

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 March 31, 2002

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 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
Common Stock, \$0.10 par value

OUTSTANDING AT April 26, 2002
20,429,518

MINERALS TECHNOLOGIES INC.

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PART 1. FINANCIAL INFORMATION

ITEM 1. Financial Statements

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

| (in thousands, except per share data) | Three Months Ended | |
|--|--------------------|--------------------|
| | March 31, 2002 | April 1, 2001 |
| Net sales | \$179,000 | \$163,975 |
| Operating costs and expenses: | | |
| Cost of goods sold | 133,424 | 120,476 |
| Marketing and administrative expenses | 18,436 | 18,126 |
| Research and development expenses | <u>5,704</u> | <u>5,887</u> |
| Income from operations | 21,436 | 19,486 |
| Non-operating deductions, net | <u>1,938</u> | <u>1,891</u> |
| Income before provision for taxes on income and minority interests | 19,498 | 17,595 |
| Provision for taxes on income | 5,635 | 5,457 |
| Minority interests | <u>320</u> | <u>480</u> |
| Net income | \$ 13,543 ===== | \$ 11,658 ===== |

Earnings per share:

| | | |
|---------|---------|---------|
| Basic | \$ 0.68 | \$ 0.59 |
| Diluted | \$ 0.66 | \$ 0.58 |

| | | |
|--|----------|----------|
| Cash dividends declared per common share | \$ 0.025 | \$ 0.025 |
|--|----------|----------|

Shares used in the computation of earnings per share:

| | | |
|---------|--------|--------|
| Basic | 19,984 | 19,786 |
| Diluted | 20,564 | 20,063 |

See accompanying notes to Condensed Consolidated Financial Statements.

MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES
CONDENSED CONSOLIDATED BALANCE SHEET

ASSETS

(thousands of dollars)

March 31, December 31,
2002* 2001**

| | | |
|--|---------------|---------------|
| Current assets | | |
| Cash and cash equivalents | \$ 20,781 | \$ 13,046 |
| Accounts receivable, net | 140,363 | 125,289 |
| Inventories | 78,445 | 77,633 |
| Prepaid expenses and other current assets | <u>30,356</u> | <u>30,822</u> |
| Total current assets | 269,945 | 246,790 |
| Property, plant and equipment, less accumulated depreciation and depletion - March 31, 2002 - \$520,310; December 31, 2001 - \$509,288 | 531,195 | 536,339 |
| Goodwill | 43,377 | 43,506 |
| Other assets and deferred charges | <u>20,718</u> | <u>21,175</u> |
| Total assets | \$865,235 | \$847,810 |
| | ===== | ===== |

LIABILITIES AND SHAREHOLDERS' EQUITY

| | | |
|--------------------------------------|-----------------|-----------------|
| Current liabilities: | | |
| Short-term debt | \$ 60,000 | \$ 71,497 |
| Current maturities of long-term debt | 1,409 | 437 |
| Accounts payable | 38,110 | 37,705 |
| Other current liabilities | <u>47,793</u> | <u>50,890</u> |
| Total current liabilities | 147,312 | 160,529 |
| Long-term debt | 87,061 | 88,097 |
| Other non-current liabilities | <u>89,709</u> | <u>91,365</u> |
| Total liabilities | <u>324,082</u> | <u>339,991</u> |
| Shareholders' equity: | | |
| Common stock | 2,672 | 2,596 |
| Additional paid-in capital | 182,328 | 158,559 |
| Retained earnings | 640,052 | 627,014 |
| Accumulated other comprehensive loss | <u>(58,844)</u> | <u>(55,295)</u> |
| | 766,208 | 732,874 |
| Less treasury stock | <u>225,055</u> | <u>225,055</u> |
| Total shareholders' equity | <u>541,153</u> | <u>507,819</u> |

| | | |
|--|-----------|-----------|
| Total liabilities and shareholders' equity | \$865,235 | \$847,810 |
| | ===== | ===== |

* 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)

| | Three Months Ended | |
|---|---------------------------|--------------------------|
| | March 31, 2002 | April 1, 2001 |
| (thousands of dollars) | | |
| Operating Activities | | |
| Net income | \$ 13,543 | \$ 11,658 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation, depletion and amortization | 16,549 | 16,170 |
| Write-down of impaired assets | 750 | -- |
| Other non-cash items | 2,573 | 1,552 |
| Net changes in operating assets and liabilities | <u>(16,681)</u> | <u>(8,341)</u> |
| Net cash provided by operating activities | <u>16,734</u> | <u>21,039</u> |
| Investing Activities | | |
| Purchases of property, plant and equipment | (9,060) | (15,992) |
| Acquisition of business | (10,175) | -- |
| Other investing activities, net | <u>--</u> | <u>5,387</u> |
| Net cash used in investing activities | <u>(19,235)</u> | <u>(10,605)</u> |
| Financing Activities | | |
| Proceeds from issuance of short-term debt | 38,223 | 56,086 |
| Repayment of debt | (49,720) | (50,651) |
| Purchase of common shares for treasury | -- | (13,606) |
| Proceeds from issuance of stock under option plan | 22,253 | 284 |
| Other financing activities | <u>(505)</u> | <u>(492)</u> |
| Net cash provided (used) in financing activities | <u>10,251</u> | <u>(8,379)</u> |
| Effect of exchange rate changes on cash and cash equivalents | <u>(15)</u> | <u>(731)</u> |
| Net increase in cash and cash equivalents | 7,735 | 1,324 |
| Cash and cash equivalents at beginning of period | <u>13,046</u> | <u>6,692</u> |
| Cash and cash equivalents at end of period | \$ 20,781 | \$ 8,016 |
| | ===== | ===== |
| Interest paid | \$ 2,439 | \$ 3,140 |
| | ===== | ===== |
| Income taxes paid | \$ 2,651 | \$ 1,731 |
| | ===== | ===== |

See accompanying 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, 2001. 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 period ended March 31, 2002 are not necessarily indicative of the results that may be expected for the year ending December 31, 2002.

Note 2 -- Inventories

The following is a summary of inventories by major category:

| | March 31, 2002 | December 31, 2001 |
|------------------------|-------------------|----------------------|
| (thousands of dollars) | | |
| Raw materials | \$27,846 | \$28,541 |
| Work-in-process | 8,848 | 9,083 |
| Finished goods | 24,744 | 22,775 |
| Packaging and supplies | <u>17,007</u> | <u>17,234</u> |
| Total inventories | \$78,445 | \$77,633 |
| | ===== | ===== |

Note 3 -- Long-Term Debt and Commitments

The following is a summary of long-term debt:

| | March 31, 2002 | December 31, 2001 |
|---|-------------------|----------------------|
| (thousands of dollars) | | |
| 7.49% Guaranteed Senior Notes Due July 24, 2006 | \$50,000 | \$50,000 |
| Yen-denominated Guaranteed Credit Agreement Due March 31, 2007 | 8,670 | 8,734 |
| 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 | <u>5,000</u> | <u>5,000</u> |
| | 88,470 | 88,534 |
| Less: Current maturities | <u>1,409</u> | <u>437</u> |
| Long-term debt | \$87,061 | \$88,097 |
| | ===== | ===== |

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:

| | Three Months Ended | |
|---|--------------------|------------------|
| | March 31, 2002 | April 1, 2001 |
| Basic EPS (in thousands, except per share data) | | |
| Net income | \$13,543 | \$11,658 |
| Weighted average shares outstanding | 19,984 | 19,786 |
| Basic earnings per share | \$ 0.68 | \$ 0.59 |
| | ===== | ===== |
| Diluted EPS | | |
| Net income | \$13,543 | \$11,658 |
| Weighted average shares outstanding | 19,984 | 19,786 |
| Dilutive effect of stock options | 580 | 277 |
| Weighted average shares outstanding, adjusted | 20,564 | 20,063 |
| Diluted earnings per share | \$ 0.66 | \$ 0.58 |
| | ===== | ===== |

Note 5 -- Comprehensive Income (Loss)

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

| | Three Months Ended | |
|--|--------------------|------------------|
| | March 31, 2002 | April 1, 2001 |
| (thousands of dollars) | | |
| Net income | \$ 13,543 | \$ 11,658 |
| Other comprehensive income, net of tax: | | |
| Foreign currency translation adjustments | (3,543) | (10,409) |
| Cash flow hedges: | | |
| Net derivative gains | 28 | -- |
| Reclassification adjustment | (34) | -- |
| Comprehensive income | \$ 9,994 | \$ 1,249 |
| | ===== | ===== |

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

| | March 31, 2002 | December 31, 2001 |
|--|-------------------|----------------------|
| Foreign currency translation adjustments | \$(58,511) | \$(54,968) |
| Minimum pension liability adjustment | (501) | (501) |
| Net gain on cash flow hedges | 168 | 174 |
| Accumulated other comprehensive loss | \$(58,844) | \$(55,295) |
| | ===== | ===== |

MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 6 -- Segment and Related Information

Segment information for the three months ended March 31, 2002 and April 1, 2001 was as follows:

| | Net Sales | |
|-------------------------------|-------------------|------------------|
| | March 31, 2002 | April 1, 2001 |
| (thousands of dollars) | | |
| | | |
| Specialty Minerals | \$124,315 | \$120,681 |
| Refractories | 54,685 | 43,294 |
| Total | \$179,000 | \$163,975 |
| | ===== | ===== |

Income from Operations

(thousands of dollars)

| | Three Months Ended | |
|--------------------|--------------------|--------------------|
| | March 31, 2002 | April 1, 2001 |
| Specialty Minerals | \$ 15,219 | \$ 13,893 |
| Refractories | <u>6,217</u> | <u>5,593</u> |
| Total | \$ 21,436 ===== | \$ 19,486 ===== |

Included in income from operations of the Specialty Minerals segment for three months ended March 31, 2002, is a write-down of impaired assets of \$750,000. In addition, included in income from operations of the Specialty Minerals segment and the Refractories segment for the three months ended April 1, 2001, is amortization expense related to goodwill of \$71,000 and \$43,000, respectively.

The carrying amount of goodwill by reportable segment as of March 31, 2002 and December 31, 2001 was as follows:

Goodwill

| | March 31, 2002 | December 31, 2001 |
|------------------------|--------------------|----------------------|
| (thousands of dollars) | | |
| Specialty Minerals | \$ 7,937 | \$ 8,038 |
| Refractories | <u>35,440</u> | <u>35,468</u> |
| Total | \$ 43,377 ===== | \$ 43,506 ===== |

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

| (thousands of dollars) | Three Months Ended | |
|--|--------------------|--------------------|
| | March 31, 2002 | April 1, 2001 |
| Income before provision for taxes on income and minority interests | | |
| Income from operations for reportable segments | \$ 21,436 | \$ 19,486 |
| Non-operating deductions, net | <u>1,938</u> | <u>1,891</u> |
| Income before provision for taxes on income and minority interests | \$ 19,498 ===== | \$ 17,595 ===== |

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

Note 7 -- Acquisitions

On February 6, 2002, the Company acquired from J.M. Huber Corporation of Edison, New Jersey a facility in Hermalle-sous-Huy, Belgium. The facility is a merchant precipitated calcium carbonate plant, which has the capacity to produce approximately 60,000 tons of PCC annually. This acquisition will allow the Company to accelerate the development of its European coating PCC program. The purchase price was \$10.2 million, which included acquisition costs and assumed liabilities. The terms of the acquisition also provide for additional consideration of \$1.0 million to be paid if certain volumes of coating PCC are produced and shipped from this facility for any six consecutive months within five years following the acquisition. There were no amounts of the purchase price assigned to goodwill and the operations of this entity have been included in the Company's financial statements since the date of the acquisition.

Note 8 -- Goodwill and Other Intangible Assets

Effective January 1, 2002, the Company adopted 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 will no longer be amortized, but instead tested for impairment at least annually in accordance with the provisions of SFAS No. 142.

This statement also required an initial goodwill impairment assessment in the year of adoption and at least annual impairment tests thereafter. Pursuant to SFAS No. 142, the Company completed its impairment analysis for goodwill in accordance with SFAS No. 142. The analysis did not result in an impairment charge.

The carrying amount of goodwill was \$43.4 million and \$43.5 million as of March 31, 2002 and December 31, 2001, respectively. The net change in goodwill since January 1, 2002 was attributable to the effects of foreign exchange rates.

The following table reconciles previously reported net income as if the provisions of SFAS No. 142 had been in effect in 2001:

| | Three Months Ended | |
|--------------------------------|---------------------------|--------------------------|
| | March 31, 2002 | April 1, 2001 |
| (thousands of dollars) | | |
| Reported net income | \$13,543 | \$11,658 |
| Addback: goodwill amortization | <u>--</u> | <u>68</u> |
| Adjusted net income | \$13,543 | \$11,726 |
| | ===== | ===== |

Acquired intangible assets subject to amortization as of March 31, 2002 and December 31, 2001 were as follows:

| | March 31, 2002 | | December 31, 2001 | |
|------------------------------|--------------------------------------|-------------------------------------|--------------------------------------|-------------------------------------|
| | Gross Carrying Amount | Accumulated Amortization | Gross Carrying Amount | Accumulated Amortization |
| (millions of dollars) | | | | |
| Patents and trademarks | \$ 5.0 | \$ 0.5 | \$ 5.0 | \$ 0.4 |
| Customer lists | <u>1.4</u> | <u>0.1</u> | <u>1.4</u> | <u>0.1</u> |
| | \$ 6.4 | \$ 0.6 | \$ 6.4 | \$ 0.5 |
| | === | === | === | === |

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 2007.

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

Note 9 -- 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 long-lived assets to be disposed. 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 has ceased operations. Such charge is included in cost of goods sold.

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 March 31, 2002 and the related condensed consolidated statements of income and cash flows for the three-month periods ended March 31, 2002 and April 1, 2001. 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.

As discussed in Note 8 to the condensed consolidated financial statements, effective January 1, 2002, the Company adopted the provisions of SFAS No. 142, "Goodwill and Other Intangible Assets."

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, 2001, 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 22, 2002, 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, 2001 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
April 18, 2002

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

| | |
|-------------------|------------------|
| March 31, 2002 | April 1, 2001 |
|-------------------|------------------|

| | | |
|---------------------------------------|------------|------------|
| Net sales | 100.0% | 100.0% |
| Cost of goods sold | 74.5 | 73.5 |
| Marketing and administrative expenses | 10.3 | 11.0 |
| Research and development expenses | <u>3.2</u> | <u>3.6</u> |
| Income from operations | 12.0 | 11.9 |
| Net income | 7.6% | 7.1% |
| | == | == |

Results of Operations

Three Months Ended March 31, 2002 as Compared with Three Months Ended April 1, 2001

Net sales in the first quarter of 2002 increased 9.1% to \$179.0 million from \$164.0 million in the first quarter of 2001. Foreign exchange had a negative effect on sales of approximately \$3.4 million or 2 percentage points of growth.

Net sales in the Specialty Minerals segment, which includes the Precipitated Calcium Carbonate ("PCC") and Processed Minerals product lines, increased 3.0% in the first quarter of 2002 to \$124.3 million from \$120.7 million in the prior year.

Worldwide net sales of PCC, which is used primarily in the manufacturing process of the paper industry, increased 3.2% to \$102.9 million from \$99.7 million in the first quarter of 2001. Foreign exchange had an unfavorable impact on sales of approximately \$1.9 million or 2 percentage points of growth for the first quarter. Sales volume for PCC used for filling and coating paper increased 5%. This increase was primarily due to the ramp-up of the ten new units of precipitated calcium carbonate capacity that were added in 2001. A unit represents approximately 30,000 tons of PCC produced annually. Five of the additional units came from two new satellite plants the Company constructed, one at Great Northern Paper Inc. in Millinocket, Maine, and the other at a paper mill owned by M-real Corporation at Alizay, France. The remaining five units came from expansions at existing satellite PCC plants.

The Specialty PCC product line, used in non-paper applications, declined slightly from the same period last year. This decline was attributable primarily to continued weak industry conditions and a more competitive environment in the calcium supplement market.

On February 6, 2002, the Company purchased from the J.M. Huber Corporation of Edison, New Jersey a PCC manufacturing facility in Hermalle-sous-Huy, Belgium for approximately \$10.2 million. The acquisition of this merchant PCC plant, which has the capacity to produce approximately 60,000 tons of PCC per year, will allow the Company to accelerate its European coating PCC program.

Net sales of Processed Minerals products increased 1.9% in the first quarter to \$21.4 from \$21.0 million in the same period the prior year.

Net sales in the Refractories segment increased 26.3% to \$54.7 million as compared with \$43.3 million in the prior year. The increase in sales was the result of two acquisitions in 2001, the refractory business of Martin Marietta Magnesia Specialties, acquired in the second quarter of 2001, and Rijnstaal B.V., a Netherlands-based producer of cored metal wires used mainly in the steel and foundry industries, which was acquired in the third quarter of 2001.

Net sales in the United States in the first quarter of 2002 increased approximately 11.2% as compared with the first quarter of 2001. This increase was primarily due to higher sales in the Refractories segment as a result of the aforementioned acquisitions. Foreign sales increased approximately 5.7% in the first quarter of 2002 primarily due to increased sales in the Refractories segment, particularly in Europe.

Income from operations increased 10.0% to \$21.4 million, as compared with \$19.5 million for the same period last year. The increase was primarily a result of the two acquisitions in our Refractories business, and restructuring actions taken in 2001 to reduce cost, improve efficiency, and control expenses throughout the businesses. During the first quarter of 2002, the Company recorded a write-down of impaired assets of \$0.75 million for a PCC plant at a paper mill that ceased operations. Amortization related to goodwill was \$ -- and \$0.1 million in the first quarter of 2002 and 2001, respectively. Operating income in the Specialty Minerals segment increased 9.5% to \$15.2 million and represented 12.2% of its net sales. The Refractories segment's operating income increased 11.2% to \$6.2 million and was 11.4% of its net sales.

The Company's effective tax rate for 2002 was approximately 28.9% compared to 31.1% in the prior year. The change in the effective tax rate reflects differences in the expected geographic mix of profit by country for the year.

Net income increased 16.2% to \$13.5 million from \$11.7 million in the prior year. Diluted earnings per share were \$0.66 in the first quarter of 2002 as compared with \$0.58 in the prior year.

Liquidity and Capital Resources

Cash flows in the first quarter of 2002 were provided from operations and proceeds from stock option exercises and were applied principally to fund capital expenditures, to fund the aforementioned purchase of the Hermalle-sous-Huy facility, and to repay short-term debt. Cash provided from operating activities amounted to \$16.7 million in the first quarter of 2002 as compared with \$21.0 million in the first

quarter of the prior year. The reduction in cash provided by operating activities in the first quarter of 2002 was primarily attributable to an increase in working capital.

The Company has available approximately \$110 million in uncommitted, short-term bank credit lines, of which \$60 million was in use at March 31, 2002. The Company anticipates that capital expenditures for all of 2002 will approximate \$70 million. The 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 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 Quarterly Report.

Recently Issued Accounting Standards

In June 2001, the Financial Accounting Standards Board Issued Statement of Financial Accounting Standard (SFAS) No. 143, "Accounting for Asset Retirement Obligations."

SFAS No. 143, effective for fiscal years beginning after June 15, 2002, addresses financial accounting and reporting for obligations associated with the retirement of tangible and 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.

Critical Accounting Policies

The Company's discussion and analysis of its financial condition and results of operations are 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 on-going 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, 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.

For a detailed discussion on the application of these and other accounting policies, see the discussion of critical accounting policies in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," and the "Summary of Significant Accounting Policies" in the "Notes to the Consolidated Financial Statements" in the December 31, 2001 Annual Report on Form 10-K.

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 rates. The Company is exposed to market risk because of changes in foreign currency exchange rates as measured against the U.S. dollar and changes in interest rates. 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 assurances that a sudden and significant decline in the value of foreign currencies would not have a material adverse effect on the Company's financial conditions and results of operations. Approximately 41% of the Company's interest-bearing debt bears interest at variable rates; therefore the Company's results of operations would be affected by interest rate changes. 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, and liabilities and transactions being hedged. The Company had open forward exchange contracts to purchase \$0.4 million of foreign currencies as of March 31, 2002. These contracts mature on June 28, 2002. The fair value of these instruments was an asset of \$44,000 at March 31, 2002. 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 an asset of \$236,000 at March 31, 2002.

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 duplicates in part a state enforcement action that was resolved in May 1999 through settlement and payment of a civil penalty of \$14,000. BMI entered into pre-filing negotiations with the Department of Justice, and on April 8, 2002, a complaint was filed and a proposed Consent Decree was lodged. Subject to public comments received during a required 30-day comment period, we anticipate entry of the Consent Decree in final settlement of this matter. The proposed Consent Decree includes a monetary penalty of \$40,000 as well as a supplemental environmental project near the Barretts site. Expenditures for the supplemental project are required to be at least \$74,000.

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 May 1, 2002, the Company's subsidiary Minteq International Inc. settled the lawsuit captioned WEMCO, Inc. and Emil J. Wirth, Jr. v. Minteq International Inc., which had been pending in the U.S. District Court for the Middle District of Pennsylvania. The lawsuit alleged breach of contract and unjust enrichment in connection with a licensing arrangement. The settlement, which involves the payment of certain royalties by Minteq International and a continuing business relationship between the parties, will not have a material 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' Acknowledgement. |
| 99 | Statement of Cautionary Factors That May Affect Future Results. |
- b) No reports on Form 8-K were filed during the first quarter of 2002.

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.

By: /s/ [Signature]
Name: [Name]
Title: [Title]
Position: [Position]

May 3, 2002

ACCOUNTANTS' ACKNOWLEDGEMENT

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 April 18, 2002, 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
May 3, 2002

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, future performance or results of current and anticipated products, sales efforts, expenditures, and financial results. From time to time, the Company also provides forward-looking statements in other publicly-released materials, both written and oral. Forward-looking statements provide current expectations and forecasts of future events such as new products, revenues and financial performance, and are not limited to describing historical or current facts. They can be identified by the use of words such as "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 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, could have a substantial adverse effect on the Company's results of operations, and could also result in impairment of the assets associated with the PCC plant.

- ***Consolidation in Paper Industry***

Several consolidations in the paper industry have taken place in recent years. These consolidations 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 consolidations concentrate purchasing power in the hands of a smaller number of papermakers, enabling them to increase pressure on suppliers, such as MTI. This 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 governmental, 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, fluctuation 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 generally 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.