

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 30, 2001

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  
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 registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

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 26, 2001
Common Stock, \$0.10 par value	19,575,124

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MINERALS TECHNOLOGIES INC.

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## PART I. FINANCIAL INFORMATION

### ITEM 1. Financial Statements

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

	Three Months Ended		Nine Months Ended	
	Sept. 30, <u>2001</u>	Sept. 24, <u>2000</u>	Sept. 30, <u>2001</u>	Sept. 24, <u>2000</u>
(thousands of dollars, except per share data)				
Net sales	\$174,911	\$167,296	\$509,624	\$500,441
Operating costs and expenses:				
Cost of goods sold	128,820	119,152	374,551	352,754
Marketing and administrative expenses	18,376	17,296	55,302	54,380
Restructuring charge	--	--	3,403	--
Research and development expenses	<u>5,658</u>	<u>6,605</u>	<u>17,641</u>	<u>19,069</u>

Income from operations	22,057	24,243	58,727	74,238
Non-operating deductions, net	<u>2,199</u>	<u>1,604</u>	<u>6,259</u>	<u>3,376</u>
Income before provision for taxes on income and minority interests	19,858	22,639	52,468	70,862
Provision for taxes on income	5,694	7,097	15,478	22,214
Minority interests	<u>573</u>	<u>408</u>	<u>1,400</u>	<u>1,336</u>
Net income	\$ 13,591 =====	\$ 15,134 =====	\$ 35,590 =====	\$ 47,312 =====
Earnings per share:				
Basic	\$ 0.69	\$ 0.74	\$ 1.81	\$ 2.30
Diluted	\$ 0.68	\$ 0.72	\$ 1.78	\$ 2.23
Cash dividends declared per common share	\$ 0.025	\$ 0.025	\$ 0.075	\$ 0.075
Shares used in the computation of earnings per share:				
Basic	19,587	20,408	19,645	20,591
Diluted	20,096	21,125	20,043	21,207

See accompanying Notes to Condensed Consolidated Financial Statements.

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

<b>ASSETS</b>			
		<b>Sept. 30, 2001*</b>	<b>Dec. 31, 2000**</b>
<b>(thousands of dollars)</b>			
Current assets:			
Cash and cash equivalents		\$ 10,150	\$ 6,692
Accounts receivable, net		136,620	116,192
Inventories		70,139	71,883
Other current assets		<u>25,360</u>	<u>20,590</u>
Total current assets		242,269	215,357
Property, plant and equipment, less accumulated depreciation and depletion September 30, 2001 - \$503,869; December 31, 2000 - \$466,534			
		542,879	548,209
Other assets and deferred charges		<u>62,619</u>	<u>36,266</u>
Total assets		\$847,767 =====	\$799,832 =====

## LIABILITIES AND SHAREHOLDERS' EQUITY

### Current liabilities:

Short-term borrowings	\$ 79,762	\$ 48,105
Current maturities of long-term debt	851	765
Accounts payable	39,317	36,153
Other current liabilities	<u>50,002</u>	<u>48,504</u>
Total current liabilities	169,932	133,527

Long-term debt	88,916	89,857
Other non-current liabilities	<u>94,829</u>	<u>92,809</u>
Total liabilities	353,677	316,193

### Shareholders' equity:

Common stock	2,592	2,585
Additional paid-in capital	156,798	155,001
Retained earnings	613,301	579,181
Accumulated other comprehensive loss	<u>(53,546)</u>	<u>(44,073)</u>
	719,145	692,694
Less treasury stock	<u>225,055</u>	<u>209,055</u>
Total shareholders' equity	<u>494,090</u>	<u>483,639</u>

Total liabilities and shareholders' equity	\$847,767	\$799,832
	=====	=====

\* Unaudited

\*\* Condensed from audited financial statements.

See accompanying Notes to Condensed Consolidated Financial Statements.

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

(thousands of dollars)	Nine Months Ended	
	Sept. 30, <u>2001</u>	Sept. 24, <u>2000</u>
<b>Operating Activities</b>		
Net income	\$ 35,590	\$ 47,312
Adjustments to reconcile net income to net cash provided by operating activities, net of acquisition:		

Depreciation, depletion and amortization	48,668	45,901
Other non-cash items	4,359	3,901
Net changes in operating assets and liabilities	<u>(16,283)</u>	<u>(22,210)</u>
Net cash provided by operating activities	<u>72,334</u>	<u>74,904</u>

#### Investing Activities

Purchases of property, plant and equipment	(49,264)	(81,883)
Acquisitions	(36,288)	(12,580)
Other investing activities, net	<u>5,193</u>	<u>(85)</u>
Net cash used in investing activities	<u>(80,359)</u>	<u>(94,548)</u>

#### Financing Activities

Proceeds from issuance of short-term and long-term debt	185,474	93,903
Repayment of debt	(156,840)	(56,389)
Purchase of common shares for treasury	(16,000)	(29,396)
Other financing activities, net	<u>335</u>	<u>3,109</u>
Net cash provided by financing activities	<u>12,969</u>	<u>11,227</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(1,486)</u>	<u>(1,999)</u>
Net increase (decrease) in cash and cash equivalents	3,458	(10,416)
Cash and cash equivalents at beginning of period	<u>6,692</u>	<u>20,378</u>
Cash and cash equivalents at end of period	\$ 10,150	\$ 9,962
	=====	=====
Interest paid	\$ 7,193	\$ 5,767
	=====	=====
Income taxes paid	\$ 7,273	\$ 20,063
	=====	=====

See accompanying Notes to Condensed Consolidated Financial Statements.

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### 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, 2000. 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 30, 2001 are not necessarily indicative of the results that may be expected for the year ending December 31, 2001.

#### Note 2 -- Inventories

The following is a summary of inventories by major category:

	September 30, 2001	December 31, 2000
(thousands of dollars)		
Raw materials	\$23,971	\$24,717
Work-in-process	7,803	7,541
Finished goods	20,894	20,700
Packaging and supplies	<u>17,471</u>	<u>18,925</u>
Total inventories	\$70,139 =====	\$71,883 =====

### Note 3 -- Long-Term Debt and Commitments

The following is a summary of long-term debt:

(thousands of dollars)	Sept. 30, 2001	Dec. 31, 2000
7.49% Guaranteed Senior Notes Due July 24, 2006	\$50,000	\$50,000
Yen-denominated Guaranteed Credit Agreement Due March 31, 2007	9,595	10,057
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

Other borrowings	<u>372</u>	<u>765</u>
	89,767	90,622
Less: Current maturities	<u>851</u>	<u>765</u>
Long-term debt		
	\$88,916	\$89,857
	=====	=====

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

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

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

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>Sept. 30, 2001</b>	<b>Sept. 24, 2000</b>	<b>Sept. 30, 2001</b>	<b>Sept. 24, 2000</b>
<b>Basic EPS</b> (thousands, except per share data)				
Net income	\$13,591	\$15,134	\$35,590	\$47,312
Weighted average shares outstanding	<u>19,587</u>	<u>20,408</u>	<u>19,645</u>	<u>20,591</u>
Basic earnings per share	\$ 0.69	\$ 0.74	\$ 1.81	\$ 2.30
	=====	=====	=====	=====
<b>Diluted EPS</b>				
Net income	\$13,591	\$15,134	\$35,590	\$47,312
Weighted average shares outstanding	19,587	20,408	19,645	20,591
Dilutive effect of stock options	<u>509</u>	<u>717</u>	<u>398</u>	<u>616</u>
Weighted average shares outstanding, adjusted	<u>20,096</u>	<u>21,125</u>	<u>20,043</u>	<u>21,207</u>
Diluted earnings per share	\$ 0.68	\$ 0.72	\$ 1.78	\$ 2.23
	=====	=====	=====	=====

**Note 5 -- Comprehensive Income (Loss)**

The following are the components of comprehensive income (loss):

(thousands of dollars)	Three Months Ended		Nine Months Ended	
	Sept. 30, 2001	Sept. 24, 2000	Sept. 30, 2001	Sept. 24, 2000
Net income	\$13,591	\$15,134	\$35,590	\$47,312
Other comprehensive income, net of tax:				
Foreign currency translation adjustments	<u>4,588</u>	<u>(10,566)</u>	<u>(9,473)</u>	<u>(18,772)</u>
Comprehensive income	\$18,179 =====	\$ 4,568 =====	\$26,117 =====	\$28,540 =====

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

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

	Sept. 30, 2001	Dec. 31, 2000
Foreign currency translation adjustments	\$(52,545)	\$(43,072)
Minimum pension liability adjustments	<u>(1,001)</u>	<u>(1,001)</u>
Accumulated other comprehensive loss	\$(53,546) =====	\$(44,073) =====

**Note 6 -- Segment and Related Information**

Segment information for the three-month and nine-month periods ended September 30, 2001 and September 24, 2000 was as follows:

Net Sales				
(thousands of dollars)	Three Months Ended		Nine Months Ended	
	Sept. 30, 2001	Sept. 24, 2000	Sept. 30, 2001	Sept. 24, 2000
Specialty Minerals Segment	\$121,177	\$120,912	\$362,428	\$359,965
Refractories Segment	<u>53,734</u>	<u>46,384</u>	<u>147,196</u>	<u>140,476</u>
Total	\$174,911 =====	\$167,296 =====	\$509,624 =====	\$500,441 =====
Income from Operations				
(thousands of dollars)	Three Months Ended		Nine Months Ended	
	Sept. 30, 2001	Sept. 24, 2000	Sept. 30, 2001	Sept. 24, 2000
Specialty Minerals Segment	\$15,425	\$16,884	\$41,154	\$52,259
Refractories Segment	<u>6,632</u>	<u>7,359</u>	<u>17,573</u>	<u>21,979</u>
Total	\$22,057 =====	\$24,243 =====	\$58,727 =====	\$74,238 =====

Included in income from operations of the Specialty Minerals Segment and the Refractories Segment for the nine months ended September 30, 2001, is a restructuring charge of approximately \$3.0 million and \$0.4 million, respectively.



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

<b>(thousands of dollars)</b>	<b><u>Three Months Ended</u></b>		<b><u>Nine Months Ended</u></b>	
<b>Income before provision for taxes on income and minority interest</b>	<b>Sept. 30, <u>2001</u></b>	<b>Sept. 24, <u>2000</u></b>	<b>Sept. 30, <u>2001</u></b>	<b>Sept. 24, <u>2000</u></b>
Income from operations for reportable segments	\$22,057	\$24,243	\$58,727	\$74,238
Non-operating deductions, net	<u>2,199</u>	<u>1,604</u>	<u>6,259</u>	<u>3,376</u>
Income before provision for taxes on income and minority interests	\$19,858 =====	\$22,639 =====	\$52,468 =====	\$70,862 =====

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

**Note 7 -- Acquisitions**

On May 1, 2001, the Company acquired the refractories business of Martin Marietta Magnesias Specialties Inc. The transaction was accounted for as a purchase. The purchase price of \$37 million, including acquisition costs and assumed liabilities, was financed through short-term borrowings. The purchase price exceeded the fair value of the net assets acquired by approximately \$27 million, which is being amortized on a straight-line basis over 20 years. Net sales of this business for the year ended December 31, 2000 were approximately \$57 million.

On September 24, 2001, the Company purchased all of the outstanding shares of Rijnstaal B.V., a Netherlands-based producer of cored metal wires used mainly in the steel and foundry industries. The transaction was accounted for as a purchase. Rijnstaal B.V. reported sales of approximately \$17 million in 2000.

**Note 8 -- Restructuring Charge**

During the second quarter of 2001, the Company announced plans to restructure its operations in an effort to reduce operating costs and to improve efficiency. The restructuring, together with workforce reductions made possible by the recent acquisition of the refractory operations of Martin Marietta Magnesias Specialties Inc., resulted in a total workforce reduction of approximately 120 people or five percent of the Company's worldwide workforce. The Company recorded a pre-tax restructuring charge of \$3.4 million during the second quarter of 2001, of which approximately \$2.2 million had been paid as of September 30, 2001.

**INDEPENDENT AUDITORS' REVIEW REPORT**

The Board of Directors and Shareholders  
Minerals Technologies Inc.:

We have reviewed the condensed consolidated balance sheet of Minerals Technologies Inc. and subsidiary companies as of September 30, 2001 and the related condensed consolidated statements of income for each of the three-month and nine-month periods ended September 30, 2001 and September 24, 2000, and cash flows for the nine-month periods then ended. These financial statements are the responsibility of the company's management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, 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 accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet of Minerals Technologies Inc. and subsidiary companies as of December 31, 2000, 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 18, 2001, 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, 2000 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 18, 2001

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

### Income and Expense Items As a Percentage of Net Sales

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>Sept. 30, 2001</u>	<u>Sept. 24, 2000</u>	<u>Sept. 30, 2001</u>	<u>Sept. 24, 2000</u>
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of goods sold	73.7	71.2	73.5	70.5
Marketing and administrative expenses	10.5	10.4	10.8	10.9
Restructuring charge	--	--	0.7	--
Research and development expenses	<u>3.2</u>	<u>3.9</u>	<u>3.5</u>	<u>3.8</u>
Income from operations	12.6	14.5	11.5	14.8
Net income	7.8%	9.0%	7.0%	9.5%
	===	===	===	===

### Results of Operations

*Three Months Ended September 30, 2001 as Compared with Three Months Ended September 24, 2000*

Net sales in the third quarter of 2001 increased 4.5% to \$174.9 million from \$167.3 million in the third quarter of 2000. Foreign exchange had an unfavorable impact on sales of approximately \$4.0 million, or 2.4 percentage points of growth.

Net sales in the Specialty Minerals segment, which includes the Precipitated Calcium Carbonate ("PCC") and Processed Minerals product lines, increased slightly to \$121.2 million in the third quarter of 2001 from \$120.9 million in the prior year.

Worldwide net sales of PCC, which is used primarily in the manufacturing processes of the paper industry, decreased slightly to \$98.7 million from \$99.0 million in the third quarter of 2000. Foreign exchange had an unfavorable impact on sales of approximately \$2.4 million or 2.4 percentage points of growth for the third quarter. Sales volumes of PCC for paper increased 2% despite continued plant shutdowns and inventory adjustments in the paper industry. The Company began operation of one new satellite PCC plant at Great Northern Paper, Inc. in Millinocket, Maine in the third quarter. The satellite plant, which provides Minerals Technologies' AT<sup>TM</sup> PCC for filling groundwood specialty paper produced by Great Northern, will be equivalent to two units. A unit represents between 25,000 and 35,000 tons of PCC produced annually. AT<sup>TM</sup> PCC is Minerals Technologies' patented acid-tolerant technology that permits the use of PCC, an alkaline material, in an acid papermaking environment.

Sales of Specialty PCC, used in non-paper applications, declined approximately 9% in the third quarter. Profitability of this product line was affected by adverse market conditions and less-than-expected volume from the Company's manufacturing facility at Brookhaven, Mississippi.

Net sales of Processed Minerals products increased 2.7% in the third quarter to \$22.5 million from \$21.9 million in 2000. The sales growth was primarily attributable to increased demand for construction materials, particularly in California.

Net sales in the Refractories segment were \$53.7 million for the third quarter of 2001, a 15.7% increase over the \$46.4 million in the same period last year. Foreign exchange had an unfavorable impact on sales of approximately \$1.6 million or 3.4 percentage points of growth in the third quarter. The increase in sales was the result of the addition of the Martin Marietta Magnesia Specialties refractories business that was acquired in the second quarter of 2001. There continue to be unfavorable economic conditions in the worldwide steel industry, particularly in North America.

Net sales in the United States in the third quarter of 2001 increased 3.8% from the comparable period in 2000. Foreign sales increased 6.1% in the third quarter of 2001 from the comparable 2000 period.

Income from operations decreased 9.0% to \$22.1 million in the third quarter of 2001. The decline was primarily due to weaknesses across all

of the Company's product lines because of difficult economic conditions in the industries the Company serves - paper, steel and construction. In addition, the Company also experienced higher energy costs and the negative effect of foreign exchange. Operating income in the Specialty Minerals segment decreased 8.6% in the third quarter to \$15.4 million and represented 12.7% of its net sales. This decrease was primarily due to adverse market conditions in PCC for non-paper applications. Income from operations in the Refractories segment decreased 9.9% in the third quarter to \$6.7 million and was 12.3% of its net sales. The lower operating margins are a result of the downturn in the

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worldwide steel industry, as recently evidenced by the Bethlehem Steel bankruptcy, and also reflect weakness in the metallurgical wire product line.

Non-operating deductions increased due to higher net interest expense as a result of increased borrowings, mitigated by lower short-term interest rates.

Net income decreased 9.9% to \$13.6 million from \$15.1 million in the prior year. Diluted earnings per share were \$0.68 in the third quarter of 2001 as compared with \$0.72 in the prior year.

*Nine Months Ended September 30, 2001 as Compared with Nine Months Ended September 24, 2000*

Net sales for the first nine months of 2001 increased 1.8% to \$509.6 million from \$500.4 million in 2000. Foreign exchange had an unfavorable impact on sales of approximately \$13.1 million or 2.6 percentage points of growth.

Net sales in the Specialty Minerals segment increased approximately 1% in the first nine months of 2001 to \$362.4 million. Worldwide net sales in the PCC product line grew approximately 1% to \$296.0 million from \$294.0 million in the first nine months of 2001 despite a negative foreign currency impact of \$7.4 million, or 2.5 percentage points of growth. Sales of PCC for non-paper applications declined 10% as a result of adverse market conditions. Net sales in the Processed Minerals product line increased approximately 1% to \$66.4 million in the first nine months of 2001.

Net sales in the Refractories segment increased 4.8% to \$147.2 million in the first nine months of 2001. Foreign exchange had an unfavorable impact on sales of approximately \$5.7 million or 4.1 percentage points of growth. The sales growth was attributable to the acquisition in the second quarter of the Martin Marietta refractories business.

Income from operations declined 20.9% to \$58.7 million in the first nine months of 2001 from \$74.2 million in the prior year. Excluding the restructuring charge recorded in the second quarter of 2001, operating income of \$62.1 million was 16.3% lower than the \$74.2 million reported in the first nine months of 2000. This decline was caused by difficult economic conditions in the industries the Company serves, the negative effect of foreign currency, and higher energy costs. Income from operations in the Specialty Minerals segment, excluding the restructuring charge, decreased 15.7% in the first nine months of 2001 to \$44.1 million. Income from operations in the Refractories segment, excluding the restructuring charge, decreased 18.2% for the first nine months of 2001 to \$18.0 million.

Non-operating deductions increased due to higher net interest expense as a result of increased borrowings.

The Company currently projects that the effective tax rate for 2001 will approximate 29.5%. The change in the effective tax rate reflects differences in the geographical mix of projected taxable income for the full year.

Net income decreased 24.7% to \$35.6 million from \$47.3 million in 2000. Diluted earnings per share decreased approximately 20% to \$1.78 as compared with \$2.23 for the first nine months of 2000.

**Liquidity and Capital Resources**

For the first nine months of 2001 cash flows were provided from operations and from short-term financing and were applied principally to fund capital expenditures, two acquisitions, and to repurchase common shares for treasury. Cash provided from operating activities amounted to \$72.3 million in the first nine months of 2001 as compared with \$74.9 million in the first nine months of 2000.

On February 26, 1998, the Company's Board of Directors ("Board") authorized a \$150 million program to repurchase Company stock on the open market from time to time. The Company completed the repurchase program in April 2001 and approximately 3.5 million shares were repurchased under this program.

On February 22, 2001, the Board authorized the Company's Management Committee to repurchase, at its discretion, up to \$25 million in additional shares per year over the next three years. As of September 30, 2001, the Company had repurchased approximately 35,000 shares under this program at an average price of approximately \$36 per share.

The Company has available approximately \$145 million in uncommitted, short-term bank credit lines, of which \$79.8 million was in use at September 30, 2001. The average interest rate on these borrowings was approximately 5.3% for the first nine months of 2001. The Company anticipates that capital expenditures for all of 2001 will range between \$65-\$70 million, principally related to the construction of satellite PCC plants and other opportunities that meet the strategic growth objectives of the Company. In addition, the Company financed the acquisition of the refractories business of Martin Marietta Magnesia Specialties Inc. and Rijnstaal B.V. through short-term borrowings under the bank credit lines. The

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Company expects to meet its financing requirements from internally generated funds, the 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 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 Quarterly Report.

### **Recently Issued Accounting Standards**

In June 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 141, "Business Combinations," No. 142, "Goodwill and Other Intangible Assets," and SFAS No. 143, "Accounting for Asset Retirement Obligations."

SFAS No. 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001, thereby eliminating the use of the pooling-of-interests method. The Company currently accounts for all acquisitions using the purchase method of accounting. SFAS No. 142, effective for fiscal years beginning after December 15, 2001, provides that goodwill and other intangible assets with indefinite lives will no longer be amortized, but will be tested for impairment on an annual basis. This statement also requires an initial goodwill impairment assessment in the year of adoption and annual impairment tests thereafter. The Company will adopt SFAS No. 142 by January 1, 2002. On an annualized basis, the Company has approximately \$2 million of amortization expense related to goodwill. The Company has not yet completed its assessment of the anticipated adoption impact of SFAS No. 142. SFAS No. 143, effective for fiscal years beginning after December 15, 2001, addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. The Company is currently analyzing this statement and has not yet determined its impact on the consolidated financial statements.

In August 2001, the Financial Accounting Standards Board issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," which establishes a uniform accounting model for long-lived assets to be disposed of. The statement will be effective in 2002. The Company is currently reviewing the provisions of SFAS No. 144 to determine its impact on the consolidated financial statements.

### **Adoption of a Common European Currency**

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

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

Adoption of the euro is likely to have competitive effects in Europe, as prices that had been stated in different national currencies become directly comparable to one another. In addition, the adoption of a common monetary policy by the countries adopting the euro can be expected to have an effect on the economy of the region. These competitive and economic effects had no material effect on the Company's financial condition or results of operations during the third quarter of 2001, and the Company does not expect any such effect to occur. There can be no assurance, however, that the transition to the euro will not have a material effect on the Company's business in Europe in the future.

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

### *Market Risk*

The Company is exposed to various market risks, including the potential loss arising from adverse changes in foreign currency exchange rates. The Company does not enter into derivatives or other financial instruments for trading or speculative purposes. When appropriate, the Company enters into derivative financial instruments, such as forward exchange contracts, to mitigate the impact of foreign exchange rate movements on the Company's operating results. The counterparties are major financial institutions. Such forward exchange contracts would subject the Company to additional risk from exchange rate movements because gains and losses on these contracts would offset losses and gains on the assets, liabilities and transactions being hedged. There were no significant open forward exchange contracts outstanding at September 30, 2001.

## **PART II. OTHER INFORMATION**

### **ITEM 1. Legal Proceedings**

On or about October 5, 1999, the Company was notified by the U.S. Department of Justice of an enforcement referral received from the U.S.

Environmental Protection Agency ("EPA") regarding alleged violations by the Company's subsidiary Barretts Minerals Inc. ("BMI") of a state-issued permit regulating pit dewatering and storm water discharge at BMI's talc mine in Barretts, Montana. The threatened federal enforcement action would duplicate in part a state enforcement action that was resolved in May 1999 through settlement and payment of a civil penalty of \$14,000. BMI has entered into pre-filing negotiations with the Department of Justice, and as of October 26, 2001, no complaint had been filed. We anticipate that any settlement of this matter would include a monetary penalty as well as other relief, such as a supplemental environment project at the Barretts site. There can be no assurance that the amount of monetary penalty or the cost of other relief sought by the Department of Justice in any such complaint, if filed, would not be substantially in excess of the amount for which the previous state enforcement action was settled.

On or about July 14, 2000, MTI, Specialty Minerals Inc. and Minteq International Inc. received from the Connecticut Department of Environmental Protection ("DEP") a proposed administrative consent order relating to the Canaan, Connecticut site at which both Minteq and Specialty Minerals have operations. The proposed order would settle claims relating to an accidental discharge of machine oil alleged to have contained polychlorinated biphenyls at or above regulated levels. The Company's employees immediately took steps to contain and clean up the discharge and notified the Connecticut DEP and the U.S. EPA, as required by law. The proposed order also alleges certain violations of other environmental regulations, including violations of the Canaan site's existing permit for discharge of stormwater, and of regulations governing the management of underground storage tanks. The proposed order would require payment of a civil penalty of \$420,605, remediation of certain conditions at the site, and other injunctive relief. MTI and the other respondents dispute many of the factual allegations forming the basis of the proposed order, and plan to contest them vigorously. There can be no assurance, however, that the Company will be successful in doing so, and the amount of any civil penalty to be paid, and the cost of any remediation or other injunctive relief, remains uncertain.

On or about February 27, 2001, the EPA filed a civil administrative complaint against Minteq International Inc. seeking \$192,000 in monetary sanctions for alleged regulatory violations relating to the use, handling and disposal of PCB's at Minteq's Canaan, Connecticut facility. Minteq has filed a response to the complaint, and has contested vigorously many of the factual allegations and legal conclusions asserted by the EPA.

The Company's subsidiary Minteq International Inc. is the defendant in a lawsuit captioned WEMCO, Inc. and Emil J. Wirth, Jr. v. Minteq International Inc., which is pending in the U.S. District Court for the Middle District of Pennsylvania. The suit alleges breach of contract and unjust enrichment in connection with a licensing arrangement, and seeks monetary damages as well as a declaratory judgment with respect to the alleged license. While all litigation contains an element of uncertainty, Minteq is continuing to defend this matter vigorously and believes it is not likely to produce an outcome which would have a material adverse effect on the Company's consolidated financial position or results of operations.

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

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

- a) Exhibits:
- 15 - Accountants' Acknowledgment.
  - 99 - Statement of Cautionary Factors That May Affect Future Results.
- b) No reports on Form 8-K were filed during the third quarter of 2001.

#### **SIGNATURE**

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

Minerals Technologies Inc.

By: /s/Neil M. Bardach  
Vice President-Finance and  
Chief Financial Officer; Treasurer  
(principal financial officer)

November 5, 2001

**ACCOUNTANTS' ACKNOWLEDGMENT**

The Board of Directors  
Minerals Technologies Inc.:

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

With respect to the subject registration statements, we acknowledge our awareness of the use therein of our report dated October 18, 2001, related to our review of interim financial information.

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

Very truly yours,

KPMG LLP

New York, New York  
November 5, 2001

## CAUTIONARY FACTORS THAT MAY AFFECT FUTURE RESULTS

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

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

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

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

- ***Historical Growth Rate***

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

- ***Contract Renewals***

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

- ***Consolidation in Paper Industry***

Several acquisitions in the paper industry have taken place in recent years. Such acquisitions could result in partial or total closure of some paper mills at which MTI operates PCC satellites. Such closures would reduce MTI's sales of PCC, except to the extent that they resulted in shifting paper production and associated purchases of PCC to another location served by MTI. There can be no assurance, however, that this will occur. In addition, such acquisitions concentrate purchasing power in the hands of a smaller number of papermakers, enabling them to increase competitive pressure on their suppliers, such as MTI. Such increased pressure could have an adverse effect on MTI's results of operations in the future.

- ***Litigation; Environmental Exposures***

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

litigation matter or a tax or environmental proceeding could have a material adverse effect on the Company's financial condition or results of operations.

- ***New Products***

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

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

Particularly in its PCC and Refractory product lines, the Company's ability to compete is based in part upon proprietary knowledge,

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

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

As the Company expands its operations overseas, it faces the increased risks of doing business abroad, including inflation, fluctuations in interest rates and currency exchange rates, changes in applicable laws and regulatory requirements, export and import restrictions, tariffs, nationalization, expropriation, limits on repatriation of funds, civil unrest, terrorism, unstable governments and legal systems, and other factors. Adverse developments in any of these areas could cause actual results to differ materially from historical and expected results.

- ***Availability of Raw Materials***

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

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

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

- ***Adoption of a Common European Currency***

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