

MINERALS TECHNOLOGIES INC  
Form 10-Q/A  
August 04, 2004

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-Q/A  
Amendment No. 1

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

For the quarterly period ended September 28, 2003

or

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

Commission File Number 1-3295

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MINERALS TECHNOLOGIES INC.

(Exact name of registrant as specified in its charter)

**DELAWARE**

(State or other jurisdiction of  
incorporation or organization)

25-1190717

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

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

(Address of principal executive offices, including zip code)

(212) 878-1800

(Registrant's telephone number, including area code)

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

YES  NO

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

YES  NO

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

Class	Outstanding at October 24, 2003
Common Stock, \$0.10 par value	20,373,203

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#### EXPLANATORY NOTE

Minerals Technologies Inc. (the "Company") is filing this Amendment No. 1 to its Quarterly Report on Form 10-Q/A (this "Form 10-Q/A") to reflect a revision to the accounting treatment of the reversal in the third quarter of 2003 of tax reserves for potential exposure items no longer necessary due to the expiration of the statute of limitations on the Company's U.S. tax returns for earlier years. As a result of this revision, the Company is restating its financial statements for the fiscal quarter ended September 28, 2003.

During the third quarter of 2003, the Company reversed tax reserves no longer necessary due to the expiration of the statute of limitations on the Company's U.S. tax returns for earlier years. In its Quarterly Report on Form 10-Q for the quarter ended September 28, 2003 (the "Form 10-Q"), filed with the Securities and Exchange Commission (the "Commission") on November 10, 2003, the Company reported that this reversal resulted in a reduction to the 2003 income tax provision of approximately \$15 million, of which \$11.5 million was reversed in the third quarter. This Form 10-Q/A reflects the Company's determination that the reversal of such tax reserves should be treated as an equity transaction and reflected as an increase in additional paid-in capital of \$15 million because such tax reserves were established for potential exposure items related to the tax bases of assets caused by the initial public offering of the Company's common stock in October 1992. For a detailed description of the effect of the restatement of the financial statements see Note 3 to the financial statements.

This technical restatement has no impact on the income from operations, cash flows, or assets and liabilities of the Company. In addition, the original treatment or the restatement had no effect on any payments under the Company's officer and management compensation plans.

In accordance with the rules of the Commission, the affected items of the Form 10-Q, Items 1 through 4 of Part I and Item 6 of Part II, are being amended and restated in their entirety. Except as described above, no other amendments are being made to the Form 10-Q. This Form 10-Q/A does not reflect events occurring after September 28, 2003 or substantively modify or update the disclosure contained in the Form 10-Q in any way other than as

required to reflect the amendments discussed above and reflected below.

MINERALS TECHNOLOGIES INC.  
INDEX TO AMENDMENT NO. 1 TO QUARTERLY REPORT ON FORM 10-Q/A

	<u>Page</u> <u>No.</u>
<b>PART I. FINANCIAL INFORMATION</b>	
Item 1.	
Financial Statements:	
Condensed Consolidated Statement of Income for the three-month and nine-month periods ended September 28, 2003 and September 29, 2002 (restated)	4
Condensed Consolidated Balance Sheet as of September 28, 2003 and December 31, 2002 (restated)	5
Condensed Consolidated Statement of Cash Flows for the nine-month periods ended September 28, 2003 and September 29, 2002 (restated)	6
Notes to Condensed Consolidated Financial Statements (restated)	7
Review Report of Independent Registered Public Accounting Firm	16
Item 2.	
Management's Discussion and Analysis of Financial Condition and Results of Operations	17
Item 3.	
Quantitative and Qualitative Disclosures about Market Risk	22
Item 4.	
Controls and Procedures	23

**PART II. OTHER INFORMATION**

Item 6.

Exhibits and Reports on Form 8-K

Signature

24

3

**PART 1. FINANCIAL INFORMATION****ITEM 1. Financial Statements**

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

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	Restated Sept. 28, 2003	Sept. 29, 2002	Restated Sept. 28, 2003	Sept. 29, 2002
(in thousands, except per share data)				
Net sales	\$198,234	\$192,134	\$602,058	\$557,962
Operating costs and expenses:				
Cost of goods sold	150,748	145,737	454,809	419,823
Marketing and administrative expenses	21,854	19,464	64,853	57,257
	<u>6,093</u>		<u>18,713</u>	
Research and development expenses		<u>5,304</u>		<u>16,833</u>
Income from operations	19,539	21,629	63,683	64,049
Non-operating deductions, net	<u>1,100</u>	<u>1,081</u>	<u>3,568</u>	<u>4,040</u>

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Income before provision for taxes				
on income and minority interests	18,439	20,548	60,115	60,009
Provision for taxes on income	5,144	5,853	16,772	17,087
	<u>526</u>		<u>1,374</u>	
Minority interests		<u>482</u>		<u>1,169</u>
Income before cumulative effect of accounting change	12,769	14,213	41,969	41,753
	<u>--</u>		<u>3,433</u>	
Cumulative effect of accounting change		<u>--</u>		<u>--</u>
Net income	\$ 12,769	\$ 14,213	\$ 38,536	\$ 41,753
	=====	=====	=====	=====
Earnings per share:				
Basic:				
Before cumulative effect of accounting change	\$ 0.63	\$ 0.70	\$ 2.08	\$ 2.07
	<u>--</u>		<u>(0.17)</u>	
Cumulative effect of accounting change --		<u>--</u>	)	<u>--</u>
Basic earnings per share	\$ 0.63	\$ 0.70	\$ 1.91	\$ 2.07
	=====	=====	=====	=====
Diluted:				
Before cumulative effect of accounting change	\$ 0.62	\$ 0.70	\$ 2.06	\$ 2.02
	<u>--</u>		<u>(0.17)</u>	
Cumulative effect of accounting change --		<u>--</u>	)	<u>--</u>
Diluted earnings per share	\$ 0.62	\$ 0.70	\$ 1.89	\$ 2.02
	=====	=====	=====	=====
Cash dividends declared per common share	\$ 0.025	\$ 0.025	\$ 0.075	\$ 0.075

Shares used in computation of  
earnings per share:

Basic	20,185	20,201	20,132	20,216
Diluted	20,489	20,366	20,349	20,635

See accompanying notes to Condensed Consolidated Financial Statements.

4

MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES  
CONDENSED CONSOLIDATED BALANCE SHEET

ASSETS

(thousands of dollars)	Restated September 28, 2003*	December 31, 2002**
	<u>          </u>	<u>          </u>
Current assets		
Cash and cash equivalents	\$ 56,799	\$ 31,762
Accounts receivable, net	151,425	129,608
Inventories	86,520	82,909
	<u>59,682</u>	<u>46,686</u>
Prepaid expenses and other current assets		
Total current assets	354,426	290,965
Property, plant and equipment, less accumulated depreciation and depletion -- September 28, 2003 - \$638,771; December 31, 2002 - \$578,580	554,825	537,424
Goodwill	51,732	51,291
	<u>35,593</u>	<u>20,197</u>
Other assets and deferred charges		
Total assets	\$996,576	\$899,877
	=====	=====

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:		
Short-term debt	\$ 30,000	\$ 30,000
Current maturities of long-term debt	2,228	1,331
Accounts payable	42,416	37,435
	<u>44,990</u>	<u>55,171</u>
Other current liabilities		
Total current liabilities	119,634	123,937
Long-term debt	99,536	89,020
	<u>103,494</u>	<u>92,763</u>
Other non-current liabilities		
Total liabilities	322,664	305,720
Shareholders' equity:		
Common stock	2,725	2,694
Additional paid-in capital	216,787	190,144
Deferred compensation	(1,305)	--
Retained earnings	715,763	678,740
	<u>(12,955)</u>	<u>(35,034)</u>
Accumulated other comprehensive loss	)	)
	921,015	836,544
	<u>247,103</u>	<u>242,387</u>
Less treasury stock		
	<u>673,912</u>	<u>594,157</u>
Total shareholders' equity		
Total liabilities and shareholders' equity	\$996,576	\$899,877
	=====	=====

\* Unaudited

\*\* Condensed from audited financial statements

See accompanying Notes to Condensed Consolidated Financial Statements.

**(Unaudited)**

	Nine Months Ended	
	Restated Sept. 28, 2003	Sept. 29, 2002
(thousands of dollars)		
<b>Operating Activities:</b>		
Net income	\$ 38,536	\$ 41,753
Adjustments to reconcile net income to net cash provided by operating activities:		
Cumulative effect of accounting change	3,433	--
Depreciation, depletion and amortization	51,079	51,322
Other non-cash items	4,254	7,650
		<u>(17,339)</u>
Net changes in operating assets and liabilities	(36,228)	
	<u>61,074</u>	<u>83,386</u>
Net cash provided by operating activities		
<b>Investing Activities:</b>		
Purchases of property, plant and equipment	(40,090)	(27,772)
Acquisition of businesses	(1,900)	(34,100)
	<u>1,229</u>	<u>193</u>
Other		
	<u>(40,761)</u>	<u>(61,679)</u>
Net cash used in investing activities	)	)
<b>Financing Activities:</b>		
Proceeds from issuance of short-term debt	5,318	110,350
Repayment of debt	(5,919)	(138,310)
Purchase of common shares for treasury	(4,716)	(17,332)
Proceeds from issuance of stock under option plan	9,937	29,141



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	<u>(1,513</u>	<u>(1,523</u>
Cash dividends paid	)	)
	<u>3,107</u>	<u>(17,674</u>
Net cash provided by (used in) financing activities	)	)
Effect of exchange rate changes on cash and		
cash equivalents	<u>1,617</u>	<u>(363</u>
	)	)
Net increase in cash and cash equivalents	25,037	3,670
	<u>31,762</u>	<u>13,046</u>
Cash and cash equivalents at beginning of period		
Cash and cash equivalents at end of period	\$ <u>56,799</u>	\$ <u>16,716</u>

**Supplemental disclosure of cash flow information:**

Interest paid	\$ 5,518	\$ 5,569
	=====	=====
Income taxes paid	\$ 10,923	\$ 10,459
	=====	=====
Non-cash investing and financing activities:		
Property, plant and equipment acquired by		
incurring installment obligations	\$ 11,368	\$ --
	=====	=====
Property, plant and equipment additions related to		
asset retirement obligations	\$ 6,762	\$ --
	=====	=====

See accompanying Notes to Condensed Consolidated Financial Statements.

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

Note 1 -- Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared by management in accordance with the rules and regulations of the United States Securities and Exchange Commission. Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. Therefore, these financial statements should be read in conjunction with the consolidated financial statements and notes thereto contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2002. 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, 2003 are not necessarily indicative of the results that may be expected for the year ending December 31, 2003.

Note 2 -- Summary of Significant Accounting Policies

*Property, Plant and Equipment*

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

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

In the third quarter of 2002, the Company reduced the useful lives of satellite PCC plants at International Paper Company's ("IP") mills due to an increased risk that some or all of these PCC contracts would not be renewed. As a result of this change, the Company also reviewed the useful lives of the assets at its remaining satellite PCC facilities and other plants. During the first quarter of 2003, the Company revised the estimated useful lives of machinery and equipment pertaining to its natural stone mining and processing plants and chemical processing plants from 12.5 years (8%) to 15 years (6.67%) and reduced the useful lives of buildings at certain satellite PCC facilities from 25 years (4%) to 15 years (6.67%). The Company also reduced the estimated useful lives of certain software-related assets due to implementation of a new global enterprise resource planning system. During the second quarter of 2003, the Company reached an agreement with IP that extended eight PCC supply contracts and therefore extended the useful lives of the satellite PCC plants at those IP mills. The net effect of the changes in estimated useful lives, including the deceleration of depreciation at the IP plants, was an increase to diluted earnings per share of \$0.04 in the third quarter of 2003 and \$0.04 for the first nine months of 2003.

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

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

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

Accounting for Stock-Based Compensation

In December 2002, The FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure, an amendment of SFAS No. 123." This statement amends SFAS No. 123, "Accounting for Stock-Based Compensation," to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation, and requires additional disclosures in interim and annual financial statements. The disclosure in interim periods requires pro forma net income and net income per share as if the Company adopted the fair value method of accounting for stock-based awards. The fair value of stock-based awards to employees was calculated using the Black-Scholes option-pricing model, modified for dividends. Pro forma net income and earnings per share reflecting compensation cost for the fair value of stock options were as follows:

	Three Months Ended		Nine Months Ended	
	Restated Sept. 28, 2003	Sept. 29, 2002	Restated Sept. 28, 2003	Sept. 29, 2002
(millions of dollars, except per share amounts)				
Income before cumulative effect of				
accounting change, as reported	\$ 12.8	\$ 14.2	\$ 42.0	\$ 41.8
Deduct: Total stock-based employee compensation				
expense determined under fair value based method				
for all awards, net of related tax effects	<u>0.5</u>	<u>0.5</u>	<u>1.4</u>	<u>1.6</u>
Pro forma income before cumulative effect of				
accounting change	12.3	13.7	40.6	40.2
Cumulative effect of accounting change	<u>--</u>	<u>--</u>	<u>3.4</u>	<u>--</u>
Pro forma net income	\$ 12.3	\$ 13.7	\$ 37.2	\$ 40.2
	=====	=====	=====	=====
Net income, as reported	\$ 12.8	\$ 14.2	\$ 38.5	\$ 41.8
	=====	=====	=====	=====

**Basic EPS**

Income before cumulative effect of accounting change, as reported	\$ 0.63	\$ 0.70	\$ 2.08	\$ 2.07
Pro forma income before cumulative effect of accounting change	0.61	0.68	2.02	1.99
Pro forma net income	0.61	0.68	1.85	1.99
Net income, as reported	0.63	0.70	1.91	2.07

**Diluted EPS**

Income before cumulative effect of accounting change, as reported	0.62	0.70	2.06	2.02
Pro forma income before cumulative effect of accounting change	0.60	0.67	2.00	1.95
Pro forma net income	0.60	0.67	1.83	1.95
Net income, as reported	0.62	0.70	1.89	2.02

**Note 3. Restatement of Previously Issued Financial Statements**

The Company has restated its consolidated balance sheet at September 28, 2003, and consolidated statements of income and cash flows for the three-month and nine-month periods ended September 28, 2003. The restatement is due entirely to a revision to the accounting treatment of the reversal of tax reserves for potential exposure items no longer necessary due to the expiration of the statute of limitations on the Company's U.S. tax returns for earlier years.

During the third and fourth quarters of 2003, the Company reversed tax reserves no longer necessary due to the expiration of the statute of limitations on the Company's U.S. tax returns for earlier years. Accordingly, the Company previously reported that this reversal resulted in a reduction to the 2003 income tax provision of

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

approximately \$15 million, of which \$11.5 million was reversed in the third quarter, and a reduction to the overall effective tax rate for 2003 from 26.4% to 5.7%.

The Company has now determined that the reversal of such tax reserves should be treated as an equity transaction and should be reflected as an increase in additional paid-in capital of \$15 million because such tax reserves were established for potential exposure items related to the tax bases of assets caused by the initial public offering of the

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Company's common stock in October 1992.

The following table presents the impact of the restatement adjustments on the Company's previously reported results as of September 28, 2003 and for the three and nine-month periods ended September 28, 2003 on a condensed basis:

	Three Months Ended Sept. 28, 2003		Nine Months Ended Sept. 28, 2003	
	As Previously Reported	As Restated	As Previously Reported	As Restated
<b>Condensed Consolidated Statement of Income</b>				
Net sales	\$ 198,234	\$ 198,234	\$ 602,058	\$ 602,058
Operating costs and expenses	<u>178,695</u>	<u>178,695</u>	<u>538,375</u>	<u>538,375</u>
Income from operations	19,539	19,539	63,683	63,683
Non-operating deductions, net	<u>1,100</u>	<u>1,100</u>	<u>3,568</u>	<u>3,568</u>
Income before provisions for taxes				
on income and minority interests	18,439	18,439	60,115	60,115
Provision (benefit) for taxes on income	(6,338 )	5,144	5,290	16,772
Minority interests	<u>526</u>	<u>526</u>	<u>1,374</u>	<u>1,374</u>
Income before cumulative effect				
of accounting change	24,251	12,769	53,451	41,969
Cumulative effect of accounting change, net of tax benefit of \$2,072	<u>--</u>	<u>--</u>	<u>3,433</u>	<u>3,433</u>
Net income	<u>\$ 24,251</u>	<u>\$ 12,769</u>	<u>\$ 50,018</u>	<u>\$ 38,536</u>
	Three Months Ended Sept. 28, 2003		Nine Months Ended Sept. 28, 2003	
	As Previously Reported	As Restated	As Previously Reported	As Restated
<b>Earning per share:</b>				
Basic:				
Before cumulative effect of accounting change	\$ 1.20	\$ 0.63	\$ 2.65	\$ 2.08
Cumulative effect of accounting change	<u>--</u>	<u>--</u>	<u>( 0.17 )</u>	<u>( 0.17 )</u>
Basic earnings per share	<u>\$ 1.20</u>	<u>\$ 0.63</u>	<u>2.48</u>	<u>1.91</u>
Diluted:				
Before cumulative effect of accounting change	\$ 1.18	\$ 0.62	\$ 2.63	\$ 2.06

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Cumulative effect of accounting change	--	--	( 0.17 )	( 0.17 )
Diluted earnings per share	\$ 1.18	\$ 0.62	\$ 2.46	\$ 1.89

9

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

	September 28, 2003	
Condensed Consolidated Balance Sheet	As Previously Reported	As Restated
<u>Assets</u>		
Total assets	\$ 996,576	\$ 996,576
<u>Liabilities</u>		
Total liabilities	\$ 326,182	\$ 322,664
<u>Shareholders' Equity</u>		
Common stock	\$ 2,725	\$ 2,725
Additional paid-in capital	201,787	216,787
Deferred compensation	( 1,305 )	( 1,305 )
Retained earnings	727,245	715,763
Accumulated other comprehensive income	( 12,955 )	( 12,955 )
	917,497	921,015
Less common stock held in treasury	247,103	247,103
Total shareholders' equity	670,394	673,912
Total liabilities and shareholders' equity	\$ 996,576	\$ 996,576

This restatement had no impact on the net cash provided by operating activities, net cash used in investing activities or net cash provided by financing activities in the Consolidated Statement of Cash Flows for the nine months ended September 28, 2003.

## Note 4 -- Inventories

The following is a summary of inventories by major category:

(thousands of dollars)	September 28, 2003	December 31, 2002
	<u>                    </u>	<u>                    </u>
Raw materials	\$36,129	\$32,967
Work-in-process	7,851	7,153
Finished goods	25,598	25,459
Packaging and supplies	<u>16,942</u>	<u>17,330</u>
Total inventories	\$86,520 =====	\$82,909 =====

10

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

## Note 5 -- Long-Term Debt and Commitments

The following is a summary of long-term debt:

(thousands of dollars)	September 28, 2003	December 31, 2002
	<u>                    </u>	<u>                    </u>
7.49% Guaranteed Senior Notes Due July 24, 2006	\$ 50,000	\$ 50,000
Yen-denominated Guaranteed Credit Agreement		
Due March 31, 2007	8,851	8,957
Variable/Fixed Rate Industrial		
Development Revenue Bonds Due 2009	4,000	4,000
Economic Development Authority Refunding		
Revenue Bonds Series 1999 Due 2010	4,600	4,600
Variable/Fixed Rate Industrial Development		
Revenue Bonds Due August 1, 2012	8,000	8,000
Variable/Fixed Rate Industrial		
Development Revenue Bonds Series 1999		
Due November 1, 2014	8,200	8,200
Variable/Fixed Rate Industrial Development		
Revenue Bonds Due March 31, 2020	5,000	5,000
Installment obligations	11,368	--
Other borrowings	<u>1,745</u>	<u>1,594</u>
Total	101,764	90,351
Less: Current maturities	<u>2,228</u>	<u>1,331</u>

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Long-term debt \$ 99,536      \$ 89,020  
=====      =====

On May 31, 2003, the Company acquired land and limestone ore reserves from the Cushenbury Mine Trust for approximately \$17.5 million. Approximately \$6.1 million was paid at the closing and \$11.4 million was financed through an installment obligation. The average interest rate on this obligation is approximately 4.25%. The principal payments are as follows: 2004 - \$0.8 million; 2005 - \$0.9 million; 2006 - \$0.9 million; 2007 - \$0.9 million; 2008 - \$6.5 million; 2013 - \$1.4 million.

Note 6 -- Earnings Per Share (EPS)

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

	Three Months Ended		Nine Months Ended	
	Restated Sept. 28, 2003	Sept. 29, 2002	Restated Sept. 28, 2003	Sept. 29, 2002
Basic EPS (in thousands, except per share data)				
Income before cumulative effect of accounting change	\$12,769	\$14,213	\$41,969	\$41,753
			<u>3,433</u>	
Cumulative effect of accounting change	<u>---</u>	<u>---</u>		<u>---</u>
Net income	<u>\$12,769</u>	<u>\$14,213</u>	<u>\$38,536</u>	<u>\$41,753</u>
			<u>20,132</u>	
Weighted average shares outstanding	<u>20,185</u>	<u>20,201</u>		<u>20,216</u>
Basic earnings per share before cumulative effect of accounting change	\$ 0.63	\$ 0.70	\$ 2.08	\$ 2.07
			<u>(0.17)</u>	
Cumulative effect of accounting change	<u>---</u>	<u>---</u>	)	<u>---</u>
Basic earnings per share	<u>\$ 0.63</u>	<u>\$ 0.70</u>	<u>\$ 1.91</u>	<u>\$ 2.07</u>
	=====	=====	=====	=====



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

	Three Months Ended		Nine Months Ended	
	Restated Sept. 28, 2003	Sept. 29, 2002	Restated Sept 28, 2003	Sept 29, 2002
<b>Diluted EPS</b> (in thousands, except per share data)				
Income before cumulative effect of accounting change	\$12,769	\$14,213	\$41,969 <u>3,433</u>	\$41,753
Cumulative effect of accounting change	<u>    --</u>	<u>    --</u>		<u>    --</u>
Net income	<u>\$12,769</u>	<u>\$14,213</u>	<u>\$38,536</u>	<u>\$41,753</u>
Weighted average shares outstanding	20,185	20,201	20,132 <u>  217</u>	20,216
Dilutive effect of stock options and stock units	<u>  304</u>	<u>  165</u>		<u>  419</u>
Weighted average shares outstanding, adjusted	<u>20,489</u>	<u>20,366</u>	<u>20,349</u>	<u>20,635</u>
Diluted earnings per share before cumulative effect of accounting change	\$ 0.62	\$ 0.70	\$ 2.06 <u>(0.17)</u>	\$ 2.02
Cumulative effect of accounting change	<u>    --</u>	<u>    --</u>	)	<u>    --</u>
Diluted earnings per share	<u>\$ 0.62</u>	<u>\$ 0.70</u>	<u>\$ 1.89</u>	<u>\$ 2.02</u>

## Note 7 -- Comprehensive Income (Loss)

The following are the components of comprehensive income:

	Three Months Ended		Nine Months Ended	
	Restated Sept. 28, 2003	Sept. 29, 2002	Restated Sept. 28, 2003	Sept. 29, 2002
(thousands of dollars)				
Net income	\$12,769	\$14,213	\$38,536	\$41,753
Other comprehensive income, net of tax:				

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Foreign currency translation adjustments	2,439	(7,867)	21,957	7,044
Cash flow hedges:				
Net derivative gains (losses) arising during the period	122	(559)	122	(781)
		<u>(20)</u>		<u>(243)</u>
Reclassification adjustment	<u>---</u>	)	<u>---</u>	)
Comprehensive income	\$15,330	\$ 5,767	\$60,615	\$47,773
	=====	=====	=====	=====

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

(millions of dollars)	September 28, 2003	December 31, 2002
Foreign currency translation adjustments	\$(10.9)	\$(32.8)
Minimum pension liability adjustment	(1.3)	(1.3)
		<u>(0.9)</u>
Net loss on cash flow hedges	<u>(0.8)</u>	)
	\$(13.0)	\$(35.0)
Accumulated other comprehensive loss	=====	=====

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

Note 8 -- Segment and Related Information

Segment information for the three months and nine months ended September 28, 2003 and September 29, 2002 was as follows:

(thousands of dollars)	Net Sales			
	Three Months Ended		Nine Months Ended	
	Sept. 28, 2003	Sept. 29, 2002	Sept. 28, 2003	Sept. 29, 2002
Specialty Minerals	\$139,106	\$132,108	\$414,238	\$384,123
Refractories	<u>59,128</u>	<u>60,026</u>	<u>187,820</u>	<u>173,839</u>
Total	\$198,234	\$192,134	\$602,058	\$557,962
	=====	=====	=====	=====

(thousands of dollars)	Income from Operations			
	Three Months Ended		Nine Months Ended	
	Sept. 28, 2003	Sept. 29, 2002	Sept. 28, 2003	Sept. 29, 2002
Specialty Minerals	\$15,012	\$16,933	\$46,140	\$47,766
Refractories	<u>4,527</u>	<u>4,696</u>	<u>17,543</u>	<u>16,283</u>
Total	\$19,539	\$21,629	\$63,683	\$64,049
	=====	=====	=====	=====

Included in income from operations of the Specialty Minerals segment for the first quarter of 2003 was a charge for one-time termination benefits of \$660,000. Included in income from operations of the Specialty Minerals segment for the first quarter of 2002 was a write-down of impaired assets of \$750,000.

The carrying amount of goodwill by reportable segment as of September 28, 2003 and December 31, 2002 was as follows:

	Goodwill	
	September 28, 2003	December 31, 2002
(thousands of dollars)		
Specialty Minerals	\$14,959	\$14,637
Refractories	<u>36,773</u>	<u>36,654</u>
Total	\$51,732	\$51,291
	=====	=====

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

(thousands of dollars)	Three Months Ended		Nine Months Ended	
	Sept. 28, 2003	Sept. 29, 2002	Sept. 28, 2003	Sept. 29, 2002
<b>Income before provision for taxes on income and minority interests:</b>				
Income from operations for reportable segments	\$19,539	\$21,629	\$63,683	\$64,049
Non-operating deductions, net	<u>1,100</u>	<u>1,081</u>	<u>3,568</u>	<u>4,040</u>
Income before provision for taxes on income and minority interests	\$18,439	\$20,548	\$60,115	\$60,009
	=====	=====	=====	=====

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

Note 9 -- Goodwill and Other Intangible Assets

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

The carrying amount of goodwill was \$51.7 million and \$51.3 million as of September 28, 2003 and December 31, 2002, respectively. The net change in goodwill since January 1, 2003 was primarily attributable to the effects of foreign exchange rates.

Acquired intangible assets subject to amortization as of September 28, 2003 and December 31, 2002 were as follows:

(millions of dollars)	September 28, 2003		December 31, 2002	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Patents and trademarks	\$ 5.8	\$ 0.8	\$ 5.8	\$ 0.7
Customer lists	1.4	0.2	1.4	0.1
Other	<u>0.2</u>	<u>--</u>	<u>0.2</u>	<u>--</u>
	\$ 7.4	\$ 1.0	\$ 7.4	\$ 0.8
	===	===	===	===

The weighted average amortization period for acquired intangible assets subject to amortization is approximately 16 years. Estimated amortization expense is \$0.4 million for each of the next five years through 2008.

Included in other assets and deferred charges is an intangible asset of approximately \$13.1 million which represents the non-current unamortized amount paid to a customer in connection with contract extensions at eight PCC satellite facilities. In addition, a current portion of \$1.8 million is included in prepaid expenses and other current assets. Such amounts will be amortized as a reduction of sales over the remaining lives of the customer contracts. Approximately \$0.4 million was amortized in the third quarter of 2003. Estimated amortization as a reduction of sales is as follows: fourth quarter 2003 - \$0.5 million; 2004 - \$1.8 million; 2005 - \$1.8 million; 2006 - \$1.8 million; 2007 - \$1.8 million; 2008 - \$1.8 million; with smaller reductions thereafter over the remaining lives of the contracts.

Note 10 -- Accounting for Impairment of Long-Lived Assets

The Company accounts for impairment of long-lived assets in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS No. 144 establishes a uniform accounting model for disposition

of long-lived assets. This Statement also requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If the carrying amount of the asset exceeds its estimated cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. During the first quarter of 2002, the Company recorded a write-down of impaired assets of \$750,000 for a precipitated calcium carbonate plant at a paper mill that had ceased operations. Such charge was included in cost of goods sold. There was no charge for impairment during the third quarter of 2003.

Note 11 -- Accounting for Asset Retirement Obligations

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

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

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

Upon adoption, the Company recorded a non-cash, after-tax charge to earnings of approximately \$3.4 million for the cumulative effect of this accounting change related to retirement obligations associated with the Company's PCC satellite facilities and its mining properties, both within the Specialty Minerals segment. As a result of this pronouncement, the Company recorded additional depreciation and accretion expenses of approximately \$0.2 million in the third quarter of 2003 and \$0.6 million in the first nine months of 2003. Such charge is included in cost of goods sold. The pro forma effect on results, assuming that SFAS No. 143 were applied retroactively, would be a non-cash, after-tax charge to earnings of approximately \$0.1 million in the third quarter of 2002 and \$0.3 million for the first nine months of 2002.

The following is a reconciliation of asset retirement obligations as of September 28, 2003:

(thousands of dollars)

Asset retirement liability, beginning of period	\$8,953
Accretion expense	<u>307</u>
Asset retirement liability, end of period	\$9,260
	=====

Note 12 -- Accounting for Costs Associated with Exit or Disposal Activities

Effective January 1, 2003, the Company adopted SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." This statement addresses financial accounting and reporting for costs associated with exit or disposal activities. During the first quarter of 2003, the Company paid approximately \$660,000 of one-time termination benefits to a group of employees at the Specialty Minerals facility in the United Kingdom. Such charge is included in cost of goods sold.

Note 13 -- Deferred Compensation

In July 2003, the Company granted to certain corporate officers rights to receive 27,600 shares of the Company's common stock under the Company's 2001 Stock Award and Incentive Plan (the 2001 Plan). The rights will be deferred for a specified number of years of service, subject to restrictions on transfer and other conditions. Upon issuance of the rights, a deferred compensation expense equivalent to the market value of the underlying shares on the date of the grant was charged to stockholders' equity and is being amortized over the estimated average deferral period of approximately 5 years. The compensation expense amortized with respect to the units during the quarter ended September 28, 2003 was approximately \$51,000.

Note 14 -- Income Taxes (Restated)

The Company reversed certain tax reserves during the third quarter as a result of the expiration of the statute of limitations on the Company's U.S. tax returns for certain earlier years. This one-time, non-cash item resulted in a reduction to the 2003 income tax liabilities of approximately \$15 million and an increase in additional paid-in capital of \$15 million because such tax reserves were established for potential exposure items related to the tax bases of assets caused by the initial public offering of the Company's common stock in October 1992.

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REVIEW REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders  
Minerals Technologies Inc.:

We have reviewed the condensed consolidated balance sheet of Minerals Technologies Inc. and subsidiary companies as of September 28, 2003 and the related condensed consolidated statements of income and cash flows for the three-month and nine-month periods ended September 28, 2003 and September 29, 2002. These condensed consolidated financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less

in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

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

As discussed in Note 10 to the condensed consolidated financial statements, effective January 1, 2003, the Company adopted the provisions of SFAS No. 143, "Accounting for Asset Retirement Obligations."

As discussed in Note 3, the Company has restated the condensed consolidated balance sheet as of September 28, 2003, and the related condensed consolidated statements of income and cash flows for the three-month and nine-month periods ended September 28, 2003.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Minerals Technologies Inc. and subsidiary companies as of December 31, 2002, and the related consolidated statements of income, shareholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated January 23, 2003, 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, 2002 is fairly presented, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

KPMG LLP

New York, New York  
 October 23, 2003 (July 28, 2004 as to Note 3)

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

Income and Expense Items As a Percentage of Net Sales			
Three Months Ended		Nine Months Ended	
Restated Sept. 28, 2003	Sept. 29, 2002	Restated Sept. 28, 2003	Sept. 29, 2002

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Net sales	100.0%	100.0%	100.0%	100.0%
Cost of goods sold	76.0	75.8	75.5	75.2
Marketing and administrative expenses	11.0	10.1	10.8	10.3
Research and development expenses	<u>3.1</u>	<u>2.8</u>	<u>3.1</u>	<u>3.0</u>
Income from operations	9.9	11.3	10.6	11.5
Income before cumulative effect of accounting change	6.4	7.4	7.0	7.5
Cumulative effect of accounting change	<u>--</u>	<u>--</u>	<u>0.6</u>	<u>--</u>
Net income	6.4%	7.4%	6.4%	7.5%
	===	===	===	===

#### Restatement of Previously Issued Financial Statements

Minerals Technologies Inc. (the "Company") is filing this Amendment No. 1 to Quarterly Report on Form 10-Q/A (this "Form 10-Q/A") to reflect a revision to the accounting treatment of the reversal in the third quarter of 2003 of tax reserves for potential exposure items no longer necessary due to the expiration of the statute of limitations on the Company's U.S. tax returns for earlier years. As a result of this revision, the Company is restating its financial statements for the fiscal quarter ended September 28, 2003.

During the third quarter of 2003, the Company reversed tax reserves no longer necessary due to the expiration of the statute of limitations on the Company's U.S. tax returns for earlier years. In its Quarterly Report on Form 10-Q for the quarter ended September 28, 2003, filed with the Securities and Exchange Commission (the "Commission") on November 10, 2003, (the "Form 10-Q"), the Company reported that this reversal resulted in a reduction to the 2003 income tax provision of approximately \$15 million, of which \$11.5 million was reversed in the third quarter. This Form 10-Q/A reflects the Company's determination that the reversal of such tax reserves should be treated as an equity transaction and reflected as an increase in additional paid in capital because such tax reserves were established for potential exposure items related to the tax bases of assets caused by the initial public offering of the Company's common stock in October 1992. For a detailed description of the effect of the restatement of the financial statements see Note 3 to the financial statements.

This technical restatement has no impact on our income from operations, cash flows, or assets and liabilities. In addition, the original treatment or the restatement had no effect on any payments under our officer and management compensation plans.

#### Results of Operations

##### Three Months Ended September 28, 2003 as Compared with Three Months Ended September 29, 2002

Net sales in the third quarter of 2003 increased 3.2% to \$198.2 million from \$192.1 million in the third quarter of 2002. Foreign exchange had a favorable impact on sales of approximately \$6 million, or 3 percentage points of sales growth.



Net sales in the Specialty Minerals segment, which includes the Precipitated Calcium Carbonate ("PCC") and Processed Minerals product lines, increased 5.3% in the third quarter of 2003 to \$139.1 million from \$132.1 million in the prior year.

Worldwide net sales of PCC, which is used primarily in the manufacturing processes of the paper industry, increased approximately 1% to \$108.5 million from \$107.6 million in the third quarter of 2002. Sales volume for PCC used for filling and coating paper declined 2%. This was primarily due to paper mill slowdowns and the idling in December 2002 of a satellite PCC facility at Great Northern Paper Company in Millinocket, Maine. Great Northern entered into bankruptcy in January 2003. The Great Northern paper mills have since been sold, and the Company expects the satellite PCC facility to resume operations in 2004. The Company began operation in the third quarter of its new one-unit PCC plant in Malaysia at a paper mill owned by Sabah Forest Industries Sdn.Bhd.

Net sales of the Specialty PCC product line, used in non-paper applications, declined slightly from the prior year. This decline was attributable primarily to continued weak industry conditions.

Net sales of Processed Minerals products increased 24.9% in the third quarter to \$30.6 million from \$24.5 million in the same period the prior year. Excluding the September 2002 acquisition of Polar Minerals Inc., sales growth was approximately 8% as high demand continued for residential construction and related industries.

Net sales in the Refractories segment declined 1.5% to \$59.1 million as compared with \$60.0 million in the prior year. Foreign exchange had a favorable impact on sales of approximately \$2.4 million or 4 percentage points of growth. This segment experienced several temporary customer shutdowns in Europe and North America and overall weak demand. The segment continues to operate in a sluggish environment in the worldwide steel industry.

Net sales in the United States in the third quarter of 2003 increased approximately 2% as compared with the third quarter of 2002. This increase was primarily due to the Polar Minerals acquisition in September 2002. Foreign sales increased approximately 5% in the third quarter of 2003 primarily due to the favorable impact of foreign exchange.

On May 28, 2003, the Company reached a two-part agreement with International Paper Company ("IP") that extended eight satellite precipitated calcium carbonate plant supply contracts and gave the Company an exclusive license to patents held by IP relating to the use of novel fillers, such as PCC-fiber composites. The Company made a one-time \$16 million payment to IP in exchange for the contract extensions and technology license. Approximately \$15.8 million of this payment was attributed to the revisions to the contracts, including extensions of their lives, and will be amortized as a reduction of sales over the remaining lives of the extended contracts. The result was a reduction of sales of approximately \$0.4 million in the third quarter, an anticipated overall reduction of approximately \$1.8 million per year over the next five years, and smaller reductions thereafter over the remaining lives of the contracts. In addition, prices were adjusted at certain of the IP facilities covered by the contract extensions. The overall impact of the revisions to the IP contracts in the third quarter was to reduce earnings by approximately \$0.04 per share.

In October 2003, the Company signed its first commercial contract with a major glass manufacturer for use of its SYNSIL<sup>&#174</sup> products.

The Company's production margin increased approximately 2.4%, slightly less than the sales growth. The Specialty Minerals segment's gross margin remained flat as overall growth was impacted by the shutdown of the Millinocket satellite PCC plant, continuing development costs at the Hermalle, Belgium facility and the effect of the revisions to the IP contracts. The gross margin of the Refractories segment grew 8%, reflecting the benefit of an improved product mix and equipment sales.

Marketing and administrative expenses increased 12.3% from the prior year. The Refractories segment increased marketing expenses to support worldwide business development efforts. In addition, the Company realized higher information technology costs associated with the implementation of a new global enterprise resource planning system, incurred higher employee benefit costs, particularly pension and medical expenses, and increased its bad debt provision.

Research and development expenses increased 14.9% due to increased product development activities, primarily in the Specialty Minerals segment, and an increase in SYNSIL<sup>&#174</sup> product development.

18

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Income from operations decreased 9.7% to \$19.5 million, as compared to \$21.6 million for the same period last year, and was 9.9% of sales. Operating income in the Specialty Minerals segment decreased 11.2% to \$15.0 million from \$16.9 million in the prior year and was 10.8% of its sales. The Refractories segment's operating income decreased 4.3% to \$4.5 million from \$4.7 million in the prior year and was 7.7% of its sales.

Non-operating deductions increased in the third quarter due primarily to higher net interest costs.

Net income decreased 10.0% to \$12.8 million from \$14.2 million in the prior year. Diluted earnings per share were \$0.62 in the third quarter of 2003 as compared with \$0.70 in the prior year.

Nine Months Ended September 28, 2003 as Compared with Nine Months Ended September 29, 2002

Net sales for the first nine months of 2003 increased 7.9% to \$602.1 million from \$558.0 million in 2002. The favorable impact of foreign exchange on sales for the first nine months represented approximately 4 percentage points of sales growth.

Net sales in the Specialty Minerals segment increased 7.9% in the first nine months of 2003 to \$414.3 million from \$384.1 million in the same period in 2002. Worldwide net sales in the PCC product line grew 3.3% to \$324.4 million for the first nine months of 2003. Volume growth was up approximately 1% despite the shutdown of the Millinocket, Maine satellite PCC facility. Foreign exchange had a favorable impact on sales growth, which was partially offset by the impact of the revisions to the IP contracts. Net sales in the Processed Minerals product line increased 27.9% to \$89.9 million in the first nine months of 2003 from \$70.3 million in the prior year. Excluding the Polar Minerals acquisition, sales growth was approximately 6% due to strong residential construction.

Net sales in the Refractories segment increased 8.1% to \$187.8 million for the first nine months as compared with \$173.8 million in the prior year. Foreign exchange had a favorable impact on sales growth of approximately 7 percentage points. The remaining growth was due to increased volume and higher equipment installations.

Net sales in the United States for the first nine months of 2003 increased approximately 5% as compared with the same period last year. This increase was primarily due to the acquisition of Polar Minerals in September 2002. Foreign sales increased approximately 14% in the first nine months of 2003 primarily due to increased sales in Europe and to the favorable impact of foreign exchange.

The Company's production margin increased approximately 6.6%, slightly below sales growth. The Specialty Minerals segment's gross margin increased 3.0% as overall growth was impacted by the Millinocket satellite PCC plant, the effect of the revisions to the IP contracts and SYNSIL<sup>&#174</sup> product development costs. The gross margin of the Refractories segment grew 14.2% reflecting the benefit of improved operations, a better product mix and equipment sales.

Marketing and administrative costs increased 13.3% from the prior year. The Refractories segment increased marketing expenses to support worldwide business development efforts. In addition, the Company realized higher information technology costs associated with the implementation of a new global enterprise resource planning system, incurred higher employee benefit costs, particularly pension and medical expenses, and increased its bad debt provision.

Income from operations decreased less than 1% to \$63.7 million from \$64.0 million for the first nine months of 2003 and was 10.6% of net sales. Income from operations in the Specialty Minerals segment decreased 3.4% to \$46.1 million and was 11.1% of its net sales. Income from operations in the Refractories segment increased 7.7% to \$17.5 million and was 9.3% of its net sales.

Non-operating deductions decreased 11.7% to \$3.6 million due to lower net interest expense and foreign currency gains.

Income before the cumulative effect of an accounting change increased 0.5% to \$42.0 million from \$41.8 million in 2002. Diluted earnings per common share before the cumulative effect of the accounting change increased 2% to \$2.06 compared with \$2.02 for the first nine months of 2002.

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

Upon adoption of SFAS No. 143, the Company recorded a non-cash, after-tax charge to earnings of approximately \$3.4 million for the cumulative effect of this accounting change related to retirement obligations associated with the Company's PCC satellite facilities and its mining properties, both within the Specialty Minerals segment. As a result of this pronouncement, the Company recorded additional depreciation and accretion expenses of approximately \$0.2 million in the third quarter of 2003 and \$0.6 million in the first nine months of 2003. Such charge is included in cost of goods sold. The pro forma effect on results, assuming that SFAS No. 143 were applied retroactively, would be a non-cash, after-tax charge to earnings of approximately \$0.1 million in the third quarter of 2002 and \$0.3 million for the first nine months of 2002.

Net income after the cumulative effect of accounting change decreased 7.7% to \$38.5 million compared with \$41.7 million in the prior year. Diluted earnings per share after the cumulative effect of accounting change was \$1.89 per share in the first nine months of 2003 as compared with \$2.02 in the prior year.

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

There is presently one satellite location at which the contract with the host mill has expired and one location, representing less than one unit of PCC production, at which the host mill has informed the Company that the contract will not be renewed upon its expiration in 2004. The Company continues to supply PCC at both of these locations. At the location at which the contract has expired, the Company hopes to reach agreement on a long-term extension of the contract; however, there can be no assurance that these negotiations will be successful.

In addition, Great Northern Paper, Inc. ceased operations at its two paper mills in Millinocket and East Millinocket, Maine, which were served by a PCC plant operated by the Company. Great Northern Paper filed for bankruptcy protection on January 9, 2003, and on April 29, 2003 the paper mills were sold to Brascan Corporation ("Brascan"), the parent company of Nexfor Fraser Papers Inc. The East Millinocket mill has resumed operations, and the Company is supplying it from other nearby PCC production facilities. Brascan has announced that it may not start the Millinocket mill, at which the Company's satellite plant is located, for a year or more. If the Millinocket mill does not resume production, the Company could incur an impairment charge of approximately \$10 million.

#### Liquidity and Capital Resources

Cash flows in the first nine months of 2003 were provided from operations and were applied principally to fund capital expenditures and purchases of common shares for treasury. Cash provided from operating activities amounted to \$61.1 million in the first nine months of 2003 as compared with \$83.4 million for the same period last year. The reduction in cash from operations was primarily due to the IP payment of \$16 million in exchange for customer contract extensions and a technology license.

On May 31, 2003, the Company acquired land and limestone ore reserves from the Cushenbury Mine Trust for approximately \$17.5 million. Approximately \$6.1 million was paid at the closing and \$11.4 million was financed through an installment obligation. The average interest rate on this obligation is approximately 4.25%. The principal payments are as follows: 2004 - \$0.8 million; 2005 - \$0.9 million; 2006 - \$0.9 million; 2007 - \$0.9 million; 2008 - \$6.5 million; 2013 - \$1.4 million.

On February 22, 2001, the Company's Board of Directors authorized the Company's Management Committee, at its discretion, to repurchase up to \$25 million in additional shares per year over a three-year period. As of September 28, 2003, the Company had repurchased approximately 595,000 under this program at an average price of approximately \$39.50 per share.

On October 23, 2003, the Company's Board of Directors authorized the Company's Management Committee, at its discretion, to repurchase up to \$75 million in additional shares over the next three-year period.

The Company has available approximately \$115 million in uncommitted, short-term bank credit lines, of which \$30 million was in use at September 28, 2003. The Company anticipates that capital expenditures for all of 2003 will approximate \$60 million. The Company expects to meet its financing requirements from internally generated funds, uncommitted bank credit lines and, where appropriate, project financing of certain satellite plants.

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

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

The Company cannot guarantee that the outcomes suggested in any forward-looking statement will be realized, although it believes it has been prudent in its plans and assumptions. Achievement of future results is subject to risks, uncertainties and inaccurate assumptions. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Investors should bear this in mind as they consider forward-looking statements and should refer to the discussion of certain risks, uncertainties and assumptions under the heading "Cautionary Factors That May Affect Future Results" in Exhibit 99 to this Amendment No. 1 to the Quarterly Report.

### Recently Issued Accounting Standards

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure, an amendment of FASB Statement No. 123." This statement amends SFAS No. 123, "Accounting for Stock-Based Compensation," to provide alternative methods of transition for a voluntary change to the fair value method of accounting for stock-based employee compensation. The FASB recently indicated that they will require stock-based employee compensation to be recorded as a charge to earnings beginning in 2004. The Company will continue to monitor their progress on the issuance of this standard as well as evaluating its position with respect to current guidance.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity." This statement establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. The Company had no such instruments as of September 28, 2003.

### Critical Accounting Policies

The Company's discussion and analysis of its financial condition and results of operations is based upon the Company's consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires the Company 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, the Company evaluates its estimates and assumptions, including those related to revenue recognition, allowance for doubtful accounts, valuation of inventories, valuation of long-lived assets, goodwill and

other intangible assets, pension plan assumptions, income taxes, depreciation, income tax valuation allowances and litigation and environmental liabilities. The Company bases its estimates on historical experience and on various other assumptions that it believes to be reasonable under the circumstances, the results of which form the basis for making

judgments about 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.

### Property, Plant and Equipment

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

In the third quarter of 2002, the Company reduced the useful lives of satellite PCC plants at International Paper Company's ("IP") mills due to an increased risk that some or all of these PCC contracts would not be renewed. As a result of this change, the Company also reviewed the useful lives of the assets at its remaining satellite PCC facilities and other plants. During the first quarter of 2003, the Company revised the estimated useful lives of machinery and equipment pertaining to its natural stone mining and processing plants and chemical processing plants from 12.5 years (8%) to 15 years (6.67%) and reduced the useful lives of buildings at certain satellite PCC facilities from 25 years (4%) to 15 years (6.67%). The Company also reduced the estimated useful lives of certain software-related assets due to implementation of a new global enterprise resource planning system. During the second quarter of 2003, the Company reached an agreement with IP that extended eight PCC supply contracts and therefore extended the useful lives of the satellite PCC plants at those IP mills. The net effect of the changes in estimated useful lives, including the deceleration of depreciation at the IP plants, was an increase to diluted earnings per share of \$0.04 in the third quarter of 2003 and \$0.04 for the first nine months of 2003.

### ITEM 3. Quantitative and Qualitative Disclosures about Market Risk

Market risk represents the risk of loss that may impact the Company's financial position, results of operations or cash flows due to adverse changes in market prices and foreign currency exchange rates and interest rates. The Company is exposed to market risk because of changes in foreign currency exchange rates as measured against the U.S. dollar. It does not anticipate that near-term changes in exchange rates will have a material impact on its 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 the Company's financial condition and results of operations. Approximately 25% of the Company's bank debt bears interest at variable rates; therefore the Company's results of operations would be affected by changes in the interest rate applicable to the variable-rate bank debt outstanding. An immediate 10 percent change in interest rates would not have a material effect on the Company's results of operations over the next fiscal year.

The Company is exposed to various market risks, including the potential loss arising from adverse changes in foreign currency exchange rates and interest rates. The Company does not enter into derivatives or other financial instruments for trading or speculative purposes. When appropriate, the Company enters into derivative financial instruments, such as forward exchange contracts and interest rate swaps, to mitigate the impact of foreign exchange rate movements and interest rate movements on the Company's operating results. The counterparties are major financial institutions. Such forward exchange contracts and interest rate swaps would not subject the Company 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 open forward exchange contracts as of September 28, 2003. The Company entered into three-year interest rate swap agreements with a notional amount of \$30 million that expire in January 2005. These agreements effectively convert a portion of the Company's floating-rate debt to a fixed rate basis. The fair value of these instruments was a liability of \$1.3 million at September 28, 2003.

#### ITEM 4. Controls and Procedures

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

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

### PART II. OTHER INFORMATION

#### ITEM 6. Exhibits and Reports on Form 8-K

a) Exhibits:

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

- b) On July 24, 2003, the Company filed a current report on Form 8-K under Item 12, reporting earnings for the second quarter of 2003.

On September 25, 2003, the Company filed a current report on Form 8-K under Item 5, reporting the election of Mr. William C. Stivers to its Board of Directors.

SIGNATURE

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

Minerals Technologies Inc.

By: /s/John A. Sorel  
John A. Sorel  
Senior Vice President-Finance and  
Chief Financial Officer  
(principal financial officer)

August 3, 2004