended September 28, 2014 was from the acquired Performance Materials, Construction Technologies and Energy Services segments. Sales from operations owned for more than one year decreased \$4.2 million due to lower sales in the Specialty Minerals segment resulting in paper grade realignments in North America affecting the Paper PCC product line.

Approximately \$289.8 million of sales within United States and \$161.9 million of sales within International regions relate to the acquisition of AMCOL business.

Operating Costs and Expenses

Cost of sales from Specialty Minerals and Refractories segments was \$580.9 million. Our Specialty Minerals and Refractories segments production margin benefitted from increased pricing and productivity and cost improvements which more than offset the impact of paper mill and paper machine shutdowns in the U.S. and Europe and increased energy costs.

Marketing and administrative costs were \$127.4 million and 10.5% of sales compared to \$66.3 million and 8.7% of sales in prior year. All of the increases related to the acquired businesses.

Research and development expenses were \$18.0 million and represented 1.5 percent of sales. The increase compared to prior year primarily related to the acquired businesses.

The Company incurred \$2.9 million charge relating to the amortization of intangible assets acquired and a \$16.7 million charge for the transaction and integration costs during the nine months ended September 28, 2014 resulting from the acquisition.

During the nine months ended September 28, 2014, the Company recorded \$11.8 million in severance-related restructuring charges across all business segments of the Company and which is estimated to provide annualized savings of approximately \$20 million.

Income from Operations

The Company recorded income from operations of \$126.2 million as compared to \$93.4 million in the prior year. Operating income includes a one-time non-cash inventory step-up charge of \$5.6 million, acquisition related transaction and integration costs of \$16.7 million, and severance-related restructuring charges of \$11.8 million.

Non-Operating Income (Deductions)

In May 2014, the Company repaid the \$75 million Senior Notes and entered into a \$1.56 billion senior secured term loan facility to fund the acquisition of AMCOL business. The increase in debt level resulted in the \$24.7 million increase in interest expense compared to prior year. The Company also incurred a \$5.8 million charge for prepaying the \$75 million Senior Notes.

Provision for Taxes on Income

Provision for taxes was \$24.8 million as compared to \$25.2 million in prior year. The effective tax rate was 25.9% as compared to 27.8% in prior year. The lower effective tax rate was primarily due to a change in the mix of earnings, tax benefits on one-time charges at a higher rate, and higher depletion deductions.

Income from Continuing Operations, Net of Tax



Income from continuing operations, net of tax, was \$71.5 million during the nine months ended September 28, 2014 and included a \$27.3 million charge, net of tax, relating to the impact of acquisition transaction and integration costs, inventory step-up charges, employee termination costs, and debt prepayment costs.

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Segment Review

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

Specialty Minerals Segment

Specialty Minerals Segment	Nine Months Ended		Growth	
	Sept. 28, 2014	Sept. 29, 2013		
	(millions of dollars)			
Net Sales				
Paper PCC	\$341.3	\$357.9	\$(16.6)	-4.6%
Specialty PCC	50.7	50.8	(0.1)	-0.2%
PCC Products	\$392.0	\$408.7	\$(16.7)	-4.1%
Talc	\$41.7	\$38.2	\$3.5	9.2%
Ground Calcium Carbonate	56.8	55.6	1.2	2.2%
Processed Minerals Products	\$98.5	\$93.8	\$4.7	5.0%
Total net sales	\$490.5	\$502.5	\$(12.0)	-2.4%
Income from operations	\$71.4	\$74.4	\$(3.0)	-4.0%
% of net sales	14.6%	14.8%		

Worldwide net sales in the Specialty Minerals segment were \$490.5 million, which was 2.4% lower than the prior year. Worldwide net sales of PCC products, which is primarily used in the manufacturing process of the paper industry, decreased 4.1% to \$392.0 million from \$408.7 million in the prior year. Paper PCC sales decreased 4.6% to \$341.3 million primarily due to paper capacity realignments in North America and Europe. Sales of Specialty PCC were approximately the same as the prior year.

Net sales of Processed Minerals products increased 5.0% to \$98.5 million. Talc sales increased 9.2% and Ground Calcium Carbonate sales increased 2.2% primarily due to increased volumes.

Income from operations was \$71.4 million and 14.6% of net sales compared to \$74.4 million and 14.8% of sales in prior year. Income from operations during the nine months ended September 28, 2014 included restructuring charges of \$2.7 million.

Refractories Segment

Refractories Segment	Nine Months Ended		Growth	
	Sept. 28, 2014	Sept. 29, 2013		
	(millions of dollars)			
Net Sales				

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Refractory Products	\$201.4	\$195.9	\$5.5	2.8 %
Metallurgical Products	65.4	63.1	2.3	3.6 %
Total net sales	\$266.8	\$259.0	\$7.8	3.0 %

Income from operations	\$29.0	\$23.8	\$5.2	21.8 %
% of net sales	10.9 %	9.2 %		

Net sales in the Refractories segment increased 3.0% to 266.8 million from \$259.0 million in the prior year. Sales of refractory products and systems to steel and other industrial applications grew 2.8% to \$201.4 million mainly due to stronger sales in Europe. Sales of metallurgical products increased 3.6% to \$65.4 million due to higher volumes in Europe

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Income from operations was \$29.0 million and 10.9% of sales and included restructuring charges of \$0.6 million. The growth in income from operations was primarily driven by improved performance in Europe refractory products and improved productivity, and was partially offset by a \$0.8 million bad debt provision recorded during the nine months ended September 28, 2014 relating to a customer's bankruptcy in North America.

## Performance Materials Segment

	Nine Months Ended Sept. 28, 2014 (millions of dollars)
Performance Materials Segment	
Net Sales	
Metalcasting	\$ 109.4
Household, Personal Care and Specialty Products	66.2
Basic Minerals and Other Products	35.8
Total net sales	\$ 211.4
Income from operations	\$ 23.0
% of net sales	10.9 %

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

This segment's operating result for the nine months ended September 28, 2014 include 143 days of results commencing May 9, 2014.

Net sales were \$211.4 million during the nine months ended September 28, 2014. Approximately \$120.1 million sales were generated within United States and \$91.3 million sales were generated internationally.

Income from operations was \$23.0 million and 10.9% of sales and was impacted by a one-time non-cash inventory step-up charge of \$3.6 million and employee termination costs of \$3.2 million. Operating income was negatively affected by approximately \$2 million due to railway transportation and railroad congestion issues in the Western United States.

## Construction Technologies Segment

Construction Technologies Segment	Nine Months Ended
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	Sept. 28, 2014 (millions of dollars)	
Net Sales		
Environmental Products	\$ 51.8	
Building Materials and Other Products	54.5	
Total net sales	\$ 106.3	
Income from operations	\$ 9.0	
% of net sales	8.5	%

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

This segment's operating result for the nine months ended September 28, 2014 include 143 days of results commencing May 9, 2014.

Net sales were \$106.3 million during the nine months ended September 28, 2014. Approximately \$60.3 million sales were generated within United States and \$46.0 million sales were generated internationally.

Income from operations was \$9.0 million and 8.5% of sales and was impacted by a one-time non-cash inventory step-up charge of \$2.0 million and employee termination costs of \$3.0 million.

Energy Services Segment

	Nine Months Ended Sept. 28, 2014 (millions of dollars)
Energy Services Segment	
Net Sales	\$ 134.0
Income from operations	\$ 16.1
% of net sales	12.0 %

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

This segment's operating result for the nine months ended September 28, 2014 include 143 days of results commencing May 9, 2014.

Net sales were \$134.0 million during the nine months ended September 28, 2014. Approximately \$109.4 million sales were generated within United States and \$24.6 million sales were generated internationally.

Income from operations was \$16.1 million and 12.0% of sales and included employee termination costs of \$2.3 million. The Segment had a strong performance in Filtration, Well Testing and Pipeline services primarily due to large projects that continued throughout the quarter. Coiled Tubing continues to face challenges due to the significant amount of capacity that currently exists in the onshore market.

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Liquidity and Capital Resources

Cash provided from continuing operations during the first nine months ended September 28, 2014, was \$194.3 million. Cash flows provided from operations during the first nine months of 2014 were principally used to fund capital expenditures, repayment of debt and pay the Company's dividend to common shareholders.

On May 9, 2014, in connection with the acquisition of AMCOL, the Company entered into a credit agreement providing for the \$1.56 billion Term Facility and a \$200 million senior secured revolving credit facility (the "Revolving Facility" and, together with the Term Facility, the "Facilities"). The net proceeds of the Term Facility, together with the Company's cash on hand, were used as cash consideration for the acquisition of AMCOL and to refinance certain existing indebtedness of the Company (including the Company's 3.46% Series A Senior Notes due October 7, 2020 and 4.13% Series B Senior Notes due October 7, 2023) and AMCOL and to pay fees and expenses in connection with the foregoing. Loans under the Revolving Facility will be used for working capital and other general corporate purposes of the Company and its subsidiaries. As of September 28, 2014, the Revolving Facility remained unused. Our intention is to use excess cash flow to repay debt and to de-lever as quickly as possible. During the third quarter of 2014, the Company repaid \$38.2 million in principal amount of its long-term debt.

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

The credit agreement contains certain customary affirmative and negative covenants that limit or restrict the ability of the Company and its restricted subsidiaries to enter into certain transactions or take certain actions. In addition, the credit agreement contains a financial covenant that requires the Company, if on the last day of any fiscal quarter loans or letters of credit were outstanding under the Revolving Facility (excluding up to \$15 million of letters of credit), to maintain a maximum net leverage ratio (as defined in the credit agreement) of, initially, 5.25 to 1.00 for the four fiscal quarter period preceding such day. Such maximum net leverage ratio requirement is subject to decrease during the duration of the facility to a minimum level (when applicable) of 3.50 to 1.00. As of September 28, 2014, there were no loans and \$9.5 million in letters of credit outstanding under the Revolving Facility. The Company is in compliance with all the covenants associated with this Revolving Facility as of the end of the period covered by this report.

The Company had \$38.4 million in uncommitted short-term bank credit lines, of which \$4.7 million were in use at September 28, 2014. The credit lines are primarily outside the U.S. and are generally one year in term at competitive market rates at large well-established institutions. The Company typically uses its available credit lines to fund working capital requirements or local capital spending needs. In addition, during the third quarter of 2014, the Company entered into a committed loan facility for the funding of a new manufacturing facility in China. The loan facility is for 47.5 million RMB and \$1.8 million with an availability period until December 20, 2014. The Company has borrowed \$0.9 million on this facility as of September 28, 2014. Principal will be repaid in accordance with a payment schedule beginning in 2015 and ending in 2017, with final maturity of this facility in December 2017. We anticipate that capital expenditures for 2014, exclusive of the AMCOL acquisition, but including capital expenditures

for the AMCOL businesses we acquired, should be between \$100.0 million and \$110.0 million, principally related to the construction of PCC plants and other opportunities that meet our strategic growth objectives. We expect to meet our other long-term financing requirements from internally generated funds, committed and uncommitted bank credit lines and, where appropriate, project financing of certain satellite plants. The aggregate maturities of long-term debt are as follows: remainder of 2014 - \$3.9 million; 2015 - \$0.2 million; 2016 - \$5.4 million; 2017 - \$16.1 million; 2018 - \$15.6 million; thereafter - \$1,458.6 million.

On September 19, 2013, the Company's Board of Directors authorized the Company's management to repurchase, at its discretion, up to \$150 million of the Company's shares over a two-year period commencing October 2, 2013. As of September 28, 2014, 139,900 shares have been repurchased under this program for \$7.5 million, or an average price of approximately \$53.33 per share.

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The Company is required to make future payments under various contracts, including debt agreements and lease agreements. The Company also has commitments to fund its pension plans and provide payments for other postretirement benefit plans. During the nine months ended September 28, 2014, there were no material changes in the Company's contractual obligations other than the assumption of AMCOL's contractual obligations in connection with the AMCOL acquisition. For an in-depth discussion of the Company's contractual obligations, see "Liquidity and Capital Resources" in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's Annual Report on Form 10-K for the year ended December 31, 2013. For an in-depth discussion of AMCOL's contractual obligations, see "Contractual Obligations and Off-Balance Sheet Arrangements" in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in AMCOL's Annual Report on Form 10-K for the year ended December 31, 2013.

## Cautionary Statement for "Safe Harbor" Purposes under the Private Securities Litigation Reform Act of 1995

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements made by or on behalf of the Company. This report contains statements that the Company believes may be "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934, particularly statements relating to the Company's objectives, plans or goals, future actions, future performance or results of current and anticipated products, sales efforts, expenditures, and financial results. From time to time, the Company also provides forward-looking statements in other publicly-released materials, both written and oral. Forward-looking statements provide current expectations and forecasts of future events such as new products, revenues and financial performance, and are not limited to describing historical or current facts. They can be identified by the use of words such as "believes," "expects," "plans," "intends," "anticipates," and other words and phrases of similar meaning.

Forward-looking statements are necessarily based on assumptions, estimates and limited information available at the time they are made. A broad variety of risks and uncertainties, both known and unknown, as well as the inaccuracy of assumptions and estimates, can affect the realization of the expectations or forecasts in these statements. Many of these risks and uncertainties are difficult to predict or are beyond the Company's control. Consequently, no forward-looking statement can be guaranteed. Actual future results may vary materially. Significant factors affecting the expectations and forecasts are set forth under "Item 1A — Risk Factors" in the Company's Annual Report on Form 10-K for the year ended December 31, 2012, and in Exhibit 99 to this Quarterly Report on Form 10-Q.

The Company undertakes no obligation to update any forward-looking statements to reflect events or circumstances that arise after the date hereof. Investors should refer to the Company's subsequent filings under the Securities Exchange Act of 1934 for further disclosures.

## Recently Issued Accounting Standards

Changes to accounting principles generally accepted in the United States of America (U.S. GAAP) are established by the Financial Accounting Standards Board (FASB) in the form of accounting standards updates (ASUs) to the FASB's Accounting Standards Codification.

The Company considers the applicability and impact of all ASUs. ASUs not listed below were assessed and determined to be either not applicable or are expected to have minimal impact on our consolidated financial position and results of operations.

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### Presentation of Unrecognized Tax Benefits

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

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

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

### Revenue from Contracts with Customers

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

### Critical Accounting Policies

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

On an ongoing basis, we evaluate our estimates and assumptions, including those related to revenue recognition, valuation of receivables, valuation of inventories, valuation of long-lived assets, pension plan assumptions, stock-based compensation assumptions, valuation of product liability and asset retirement obligation, income taxes, income tax valuation allowances and litigation and environmental liabilities. We base our estimates on historical

experience and on other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that can not readily be determined from other sources. There can be no assurance that actual results will not differ from those estimates.

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ITEM 3. Quantitative and Qualitative Disclosures about Market Risk

Market risk represents the risk of loss that may impact our financial position, results of operations or cash flows due to adverse changes in market prices and foreign currency and interest rates. We are exposed to market risk because of changes in foreign currency exchange rates as measured against the U.S. dollar. We do not anticipate that near-term changes in exchange rates will have a material impact on our future earnings or cash flows. However, there can be no assurance that a sudden and significant decline in the value of foreign currencies would not have a material adverse effect on our financial condition and results of operations. All of our bank debt bears interest at variable rates; therefore our results of operations would be affected by interest rate changes to the extent of such outstanding bank debt. An immediate 10 percent change in interest rates could have a material effect on our results of operations over the next fiscal year. A one-percent change in interest rates would cost \$15.6 million in incremental interest charges on an annual basis.

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

The Company had no derivative financial instruments outstanding at September 28, 2014.

ITEM 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this report, and under the supervision and with participation of the Company's management, including the Chief Executive Officer and the Chief Financial Officer, the Company carried out an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures, pursuant to Exchange Act Rule 13a-15(b). Our assessment included the operations and related assets of AMCOL, which we acquired on May 9, 2014. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that as of the end of the period covered by this report the Company's disclosure controls and procedures were effective.

Changes in Internal Control Over Financial Reporting

Except as described above, there were no changes in the Company's internal control over financial reporting during the quarter ended September 28, 2014 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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PART II. OTHER INFORMATION

PART II – OTHER INFORMATION

Item 1. Legal Proceedings.

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

Armada Litigation

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

Bentonit União Nordeste Indústria e Comércio Ltda. arbitration

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

Silica and Asbestos Litigation

Certain of the Company's subsidiaries are among numerous defendants in a number of cases seeking damages for exposure to silica or to asbestos containing materials. The Company currently has 102 pending silica cases and 13 pending asbestos cases. These totals include 30 silica cases and one asbestos case against AMCOL International Corporation and/or its subsidiary, American Colloid Company, that were pending on the date we acquired AMCOL. To date, 1,394 silica cases and 37 asbestos cases have been dismissed, not including any lawsuits against AMCOL or American Colloid Company dismissed prior to our acquisition of AMCOL. No new asbestos or silica cases were filed in the third quarter of 2014.

Most of these claims do not provide adequate information to assess their merits, the likelihood that the Company will be found liable, or the magnitude of such liability, if any. Additional claims of this nature may be made against the

Company or its subsidiaries. At this time management anticipates that the amount of the Company's liability, if any, and the cost of defending such claims, will not have a material effect on its financial position or results of operations.

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The Company has not settled any silica or asbestos lawsuits to date (not including any that may have been settled by AMCOL prior to completion of the acquisition). We are unable to state an amount or range of amounts claimed in any of the lawsuits because state court pleading practices do not require identifying the amount of the claimed damage. The aggregate cost to the Company for the legal defense of these cases since inception continues to be insignificant. The majority of the costs of defense for these cases, excluding cases against AMCOL or American Colloid, are reimbursed by Pfizer Inc. pursuant to the terms of certain agreements entered into in connection with the Company's initial public offering in 1992. Of the 12 pending asbestos cases excluding the case against AMCOL / American Colloid, all allege liability based on products sold largely or entirely prior to the initial public offering, and for which the Company is therefore entitled to indemnification pursuant to such agreements. Our experience has been that the Company is not liable to plaintiffs in any of these lawsuits and the Company does not expect to pay any settlements or jury verdicts in these lawsuits.

Environmental Matters

On April 9, 2003, the Connecticut Department of Environmental Protection issued an administrative consent order relating to our Canaan, Connecticut, plant where both our Refractories segment and Specialty Minerals segment have operations. We agreed to the order, which includes provisions requiring investigation and remediation of contamination associated with historic use of polychlorinated biphenyls ("PCBs") and mercury at a portion of the site. We have completed the required investigations and submitted several reports characterizing the contamination. We are now conducting a site-specific risk assessment required by the regulators.

We believe that the most likely form of overall site remediation will be to leave the existing contamination in place (with some limited soil removal), encapsulate it, and monitor the effectiveness of the encapsulation. We anticipate that a substantial portion of the remediation cost will be borne by the United States based on its involvement at the site from 1942 – 1964, as historic documentation indicates that PCBs and mercury were first used at the facility at a time of U.S. government ownership for production of materials needed by the military. Though the cost of the likely remediation remains uncertain pending completion of the phased remediation decision process, we have estimated that the Company's share of the cost of the encapsulation and limited soil removal described above would approximate \$0.4 million, which has been accrued as of September 28, 2014.

The Company is evaluating options for upgrading the wastewater treatment facilities at its Adams, Massachusetts plant. This work has been undertaken pursuant to an administrative Consent Order originally issued by the Massachusetts Department of Environmental Protection ("DEP") on June 18, 2002. This order was amended on June 1, 2009 and on June 2, 2010. The amended Order includes the investigation by January 1, 2022 of options for ensuring that the facility's wastewater treatment ponds will not result in unpermitted discharge to groundwater. Additional requirements of the amendment include the submittal by July 1, 2022 of a plan for closure of a historic lime solids disposal area. Preliminary engineering reviews completed in 2005 indicate that the estimated cost of wastewater treatment upgrades to operate this facility beyond 2024 may be between \$6 million and \$8 million. The Company estimates that the remaining remediation costs would approximate \$0.4 million, which has been accrued as of September 28, 2014.

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ITEM 1A. Risk Factors

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

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

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

that we have incurred and may continue to incur a number of non-recurring costs associated with combining the operations of the Company and AMCOL;

that the combined company has undergone, and is expected to continue to undergo, certain internal restructurings and reorganizations in order to realize certain potential synergies, which may affect our ability to maintain our relationships with customers and suppliers, retain key personnel, avoid diversion of management’s attention from operational matters, and efficiently integrate general and administrative services;

that the combined company may not be able to achieve the synergies expected from the transaction, or that there may be delays in achieving any such synergies; and

that the combined company may be exposed to increased litigation from stockholders, customers, suppliers, and other third parties.

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

Our Performance Materials segment’s sales are predominantly derived from the metalcasting market and our Construction Technologies segment’s sales are predominantly derived from the commercial construction and infrastructure markets. All of these markets depend heavily upon the strength of the domestic and international economies. If these economies weaken, demand for our products sold to these markets may decline and our business or future financial results may be adversely affected.

Our customers’ demand for our Energy Services segment’s products and services are affected by oil and natural gas production activities, which are heavily influenced by the benchmark price of these commodities.

In addition, oil and natural gas exploration and production activities depend heavily on the location of these natural resources within the earth’s geology and geographic location as well as technologies available to profitably extract them. Thus, the performance of our Energy Services segment is affected by changes in technologies, locations of customers’ targeted reserves, and competition in various geographic markets.

We purchase a significant amount of raw materials which are derived from petrochemical products. Our production processes also consume a significant amount of energy, primarily electricity, diesel fuel, natural gas and coal. We use diesel fuel to operate our mining and processing equipment and our freight costs are heavily dependent upon fuel prices and surcharges. On a combined basis, these factors represent a large exposure to petrochemical and energy



products which may be subject to significant price fluctuations.

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We rely on shipping bulk cargos of bentonite from and within the United States, Turkey and China to customers, as well as our own subsidiaries, and we are sensitive to our ability to recover these shipping costs. In the last few years, bulk cargo shipping rates have been very volatile, and, to a lesser extent, the availability of bulk cargo containers has been suspect. If we cannot secure our container requirements or offset additional shipping costs with price increases to customers, our profitability could be impacted.

Our Energy Services and Construction Technologies segments are affected by seasonal weather patterns, especially in the Gulf of Mexico and surrounding states, which are susceptible to hurricanes that typically occur June 1st through November 30th. In addition, it is affected by customers' demands for natural gas. Natural gas is affected by weather patterns as colder winters increase the demand for natural gas to heat homes and warmer summers increase the demand for natural gas to fuel generators providing electricity to run air conditioners. Actual or threatened hurricanes or changes in the demand for natural gas can result in volatile demand for services provided by our Energy Services segment.

Our Construction Technologies segment is affected by weather patterns which determine the feasibility of construction activities. Typically, less construction activity occurs in winter months and thus this segment's revenues tend to be greatest in the second and third quarters when weather patterns in our geographic markets are more conducive to construction activities.

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

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

At September 28, 2014, the Company had outstanding borrowings of \$1.53 billion pursuant to our senior secured credit facility, largely to finance the acquisition of AMCOL International. This financing will require a significant amount of cash to make interest payments. Further, borrowings under our senior secured credit facility are based on variable rates of interest, which could result in higher interest expense in the event of an increase in interest rates. Our ability to pay interest on our debt and to satisfy our other debt obligations will depend in part upon our future financial and operating performance and upon our ability to renew or refinance borrowings. Prevailing economic conditions and financial, business, competitive, regulatory and other factors, many of which are beyond our control, will affect our ability to make these payments. We cannot guarantee that our business will generate sufficient cash flow from operations or that future borrowings will be available to us in an amount sufficient to enable us to fund our liquidity needs. If we are unable to generate sufficient cash flow to meet our debt service obligations, we will have to pursue one or more alternatives, such as, reducing or delaying capital or other expenditures, refinancing debt, selling assets, or raising equity capital. Further, the requirement to make significant interest payments may reduce the Company's flexibility to respond to changing business and economic conditions or fund capital expenditure or working capital needs and may increase the Company's vulnerability to adverse economic conditions.

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

The agreement governing our senior secured credit facility contains a number of significant covenants that, among other things, limit our ability to: incur additional debt or liens, consolidate or merge with any other person, alter the business we conduct, make investments, use the proceeds of asset sales or sale/leaseback transactions, enter into hedging arrangements, pay dividends or make certain other restricted payments, create dividend or other payment

restrictions with respect to subsidiaries, and enter into transactions with affiliates. In addition, our revolving credit facility, if used, requires us to comply with specific financial ratios, under which we are required to achieve specific financial results. Our ability to comply with these provisions may be affected by events beyond our control. A breach of any of these covenants would result in a default under the agreements. In the event of any default, our lenders could elect to declare all amounts borrowed under the agreements, together with accrued interest thereon, to be due and payable. In such an event, we cannot assure you that we would have sufficient assets to pay debt then outstanding under the agreements governing our debt. Any future refinancing of the senior secured credit facility is likely to contain similar restrictive covenants.

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

On September 19, 2013, the Company's Board of Directors authorized the Company's management to repurchase, at its discretion, up to \$150 million of the Company's shares over a two-year period commencing on October 2, 2013. As of September 28, 2014, 139,900 shares have been repurchased under this program for \$7.5 million, or an average price of approximately \$53.33 per share. The Company has not repurchased any shares during the three and nine months period ended September 28, 2014.

ITEM 3. Default Upon Senior Securities

Not applicable.

ITEM 4. Mine Safety Disclosures

The information concerning mine safety violations or other regulatory matters required by Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K is included in Exhibit 95 to this Quarterly Report on Form 10-Q.

ITEM 5. Other Information

None

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ITEM 6. Exhibits

Exhibit No. Exhibit Title

<u>15</u>	Letter Regarding Unaudited Interim Financial Information.
<u>31.1</u>	Rule 13a-14(a)/15d-14(a) Certification executed by the Company's principal executive officer.
<u>31.2</u>	Rule 13a-14(a)/15d-14(a) Certification executed by the Company's principal financial officer.
<u>32</u>	Section 1350 Certifications.
<u>95</u>	Information concerning Mine Safety Violations
<u>99</u>	Risk Factors
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase
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SIGNATURE

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

Minerals Technologies Inc.

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

October 24, 2014

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