

MINERALS TECHNOLOGIES INC
Form 10-Q
April 28, 2008

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

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

For the quarterly period ended March 30, 2008

or

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

Commission File Number 1-3295

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MINERALS TECHNOLOGIES INC.

(Exact name of registrant as specified in its charter)

DELAWARE

(State or other jurisdiction of
incorporation or organization)

25-1190717

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

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

(Address of principal executive offices, including zip code)

(212) 878-1800

(Registrant's telephone number, including area code)

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

YES NO

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

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

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

YES NO

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

| Class | Outstanding at April 11, 2008 |
|--------------------------------|-------------------------------|
| Common Stock, \$0.10 par value | 18,888,642 |

MINERALS TECHNOLOGIES INC.

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PART 1. FINANCIAL INFORMATION

ITEM 1. Financial Statements

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

| | Three Months Ended | |
|--|--------------------|------------------|
| | March 30, 2008 | April 1, 2007 |
| (in thousands, except per share data) | | |
| Net sales | \$ 277,520 | \$ 265,483 |
| Cost of goods sold | <u>216,785</u> | <u>208,963</u> |
| Production margin | 60,735 | 56,520 |
| Marketing and administrative expenses | 26,040 | 26,899 |
| Research and development expenses | 6,120 | 6,928 |
| Restructuring and other costs | <u>1,432</u> | <u>--</u> |
| Income from operations | 27,143 | 22,693 |
| Non-operating income (deductions), net | <u>(1,514)</u> | <u>(2,679)</u> |
| Income before provision for taxes | | |
| on income, minority interests and discontinued operations | 25,629 | 20,014 |
| Provision for taxes on income | 7,945 | 6,563 |
| Minority interests | <u>853</u> | <u>848</u> |
| Income from continuing operations | 16,831 | 12,603 |

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| | | |
|--|------------------|------------------|
| Income (loss) from discontinued operations, net of tax | <u>376</u> | <u>(1,782)</u> |
| Net income | <u>\$ 17,207</u> | <u>\$ 10,821</u> |

Earnings per share:

Basic:

| | | |
|--|----------------|----------------|
| Income from continuing operations | \$ 0.88 | \$ 0.66 |
| Income (loss) from discontinued operations | <u>0.02</u> | <u>(0.09)</u> |
| Basic earnings per share | <u>\$ 0.90</u> | <u>\$ 0.57</u> |

Diluted:

| | | |
|--|----------------|----------------|
| Income from continuing operations | \$ 0.88 | \$ 0.65 |
| Income (loss) from discontinued operations | <u>0.02</u> | <u>(0.09)</u> |
| Diluted earnings per share | <u>\$ 0.90</u> | <u>\$ 0.56</u> |

| | | |
|--|----------------|----------------|
| Cash dividends declared per common share | <u>\$ 0.05</u> | <u>\$ 0.05</u> |
|--|----------------|----------------|

Shares used in computation of earnings per share:

| | | |
|---------|--------|--------|
| Basic | 19,076 | 19,046 |
| Diluted | 19,179 | 19,241 |

See accompanying Notes to Condensed Consolidated Financial Statements.

MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES
CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS

| (thousands of dollars) | March 30, 2008* | December 31, 2007** |
|---|---------------------|---------------------------|
| Current assets: | | |
| Cash and cash equivalents | \$ 126,799 | \$ 128,985 |
| Short-term investments, at cost which approximates market | 11,988 | 9,697 |
| Accounts receivable, net | 208,950 | 180,868 |
| Inventories | 119,498 | 103,373 |
| Prepaid expenses and other current assets | 21,034 | 22,773 |
| Assets held for disposal | <u>23,235</u> | <u>27,614</u> |
| Total current assets | 511,504 | 473,310 |
| Property, plant and equipment, less accumulated depreciation and depletion - March 30, 2008 - 893,733; December 31, 2007 - \$862,457 | 489,308 | 489,386 |
| Goodwill | 71,268 | 71,964 |
| Prepaid pension costs | 54,566 | 53,667 |
| Other assets and deferred charges | <u>37,994</u> | <u>40,566</u> |
| Total assets | <u>\$ 1,164,640</u> | <u>\$ 1,128,893</u> |

LIABILITIES AND SHAREHOLDERS' EQUITY

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| | | |
|--|---------------------|---------------------|
| Current liabilities: | | |
| Short-term debt | \$ 22,513 | \$ 9,518 |
| Current maturities of long-term debt | 12,265 | 7,210 |
| Accounts payable | 71,967 | 66,084 |
| Restructuring liabilities | 6,170 | 14,479 |
| Other current liabilities | 67,367 | 65,057 |
| Liabilities of assets held for disposal | <u>1,899</u> | <u>4,801</u> |
| Total current liabilities | 182,181 | 167,149 |
| Long-term debt | 101,221 | 111,006 |
| Other non-current liabilities | <u>104,708</u> | <u>99,565</u> |
| Total liabilities | <u>388,110</u> | <u>377,720</u> |
| Shareholders' equity: | | |
| Common stock | 2,868 | 2,854 |
| Additional paid-in capital | 301,435 | 294,367 |
| Retained earnings | 818,347 | 802,096 |
| Accumulated other comprehensive income | 65,372 | 45,365 |
| Less common stock held in treasury | <u>(411,492)</u> | <u>(393,509)</u> |
| Total shareholders' equity | <u>776,530</u> | <u>751,173</u> |
| Total liabilities and shareholders' equity | <u>\$ 1,164,640</u> | <u>\$ 1,128,893</u> |

* Unaudited

** Condensed from audited financial statements

See accompanying Notes to Condensed Consolidated Financial Statements.

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

(Unaudited)

| (thousands of dollars) | Three Months Ended | |
|--|--------------------|------------------|
| | March 30, 2008 | April 1, 2007 |
| Operating Activities: | | |
| Net income | \$ 17,207 | \$ 10,821 |
| Income (loss) from discontinued operations | <u>376</u> | <u>(1,782)</u> |
| Income from continuing operations | 16,831 | 12,603 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation, depletion and amortization | 19,734 | 21,157 |
| Payments related to restructuring costs | (9,421) | -- |
| Tax benefits related to stock incentive programs | 809 | 585 |
| Other non-cash items | <u>2,548</u> | <u>1,987</u> |

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| | | |
|---|-------------------|------------------|
| Net changes in operating assets and liabilities | <u>(26,642)</u> | <u>(4,997)</u> |
| Net cash provided by continuing operations | 3,859 | 31,335 |
| Net cash provided by (used in) discontinued operations | <u>2,217</u> | <u>(2,084)</u> |
| Net cash provided by operating activities | <u>6,076</u> | <u>29,251</u> |
| Investing Activities: | | |
| Purchases of property, plant and equipment | (10,027) | (11,977) |
| Proceeds from sale of short-term investments | 520 | 1,000 |
| Purchases of short-term investments | <u>(3,105)</u> | <u>(1,000)</u> |
| Net cash used in investing activities - continuing operations | (12,612) | (11,977) |
| Net cash used in investing activities - discontinued operations | <u>(51)</u> | <u>(1,948)</u> |
| Net cash used in investing activities | <u>(12,663)</u> | <u>(13,925)</u> |
| Financing Activities: | | |
| Proceeds from issuance of long-term debt | -- | 7,741 |
| Repayment of long-term debt | (4,983) | (593) |
| Net proceeds (repayment) of short-term debt | 13,366 | (8,918) |
| Purchase of common shares for treasury | (15,986) | (6,686) |
| Proceeds from issuance of stock under option plan | 4,988 | 4,371 |
| Excess tax benefits related to stock incentive programs | 333 | 125 |
| Cash dividends paid | <u>(956)</u> | <u>(951)</u> |
| Net cash used in financing activities | <u>(3,238)</u> | <u>(4,911)</u> |
| Effect of exchange rate changes on cash and cash equivalents | <u>7,639</u> | <u>1,743</u> |
| Net increase (decrease) in cash and cash equivalents | (2,186) | 12,158 |
| Cash and cash equivalents at beginning of period | <u>128,985</u> | <u>67,929</u> |
| Cash and cash equivalents at end of period | <u>\$ 126,799</u> | <u>\$ 80,087</u> |
| Supplemental disclosure of cash flow information: | | |
| Interest paid | <u>\$ 660</u> | <u>\$ 1,412</u> |
| Income taxes paid | <u>\$ 3,508</u> | <u>\$ 4,131</u> |
| Non-cash financing activities: | | |
| Treasury stock purchases settled after period-end | <u>\$ 1,997</u> | <u>\$ --</u> |

See accompanying Notes to Condensed Consolidated Financial Statements.

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

Note 1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared by management in accordance with the rules and regulations of the United States Securities and Exchange Commission. Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with

U.S. generally accepted accounting principles have been condensed or omitted. Therefore, these financial statements should be read in conjunction with the consolidated financial statements and notes thereto contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2007. In the opinion of management, all adjustments, consisting solely of normal recurring adjustments necessary for a fair presentation of the financial information for the periods indicated, have been included. The results for the three-month period ended March 30, 2008 are not necessarily indicative of the results that may be expected for the year ending December 31, 2008.

Note 2. Summary of Significant Accounting Policies

Use of Estimates

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

Note 3. Earnings Per Share (EPS)

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

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

| | Three Months Ended | |
|---|--------------------|------------------|
| | March 30, 2008 | April 1, 2007 |
| Basic EPS (in millions, except per share data) | | |
| Income from continuing operations | \$ 16.8 | \$ 12.6 |
| Income (loss) from discontinued operations | 0.4 | (1.8) |
| Net income | <u>\$ 17.2</u> | <u>\$ 10.8</u> |
| Weighted average shares outstanding | 19,076 | 19,046 |
| Basic earnings per share from continuing operations | \$ 0.88 | \$ 0.66 |
| Basic earnings (loss) per share from discontinued operations | 0.02 | (0.09) |
| Basic earnings per share | <u>\$ 0.90</u> | <u>\$ 0.57</u> |

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| | <u>Three Months Ended</u> | |
|---|---------------------------------|--------------------------------|
| | <u>March 30,</u> <u>2008</u> | <u>April 1,</u> <u>2007</u> |
| Diluted EPS (in millions, except per share data) | | |
| Income from continuing operations | \$ 16.8 | \$ 12.6 |
| Income (loss) from discontinued operations | <u>0.4</u> | <u>(1.8)</u> |
| Net income | <u>\$ 17.2</u> | <u>\$ 10.8</u> |
| Weighted average shares outstanding | 19,076 | 19,046 |
| Dilutive effect of stock options and stock units | <u>103</u> | <u>195</u> |
| Weighted average shares outstanding, adjusted | <u>19,179</u> | <u>19,241</u> |
| Diluted earnings per share from continuing operations | \$ 0.88 | \$ 0.65 |
| Diluted earnings (loss) per share from discontinued operations | <u>0.02</u> | <u>(0.09)</u> |
| Diluted earnings per share | <u>\$ 0.90</u> | <u>\$ 0.56</u> |

The weighted average diluted common shares outstanding for the three months ended March 30, 2008 and April 1, 2007 excludes the dilutive effect of 315,799 options and 265,900 options, respectively, as such options had an exercise price in excess of the average market value of the Company's common stock during such period.

Note 4. Discontinued Operations

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

During the fourth quarter of 2007, the Company classified its Synsil operations and its plants at Mount Vernon, Indiana and Wellsville, Ohio as discontinued operations. These operations were part of the Company's Specialty Minerals segment. The assets of these operations are held as available for sale. The Company expects the sale of these assets to be completed during 2008. The Company does not anticipate the ongoing operating cash flows of these operations to be significant.

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

| | <u>Three Months Ended</u> | |
|---|---------------------------------|--------------------------------|
| | <u>March 30,</u> <u>2008</u> | <u>April 1,</u> <u>2007</u> |
| (millions of dollars) | | |
| Net sales | \$ <u>6.3</u> | \$ <u>8.1</u> |
| Production margin | 0.7 | (1.6) |
| Expenses | 0.2 | 1.2 |
| Impairment of assets | -- | -- |
| Restructuring and other costs | <u>(0.1)</u> | <u>--</u> |
| Income (loss) from operations | <u>\$ 0.6</u> | <u>\$ (2.8)</u> |
| Other income | <u>\$ --</u> | <u>\$ 0.1</u> |
| Provision (benefit) for taxes on income | <u>\$ 0.2</u> | <u>\$ (0.9)</u> |

Income (loss) from discontinued operations, net of tax \$ 0.4 \$ (1.8)
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MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

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

| (millions of dollars) | March 30, 2008 | Dec. 31, 2007 |
|---|-------------------|------------------|
| Assets: | | |
| Accounts receivable | \$ 3.0 | \$ 4.3 |
| Inventories | 7.1 | 10.2 |
| Property, plant and equipment, net | 11.5 | 11.5 |
| Goodwill | 1.6 | 1.6 |
| Other assets | -- | -- |
| Assets held for disposal | <u>\$ 23.2</u> | <u>\$ 27.6</u> |
| Liabilities: | | |
| Accounts payable | \$ 0.5 | \$ 2.9 |
| Accrued liabilities | <u>1.4</u> | <u>1.9</u> |
| Liabilities of assets held for disposal | <u>\$ 1.9</u> | <u>\$ 4.8</u> |

Note 5. Income Taxes

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

As of March 30, 2008, the Company had approximately \$10.7 million of total unrecognized income tax benefits. Included in this amount were a total of \$6.1 million of benefits that if recognized would affect the Company's effective tax rate. While it is expected that the amount of unrecognized tax benefits will change in the next 12 months, we do not expect the change to have a significant impact on the results of operations or the financial position of the Company.

The Company's accounting policy prior to the adoption of FIN 48 and upon the adoption of FIN 48 is to recognize interest and penalties accrued, relating to unrecognized income tax benefits as part of its provision for income taxes. The Company accrued approximately \$0.3 million of interest and penalties during the first quarter of 2008 and has an accrued balance of \$3.2 million at March 30, 2008.

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

Note 6. Inventories

The following is a summary of inventories by major category:

| (millions of dollars) | March 30, 2008 | December 31, 2007 |
|------------------------|-------------------|----------------------|
| Raw materials | \$ 54.8 | \$ 42.0 |
| Work-in-process | 7.6 | 8.1 |
| Finished goods | 35.2 | 31.2 |
| Packaging and supplies | 21.9 | 22.1 |
| Total inventories | <u>\$ 119.5</u> | <u>\$ 103.4</u> |

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

Note 7. Goodwill and Other Intangible Assets

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

The carrying amount of goodwill was \$71.3 million, and \$72.0 million as of March 30, 2008 and December 31, 2007, respectively. The net change in goodwill since January 1, 2008 was primarily attributable to the effect of foreign exchange.

Acquired intangible assets subject to amortization as of March 30, 2008 and December 31, 2007 were as follows:

| (millions of dollars) | March 30, 2008 | | December 31, 2007 | |
|-------------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | Gross Carrying Amount | Accumulated Amortization | Gross Carrying Amount | Accumulated Amortization |
| P a t e n t s a n d trademarks | \$ 7.7 | \$ 2.9 | \$ 7.9 | \$ 2.7 |
| Customer lists | 10.6 | 1.5 | 11.1 | 1.4 |
| Other | 0.3 | 0.1 | 0.4 | 0.1 |
| | <u>\$ 18.6</u> | <u>\$ 4.5</u> | <u>\$ 19.4</u> | <u>\$ 4.2</u> |

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

Included in other assets and deferred charges is an intangible asset of approximately \$5.0 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 \$0.5 million was amortized in the first quarter of 2008. Estimated amortization as a reduction of sales is as follows: remainder of 2008 - \$1.3 million; 2009 - \$1.5 million; 2010 - \$1.2 million; 2011 - \$0.9 million; 2012 - \$0.6 million; with smaller reductions thereafter over the remaining lives of the contracts.

Note 8. Restructuring Costs

Following an in-depth review of all our operations and development of a new strategic focus, the Company recorded pre-tax charges totaling \$16.0 million for restructuring and other costs during the third and fourth quarters of 2007. Additional restructuring costs of \$1.4 million were recorded in the first quarter of 2008. The restructuring will result in a total workforce reduction of approximately 220 employees, of which 150 reductions have been implemented as of March 30, 2008. This charge consists of severance and other employee benefit costs, contract termination costs and other exit costs.

A reconciliation of the restructuring liability, as of March 30, 2008, is as follows:

| (millions of dollars) | Balance as of December 31, 2007 | Additional Provisions | Cash Expenditures | Other | Balance as of March 30, 2008 |
|--|--|--------------------------|----------------------|-----------------|---------------------------------------|
| Severance and other employee benefits | \$ 12.6 | \$ 0.9 | \$ (9.0) | \$ (0.1) | \$ 4.4 |
| Contract termination costs | 1.8 | -- | -- | -- | 1.8 |
| Other exit costs | <u>0.1</u> | <u>0.5</u> | <u>(0.6)</u> | <u>--</u> | <u>--</u> |
| | <u>\$ 14.5</u> | <u>\$ 1.4</u> | <u>\$ (9.6)</u> | <u>\$ (0.1)</u> | <u>\$ 6.2</u> |

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

Note 9. Long-Term Debt and Commitments

The following is a summary of long-term debt:

| (m i l l i o n s o f dollars) | March 30, 2008 | Dec. 31, 2007 |
|---|----------------------|---------------------|
| 5.53% Series 2006A Senior Notes Due October 5, 2013 | \$ 50.0 | \$ 50.0 |
| Floating Rate Series 2006A Senior Notes Due October 5, 2013 | 25.0 | 25.0 |
| Variable/Fixed Rate Industrial Development Revenue Bonds Due 2009 | 4.0 | 4.0 |
| Economic Development Authority Refunding Revenue Bonds Series 1999 Due 2010 | 4.6 | 4.6 |
| Variable/Fixed Rate Industrial Development Revenue Bonds Due August 1, 2012 | 8.0 | 8.0 |
| Variable/Fixed Rate Industrial Development Revenue Bonds Series 1999 Due November 1, 2014 | 8.2 | 8.2 |

| | | |
|------------------------------------|----------------|----------------|
| Variable/Fixed Rate Industrial | | |
| Development Revenue Bonds Due | | |
| March 31, 2020 | 5.0 | 5.0 |
| Variable Rate Renminbi Denominated | | |
| Loan Agreement Due 2009 | -- | 4.8 |
| Installment obligations | 7.9 | 7.9 |
| Other borrowings | <u>0.8</u> | <u>0.7</u> |
| Total | 113.5 | 118.2 |
| Less: Current maturities | <u>12.3</u> | <u>7.2</u> |
| Long-term debt | <u>\$101.2</u> | <u>\$111.0</u> |

As of March 30, 2008, the Company had \$194.0 million of uncommitted short-term bank credit lines, of which approximately \$22.5 million was in use.

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

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

Note 10. Pension Plans

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

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

Components of Net Periodic Benefit Cost

| | | |
|-----------------------|-------------------------|-----------------------|
| (millions of dollars) | <u>Pension Benefits</u> | <u>Other Benefits</u> |
| | Three Months Ended | Three Months |

| | Ended | | | |
|--------------------------------|-------------------|------------------|-------------------|---------------------|
| | March 30, 2008 | April 1, 2007 | March 30, 2008 | April 1, 2007 |
| Service cost | \$ 2.2 | \$ 2.4 | \$ 0.6 | \$ 0.7 |
| Interest cost | 3.3 | 3.2 | 0.6 | 0.6 |
| Expected return on plan assets | (5.3) | (5.0) | -- | -- |
| Amortization: | | | | |
| Prior service cost | 0.4 | 0.4 | 0.1 | 0.1 |
| Recognized net actuarial loss | <u>0.6</u> | <u>0.9</u> | <u>0.1</u> | <u>0.3</u> |
| Net periodic benefit cost | <u>\$ 1.2</u> | <u>\$ 1.9</u> | <u>\$ 1.4</u> | <u>\$ 1.7</u> |

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

Employer Contributions

The Company expects to contribute \$10 million to its pension plan and \$1.5 million to its other post retirement benefit plans in 2008. As of March 30, 2008, \$0.4 million has been contributed to the pension fund and approximately \$0.5 million has been contributed to the post retirement benefit plans.

Note 11. Comprehensive Income

The following are the components of comprehensive income:

| (millions of dollars) | <u>Three Months Ended</u> | |
|--|---------------------------|---------------------|
| | March 30, 2008 | April 1, 2007 |
| Net income | \$ 17.2 | \$ 10.8 |
| Other comprehensive income, net of tax: | | |
| Foreign currency translation adjustments | 19.2 | 7.2 |
| Pension and postretirement plan adjustments | 0.6 | 1.1 |
| Cash flow hedges: | | |
| Net derivative gains arising during the period | 0.2 | -- |
| Reclassification adjustment | <u>--</u> | <u>--</u> |
| Comprehensive income | <u>\$ 37.2</u> | <u>\$ 19.1</u> |

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

| (millions of dollars) | March 30, 2008 | December 31, 2007 |
|--|-------------------|----------------------|
| Foreign currency translation adjustments | \$ 100.9 | \$ 81.7 |
| Unrecognized pension costs | (35.6) | (36.2) |
| Net gain (loss) on cash flow hedges | <u>0.1</u> | <u>(0.1)</u> |
| Accumulated other comprehensive income | <u>\$ 65.4</u> | <u>\$ 45.4</u> |

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 12. Accounting for Asset Retirement Obligations

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

The following is a reconciliation of asset retirement obligations as of March 30, 2008:

(millions of dollars)

| | |
|---|----------------|
| Asset retirement liability, December 31, 2007 | \$ 12.9 |
| Accretion expense | 0.2 |
| Foreign currency translation | <u>0.2</u> |
| Asset retirement liability, March 30, 2008 | <u>\$ 13.3</u> |

Approximately \$0.4 million is included in other current liabilities and \$12.9 million is included in other non-current liabilities in the Condensed Consolidated Balance Sheet as of March 30, 2008.

Note 13. Non-Operating Income and Deductions

| (millions of dollars) | March 30, 2008 | April 1, 2007 |
|---|-------------------|------------------|
| Interest income | \$ 1.1 | \$ 0.5 |
| Interest expense | (1.5) | (2.7) |
| Foreign exchange gains (losses) | (0.8) | (0.3) |
| Other deductions | <u>(0.3)</u> | <u>(0.2)</u> |
| Non-operating income (deductions), net | <u>\$ (1.5)</u> | <u>\$ (2.7)</u> |

Note 14. Segment and Related Information

Segment information for the three months ended March 30, 2008 and April 1, 2007 was as follows:

| (millions of dollars) | Net Sales | |
|--------------------------|--------------------|---------------------|
| | Three Months Ended | |
| | March 30, 2008 | April 1, 2007 |
| Specialty Minerals | \$ 180.8 | \$ 176.0 |
| Refractories | <u>96.7</u> | <u>89.5</u> |
| Total | <u>\$ 277.5</u> | <u>\$ 265.5</u> |

| (millions of dollars) | Income from Operations | |
|-----------------------|------------------------|----------------|
| | Three Months Ended | |
| | March 30, 2008 | April 1, 2007 |
| Specialty Minerals | \$ 18.4 | \$ 16.0 |
| Refractories | 8.8 | 6.7 |
| Total | <u>\$ 27.2</u> | <u>\$ 22.7</u> |

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

The carrying amount of goodwill by reportable segment as of March 30, 2008 and December 31, 2007 was as follows:

| (millions of dollars) | Goodwill | |
|-----------------------|----------------|-------------------|
| | March 30, 2008 | December 31, 2007 |
| Specialty Minerals | \$ 15.4 | \$ 15.3 |
| Refractories | 55.9 | 56.7 |
| Total | <u>\$ 71.3</u> | <u>\$ 72.0</u> |

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

| (millions of dollars) | Three Months Ended | |
|---|---|----------------|
| | March 30, 2008 | April 1, 2007 |
| | Income before provision for taxes on income, minority interests and discontinued operations: | |
| Income from operations for reportable segments | \$ 27.2 | \$ 22.7 |
| Unallocated corporate expenses | (0.1) | -- |
| Consolidated income from operations | 27.1 | 22.7 |
| Non-operating income (deductions), net | (1.5) | (2.7) |
| Income before provision for taxes on income, minority interests and discontinued operations | <u>\$ 25.6</u> | <u>\$ 20.0</u> |

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

| (millions of dollars) | Three Months Ended | |
|--------------------------|--------------------|---------------|
| | March 30, 2008 | April 1, 2007 |
| Paper PCC | \$ 137.9 | \$ 133.6 |
| Specialty PCC | 15.3 | 15.0 |
| Talc | 9.2 | 9.4 |
| Ground Calcium Carbonate | 18.4 | 18.0 |
| Refractory Products | 79.1 | 71.5 |

| | | |
|------------------------|-----------------|-----------------|
| Metallurgical Products | <u>17.6</u> | <u>18.0</u> |
| Net sales | <u>\$ 277.5</u> | <u>\$ 265.5</u> |

Note 15. Subsequent Event

In April 2008, the Company sold two of its Synsil operations in Chester, South Carolina, and Woodville, Ohio, for approximately \$7.5 million. This resulted in a pre-tax gain of approximately \$6.6 million (\$4.3 million after-tax) that will be recorded in discontinued operations in the second quarter of 2008.

 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 March 30, 2008 and the related condensed consolidated statements of income and cash flows for the three-month periods ended March 30, 2008 and April 1, 2007. These condensed consolidated financial statements are the responsibility of the company's management.

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

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

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Minerals Technologies Inc. and subsidiary companies as of December 31, 2007, and the related consolidated statements of income, shareholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated February 27, 2008, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2007 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ KPMG LLP

New York, New York
April 25, 2008

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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> | |
| | March 30, 2008 | April 1, 2007 |
| Net sales | 100.0% | 100.0 % |
| Cost of goods sold | <u>78.1</u> | <u>78.7</u> |
| Production margin | 21.9 | 21.3 |
| Marketing and administrative expenses | 9.4 | 10.1 |
| Research and development expenses | 2.2 | 2.6 |
| Restructuring and other costs | <u>0.5</u> | <u>--</u> |
| Income from operations | <u>9.8</u> | <u>8.6</u> |
| Income from continuing operations | <u>6.1</u> | <u>4.8</u> |
| Income (loss) from discontinued operations | <u>0.1</u> | <u>(0.7)</u> |
| Net income | <u>6.2%</u> | <u>4.1 %</u> |

Executive Summary

Consolidated sales for the first quarter of 2008 increased 5% over the prior year to \$277.5 million from \$265.5 million. Foreign exchange represented the total sales growth of approximately \$12.0 million and increased selling prices offset volume declines in our major product lines. Operating income increased 20% to \$27.1 million from \$22.7 million in the prior year. Income from continuing operations increased 34% to \$16.8 million from \$12.6 million in the prior year. Net income increased 59% to \$17.2 million from \$10.8 million in the prior year. First quarter results were positively affected by the benefits derived from the restructuring program initiated in the third quarter of 2007, the favorable effects of foreign currency and an improved performance in the refractory operations in North America. This was partially offset by the continued decline in the residential construction and automotive markets affecting the Processed Minerals product line.

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

- •Increasing our sales of PCC for paper by further penetration of the markets for paper filling at both freesheet and groundwood mills;
- •Development of the filler-fiber composite program, to increase the fill-rate for uncoated freesheet paper, which continues to undergo large-scale paper machine trials;
- •Further development of the Company's PCC products, filling and coating, for use in the satellite model;
- •Development of unique calcium carbonates used in the manufacture of novel biopolymers, an emerging market opportunity;
- •Rapid deployment of value-added formulations of refractory materials that not only reduce costs but also improve performance;
- •Leverage the Company's expertise in crystal engineering, especially in helping papermakers customize PCC morphologies for specific paper applications;
- •Continuing our penetration in emerging markets through our manufacturing facility in China and our 2006 acquisition in Turkey, both within the Refractories segment; and
- •Further increasing market penetration in the Refractories segment through development of high-performance products and equipment systems.

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

We face some significant risks and challenges in the future:

- •Our success depends in part on the performance of the industries we serve, particularly papermaking and steel making. Some of our customers may continue to experience consolidations and shutdowns;
- •Consolidations in the paper and steel industries concentrate purchasing power in the hands of fewer customers, increasing pricing pressure on suppliers such as Minerals Technologies Inc.;
- •Most of our Paper PCC sales are subject to long-term contracts that may be terminated pursuant to their terms, or may be renewed on terms less favorable to us;
- •Our filler-fiber composite technology continues in development through customer trials, but has yet to be proven on a long-term commercial scale;
- •We are subject to cost fluctuations on raw materials, including shipping costs, particularly for magnesia and alumina imported from China;
- •Our Processed Minerals and Specialty PCC product lines are highly influenced by the domestic building and construction markets; and
- •As we expand our operations abroad we face the inherent risks of doing business in many foreign countries, including foreign exchange risk, import and export restrictions, and security concerns.

Results of Operations

Sales

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| (millions of dollars) | First Quarter 2008 | % of Total Sales | Growth | First Quarter 2007 | % of Total Sales |
|-----------------------------|--------------------------|------------------------|------------|--------------------------|------------------------|
| <u>Net Sales</u> | | | | | |
| U.S | \$ 148.5 | 53.5 % | 3 % | \$ 144.8 | 54.5 % |
| International | 129.0 | 46.5 % | 7 % | 120.7 | 45.5 % |
| Net sales | <u>\$ 277.5</u> | <u>100.0 %</u> | <u>5 %</u> | <u>\$ 265.5</u> | <u>100.0 %</u> |
| Paper PCC | \$ 137.9 | 49.7 % | 3 % | \$ 133.6 | 50.3 % |
| Specialty PCC | 15.3 | 5.5 % | 2 % | 15.0 | 5.7 % |
| PCC Products | <u>\$ 153.2</u> | <u>55.2 %</u> | <u>3 %</u> | <u>\$ 148.6</u> | <u>56.0 %</u> |
| Talc | \$ 9.2 | 3.3 % | (2) % | \$ 9.4 | 3.5 % |
| Ground Calcium Carbonate | 18.4 | 6.6 % | 2 % | 18.0 | 6.8 % |
| Processed Minerals Products | <u>\$ 27.6</u> | <u>9.9 %</u> | <u>1 %</u> | <u>\$ 27.4</u> | <u>10.3 %</u> |
| Specialty Minerals Segment | <u>\$ 180.8</u> | <u>65.1 %</u> | <u>3 %</u> | <u>\$ 176.0</u> | <u>66.3 %</u> |
| Refractory Products | \$ 79.1 | 28.5 % | 11 % | \$ 71.5 | 26.9 % |
| Metallurgical Products | 17.6 | 6.4 % | (2) % | 18.0 | 6.8 % |
| Refractories Segment | <u>\$ 96.7</u> | <u>34.9 %</u> | <u>8 %</u> | <u>\$ 89.5</u> | <u>33.7 %</u> |
| Net sales | <u>\$ 277.5</u> | <u>100.0 %</u> | <u>5 %</u> | <u>\$ 265.5</u> | <u>100.0 %</u> |

Worldwide net sales in the first quarter of 2008 increased 5% from the previous year to \$277.5 million. Foreign exchange had a favorable impact on sales of approximately \$12.0 million or 5 percentage points of growth and increased selling prices offset volume declines in our major product lines. Sales in the Specialty Minerals segment, which includes the PCC and Processed Minerals product lines, increased 3% to \$180.8 million compared with \$176.0 million for the same period in 2007. Sales in the Refractories segment grew 8% over the previous year to \$96.7 million.

Worldwide net sales of PCC, which is primarily used in the manufacturing process of the paper industry, increased 3% in the first quarter to \$153.2 million from \$148.6 million in the prior year. Foreign exchange had a favorable impact on sales of approximately 4 percentage points of growth. Paper PCC sales grew 3% to \$137.9 million in the first quarter of 2008 from \$133.6 million in the prior year. However, total paper PCC volumes

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declined 4 percentage points due to paper mill and paper machine shutdowns. Weakness in the North American market and Europe were more than offset by increased selling prices and foreign currency. Sales of Specialty PCC increased 2% to \$15.3 million from \$15.0 million in the prior year.

Net sales of Processed Minerals products increased 1% in the first quarter to \$27.6 million from \$27.4 million in the first quarter of 2007. This increase was in the GCC product line despite the continued weakness in the residential and commercial construction markets.

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Net sales in the Refractories segment in the first quarter of 2008 increased 8% to \$96.7 million from \$89.5 million in the prior year. Improved demand in North America had a favorable effect on this segment. In addition, foreign exchange had a favorable impact on sales of \$5.5 million or approximately 6 percentage points of growth. Sales of refractory products and systems to steel and other industrial applications increased 11 percent to \$79.1 million from \$71.5 million. Sales of metallurgical products within the Refractories segment decreased 2 percent to \$17.6 million as compared with \$18.0 million in the same period last year. This decrease was primarily attributable to lower volumes, primarily in Europe.

Net sales in the United States increased 3% to \$148.5 million in the first quarter of 2008. International sales in the first quarter of 2008 increased 7% to \$129.0 million.

| Operating Costs and Expenses (millions of dollars) | First Quarter | | Growth |
|---|------------------|----------|--------|
| | 2008 | 2007 | |
| Cost of goods sold | \$ 216.8 | \$ 209.0 | 4 % |
| Marketing and administrative | \$ 26.0 | \$ 26.9 | (3)% |
| Research and development | \$ 6.1 | \$ 6.9 | (12)% |
| Restructuring and other costs | \$ 1.4 | \$ -- | * |

* Percentage not meaningful

Cost of goods sold was 78.1% of sales compared with 78.7% of sales in the prior year. In the Specialty Minerals segment, production margin increased 5% as compared with 3% sales growth. This segment has been affected by continued weakness in the Processed Minerals product line, higher energy costs, and paper machine and paper mill shutdowns since the first quarter of 2007. These items were more than offset by cost benefits derived from the restructuring program, the favorable impact of foreign exchange and the recovery of raw material costs through price increases. In the Refractories segment, production margin increased 12% as compared with the 8% sales growth. This segment has been negatively affected by higher raw material costs which were partially offset by increased selling prices. The increase in profitability was attributable to an improved performance in refractory products in North America, higher margins in the metallurgical product line and the benefits from the restructuring program.

Marketing and administrative costs decreased 3% in the first quarter to \$26.0 million and represented 9.4% of net sales as compared with 10.1% of sales in the prior year.

Research and development expenses decreased 12% to \$6.1 million and represented 2.2% of net sales as compared with 2.6% of net sales in the prior year.

The reductions in total expenses were primarily due to the effect of the restructuring program.

Restructuring and other costs during the first quarter relate to additional provisions for severance and other employee benefits and to additional costs associated with facilities that are no longer in operation.

| Income from Operations (millions of dollars) | First Quarter | First Quarter | Growth |
|---|------------------|------------------|--------|
| | 2008 | 2007 | |
| Income from operations | \$ 27.1 | \$ 22.7 | 20% |

Income from operations in the first quarter of 2008 increased 20% to \$27.1 million from \$22.7 million in the prior year. Income from operations represented 9.8% of net sales in the first quarter of 2008 compared with 8.6% in the first quarter of 2007.

Income from operations for the Specialty Minerals segment increased 15% to \$18.4 million and was 10.2% of its net sales. Operating income for this segment was impacted by the aforementioned factors affecting production margin but were offset by lower expense levels than in the prior year. Operating income for the Refractories segment increased 32% to \$8.8 million and was 9.2% of its net sales as compared with 7.5% of its net sales in 2007.

| Non-Operating Deductions (millions of dollars) | First Quarter 2008 | First Quarter 2007 | Growth |
|--|--------------------------|---------------------------------|--------|
| Non-operating income (deductions), net | \$ (1.5) | \$ (2.7) | (44) % |

In the first quarter of 2008, net non-operating deductions decreased 44% to \$1.5 million. This decrease was primarily attributable to lower interest expense and higher interest income as a result of lower debt levels and an increase in cash and cash equivalents.

| Provision for Taxes on Income (millions of dollars) | First Quarter 2008 | First Quarter 2007 | Growth |
|---|--------------------------|--------------------------|--------|
| Provision for taxes on income | \$ 7.9 | \$ 6.6 | 20% |

The effective tax rate decreased to 31.0% in the first quarter of 2008 from 32.8% in the prior year due to a change in the mix of earnings.

| Income from Continuing Operations (millions of dollars) | First Quarter 2008 | First Quarter 2007 | Growth |
|---|--------------------------|--------------------------|--------|
| Income from continuing operations | \$ 16.8 | \$ 12.6 | 34% |

Income from continuing operations increased 34% to \$16.8 million from \$12.6 million in the prior year.

| Income (Loss) from Discontinued Operations (millions of dollars) | First Quarter 2008 | First Quarter 2007 | Growth |
|--|--------------------------|--------------------------|--------|
| Income (loss) from discontinued operations | \$ 0.4 | \$ (1.8) | * |

*

Percentage not meaningful

In the first quarter of 2008 the Company recognized income from discontinued operations of \$0.4 million as compared with a loss in the prior year of \$1.8 million. The loss in the prior year was primarily attributable to the results of operations of *SYNSIL*^{®}.

| Net Income (millions of dollars) | First Quarter 2008 | First Quarter 2007 | Growth |
|--|--------------------------|--------------------------|--------|
|--|--------------------------|--------------------------|--------|

| | | | | | |
|------------|----|------|----|------|------|
| Net income | \$ | 17.2 | \$ | 10.8 | 59 % |
|------------|----|------|----|------|------|

Net income increased 59% in the first quarter of 2008 to \$17.2 million. Diluted earnings per common share increased 61% to \$0.90 per share in the first quarter of 2008 as compared with \$0.56 per share in the prior year.

Liquidity and Capital Resources

Cash flows in the first three months of 2008 provided from operations were applied principally to fund working capital, capital expenditures, repay debt and repurchase common shares for treasury. Cash provided from operating

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activities amounted to \$6.1 million in the first three months of 2008 as compared with \$29.3 million for the same period last year. The decrease in cash provided from operations was due to payments related to restructuring costs and an increase in working capital when compared with the prior year. The working capital increase was primarily due to an increase in accounts receivable, raw materials inventories and the effects of foreign exchange. Our days of working capital increased to 75 days in the first quarter of 2008 from 68 days in the fourth quarter of 2007, but decreased 4 days from the prior year's first quarter.

Our accounts receivable increased 15% from December 31, 2007 as compared with a 1% sequential increase in sales over the fourth quarter of 2007. However, sales increased at an accelerated rate during the latter part of the first quarter of 2008 as compared with the same period in the fourth quarter of 2007 due to the cyclical nature of some of our product lines. This, as well as foreign currency, contributed to the increase in accounts receivables. As a result, our days of sales outstanding increased 6 days from year-end levels and one day from the prior year's first quarter.

Our inventory levels also increased from year-end levels as the Company accelerated purchases of higher priced raw materials imported from China. As a result, our days of inventory on hand were 49 days in the first quarter of 2008 as compared to 46 days in the fourth quarter of 2007.

We expect to utilize our cash to support the aforementioned growth strategies.

On October 25, 2005, the Company's Board of Directors authorized the Company's management to repurchase, at its discretion, up to \$75 million in additional shares over the next three-year period. As of March 30, 2008, the Company repurchased 1,307,598 shares under this program at an average price of \$57.36 per share. This program was completed in February 2008.

On October 24, 2007, the Company's Board of Directors authorized the Company's management to repurchase, at its discretion, up to \$75 million of additional shares over the next two-year period. As of March 30, 2008, 214,074 shares have been purchased under this program at an average price of approximately \$61.14 per share.

On April 23, 2008, our Board of Directors declared a regular quarterly dividend on our common stock of \$0.05 per share. No dividend will be payable unless declared by the Board and unless funds are legally available for payment.

We have \$194.0 million in uncommitted short-term bank credit lines, of which \$22.5 million was in use at March 30, 2008. We anticipate that capital expenditures for 2008 should be approximately \$75 million, principally related to

the construction of PCC plants and other opportunities that meet our strategic growth objectives. We expect to meet our other long-term financing requirements from internally generated funds, uncommitted bank credit lines and, where appropriate, project financing of certain satellite plants. The aggregate maturities of long-term debt are as follows: remainder of 2008 - \$12.3 million; 2009 - \$4.0 million; 2010 - \$4.6 million; 2011 - \$-- million; 2012 - \$8.0 million; thereafter - \$84.6 million.

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 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 "believes," "expects," "plans," "anticipates," "estimates" and words and terms of similar substance, used in connection with any discussion of future operating or financial performance identify these forward-looking statements.

Although we believe we have been prudent in our plans and assumptions, we cannot guarantee that the outcomes suggested in any forward-looking statement will be realized. 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 entitled "Cautionary Factors That May Affect Future Results" in Exhibit 99 to this report.

Recently Issued Accounting Standards

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 141 (revised 2007), "Business Combinations" ("Statement No. 141(R)"). Statement No. 141(R) changes the requirements for an acquirer's recognition and measurement of the assets acquired and the liabilities assumed in a business combination. Statement No. 141(R) is effective for annual periods beginning after December 15, 2008 and should be applied prospectively for all business combinations entered into after the date of adoption.

In December 2007, the FASB issued Financial Accounting Standards No. 160, "Noncontrolling Interests in Consolidated Financial Statements - an amendment of ARB No. 51" ("Statement No. 160"). Statement No. 160 requires (i) that noncontrolling (minority) interests be reported as a component of shareholders' equity, (ii) that net income attributable to the parent and to the noncontrolling interest be separately identified in the consolidated statement of operations, (iii) that changes in a parent's ownership interest while the parent retains its controlling interest be accounted for as equity transactions, (iv) that any retained noncontrolling equity investment upon the deconsolidation of a subsidiary be initially measured at fair value, and (v) that sufficient disclosures are provided that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. Statement No. 160 is effective for annual periods beginning after December 15, 2008 and should be applied prospectively. However, the presentation and disclosure requirements of Statement No. 160 shall be applied retrospectively for all periods presented. The adoption of the provisions of Statement No. 160 is not anticipated to materially impact the Company's consolidated financial position and results of operations.

In February 2008, the FASB issued FSP FAS 157-1, "Application of FASB No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements that Address Fair Value Measurements for Purposes of Lease Classification or Measurement under Statement 13" and FSP FAS 157-2, "Effective Date of FASB Statement No. 157." FSP 157-1 excludes fair measurements for purposes of lease classification or measurement under FASB Statement 13 from the

fair value measurement under FASB Statement 157. FSP 157-2 defers the effective date of Statement 157 for non-financial assets and non-financial liabilities to fiscal years beginning after November 15, 2008.

In March 2008, the FASB issued Statement of Financial Accounting Standards No. 161, "Disclosures About Derivative Instruments and Hedging Activities - an amendment of FASB Statement No. 133." This statement requires an entity to provide enhanced disclosures about its derivative and hedging activities. This statement is effective for financial statements for fiscal years beginning after November 15, 2008, with early application encouraged.

Critical Accounting Policies

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

On an ongoing basis, we evaluate our estimates and assumptions, including those related to revenue recognition, allowance for doubtful accounts, valuation of inventories, valuation of long-lived assets, pension plan assumptions, stock-based compensation assumptions, income taxes, income tax valuation allowances and litigation and environmental liabilities. We base our estimates on historical experience and on other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that can not readily be determined from other sources. There can be no assurance that actual results will not differ from those estimates.

ITEM 3. Quantitative and Qualitative Disclosures about Market Risk

Market risk represents the risk of loss that may impact our financial position, results of operations or cash flows due to adverse changes in market prices and foreign currency and interest rates. We are exposed to market risk because of changes in foreign currency exchange rates as measured against the U.S. dollar. We do not anticipate that near-term changes in exchange rates will have a material impact on our future earnings or cash flows. However, there can be no assurance that a sudden and significant decline in the value of foreign currencies would not have a

material adverse effect on our financial condition and results of operations. Approximately 40% of our bank debt bears interest at variable rates; therefore our results of operations would only be affected by interest rate changes to such outstanding bank debt. An immediate 10% change in interest rates would not have a material effect on our results of operations over the next fiscal year.

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

contracts to purchase approximately \$2.9 million of foreign currencies as of March 30, 2008. The contracts mature between April 2008 and July 2008. The fair value of these instruments at March 30, 2008 was an asset of \$0.5 million.

ITEM 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this report, and under the supervision and with participation of the Company's management, including the Chief Executive Officer and the Chief Financial Officer, the Company carried out an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures, pursuant to Exchange Act Rule 13a-15(b). 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 filings with the Securities and Exchange Commission.

Changes in Internal Control Over Financial Reporting

The Company is in the process of implementing a global enterprise resource planning ("ERP") system to manage its business operations. The worldwide implementation is expected to be completed over the next few years and involves changes in systems that include internal controls. Although the transition has proceeded to date without material adverse effects, the possibility exists that our migration to the new ERP system could adversely affect the Company's internal controls over financial reporting and procedures. We are reviewing each system as it is being implemented and the controls affected by the implementation of the new systems, and are making appropriate changes to affected internal controls as we implement the new systems. We believe that the controls as modified are appropriate and functioning effectively.

There was no change in the Company's internal control over financial reporting (other than the ongoing implementation of the ERP system discussed above) during the quarter ended March 30, 2008 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. Legal Proceedings

As previously reported, certain of the Company's subsidiaries are among numerous defendants in a number of cases seeking damages for exposure to silica or to asbestos containing materials. The Company currently has 309 pending silica cases and 26 pending asbestos cases. To date, 1,157 silica cases and 1 asbestos case have been dismissed. Most of these claims do not provide adequate information to assess their merits, the likelihood that the Company will be found liable, or the magnitude of such liability, if any. Additional claims of this nature may be made against the Company or its subsidiaries. At this time management anticipates that the amount of the Company's liability, if any, and the cost of defending such claims, will not have a material effect on its financial position or results of operations.

amounts claimed in any of the lawsuits because state court pleading practices do not require identifying the amount of the claimed damage. The aggregate cost to the Company for the legal defense of these cases since inception was approximately \$0.1 million. Our experience has been that the Company is not liable to plaintiffs in any of these lawsuits and the Company does not expect to pay any settlements or jury verdicts in these lawsuits.

Environmental Matters

As previously reported, on April 9, 2003, the Connecticut Department of Environmental Protection ("DEP") issued an administrative consent order relating to our Canaan, Connecticut, plant where both our Refractories segment and Specialty Minerals segment have operations. We agreed to the order, which includes provisions requiring investigation and remediation of contamination associated with historic use of polychlorinated biphenyls ("PCBs") at a portion of the site. The following is the present status of the remediation efforts:

• Building Decontamination.

We have completed the investigation of building contamination and submitted a report characterizing the contamination. We are awaiting review and approval of this report by the regulators. Based on the results of this investigation, we believe that the contamination may be adequately addressed by means of encapsulation through painting of exposed surfaces, pursuant to the Environmental Protection Agency's ("EPA") regulations and have accrued such liabilities as discussed below. However, this conclusion remains uncertain pending completion of the phased remediation decision process required by the regulations.

• Groundwater.

We are still conducting investigations of potential groundwater contamination. To date, the results of investigation indicate that there is some oil contamination of the groundwater. We are conducting further investigations of the groundwater.

• Soil.

We have completed the investigation of soil contamination and submitted a report characterizing contamination to the regulators. Based on the results of this investigation, we believe that the contamination may be left in place and monitored, pursuant to a site-specific risk assessment, which is underway. However, this conclusion is subject to completion of a phased remediation decision process required by applicable regulations.

We believe that the most likely form of remediation will be to leave existing contamination in place, encapsulate it, and monitor the effectiveness of the encapsulation.

We estimate that the cost of the likely remediation above would approximate \$200,000, and that amount has been recorded as a liability on our books and records.

The Company is evaluating options for upgrading the wastewater treatment facilities at its Adams, Massachusetts, plant. This work is being undertaken pursuant to an administrative Consent Order issued by the Massachusetts Department of Environmental Protection on June 18, 2002. The Order required payment of a civil fine in the amount of \$18,500, the investigation of options for ensuring that the facility's wastewater treatment ponds will not result in discharge to groundwater, and closure of a historic lime solids disposal area. The Company informed the Massachusetts Department of Environmental Protection of proposed improvements to the wastewater treatment system on June 29, 2007, and is committed to implementing the improvements by June 1, 2012. Preliminary engineering reviews indicate that the estimated cost of these upgrades to operate this facility beyond 2012 may be between \$6 million and \$8 million. The Company estimates that remediation costs would approximate \$500,000, which has been accrued as of March 30, 2008.

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

ITEM 1A. Risk Factors

There have been no material changes to our risk factors from those disclosed in our 2007 Annual Report on Form 10-K. For a description of Risk Factors, see Exhibit 99 attached to this report.

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

Issuer Purchases of Equity Securities

| Period | Total Number of Shares Purchased | Average Price Paid Per Share | Total Number of Shares Purchased as Part of the Publicly Announced Program | Dollar Value of Shares that May Yet be Purchased Under the Program |
|--------------------------|--|---------------------------------|--|---|
| January 1 - January 27 | 75,500 | \$ 64.64 | 1,307,372 | \$ 13,892 |
| January 28 - February 5 | 226 | \$ 61.37 | 1,307,598 | \$ -- |
| February 5 - February 24 | 31,774 | \$ 61.39 | 31,774 | \$ 73,049,434 |
| February 25 - March 30 | 182,300 | \$ 61.10 | 214,074 | \$ 61,911,010 |
| Total | <u>289,800</u> | <u>\$ 62.05</u> | | |

On October 25, 2005, the Company's Board of Directors authorized the Company's management to repurchase, at its discretion, up to \$75 million in additional shares over the next three-year period. As of March 30, 2008, the Company repurchased 1,307,598 shares under this program at an average price of \$57.36 per share. This program has been completed.

On October 24, 2007, the Company's Board of Directors authorized the Company's management to repurchase, at its discretion, up to \$75 million of additional shares over the next two-year period. As of March 30, 2008, 214,074 shares have been purchased under this program at an average price of approximately \$61.14 per share.

ITEM 6. Exhibits

Exhibit

| <u>No.</u> | <u>Exhibit Title</u> |
|------------|--|
| 10.1 | Company Nonfunded Deferred Compensation and Unit Award Plan for Non-Employee Directors, as amended and restated effective January 1, 2008. |
| 15 | Letter Regarding Unaudited Interim Financial Information. |
| 31.1 | Rule 13a-14(a)/15d-14(a) Certification executed by the Company's principal executive officer. |
| 31.2 | Rule 13a-14(a)/15d-14(a) Certification executed by the Company's principal financial officer. |
| 32 | Section 1350 Certifications. |
| 99 | Statement of Cautionary Factors That May Affect Future Results. |

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/John A. Sorel

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

April 25, 2008