OPPORTUNITY

looking ahead

MINERALS TECHNOLOGIES INC.

2002 Annual Report

TABLE OF CONTENTS:

Millions of Dollars, Except Per Share Data	December 31, 2002	December 31, 2001
Net sales	$752.7	$684.4
Specialty Minerals Segment	520.1	483.3
PCC Products	423.0	396.1
Processed Minerals Products	97.1	87.2
Refractories Segment	232.6	201.1
Operating income	80.9	80.6
Net income	53.8	49.8
Earnings per share:		
Basic	2.66	2.54
Diluted	2.61	2.48
Research and development expenses	22.7	23.5
Depreciation and depletion	69.0	66.5
Acquisitions	34.1	37.4
Capital expenditures	37.1	63.1
Net cash provided by operating activities	117.8	98.3
Number of shareholders of record	212	225
Number of employees	2,374	2,305

ABOUT MINERALS TECHNOLOGIES INC.

Minerals Technologies Inc. is a global resource- and technology-based growth company that develops, produces and markets the highest quality performance-enhancing minerals and related products, systems and services for the paper, steel, polymer and other manufacturing industries. The Company has two operating segments: Specialty Minerals and Refractories. The Specialty Minerals segment produces and sells precipitated calcium carbonate (PCC), and mines and produces the natural mineral-based products ground calcium carbonate and talc. The Company is the leading producer and supplier of PCC to the worldwide paper industry. Its Specialty Minerals segment also serves the building materials, paints and coatings, glass, ceramic, polymers, food and pharmaceuticals industries. The Company's Refractories segment is one of the world's leading developers and marketers of mineral-based monolithic refractory materials, which are used to resist the effects of high temperature and are usually applied as coatings to surfaces exposed to extreme heat. These materials are used primarily in the steel, cement and glass industries.

To Our Shareholders:

Minerals Technologies Inc., like the majority of companies in the manufacturing sector, has faced difficult times over the past two years. The economy and the two industries we primarily serve—paper and steel—have been buffeted with bankruptcies, consolidations and flat domestic sales. In 2002, we faced what was, at best, a sluggish economy. I am pleased, however, that we resumed growth in earnings during the year, although our growth rate was not what we had anticipated. In contrast to many companies in the manufacturing sector, MTI held its own. Considering that the country lost 2.1 million manufacturing jobs between July of 2000 and January of 2003, I believe this Company has navigated some rough economic seas quite well. Indeed, MTI outperformed its peer group between 2000 and 2002 in cumulative total shareholder return.

Heading into the fourth quarter of 2002, we were on track for the Company to record growth in earnings per share of about 10 percent over the 2001 depressed results of $2.48. But December was very disappointing. Two factors had a negative effect on our profitability. The reduced profitability was caused primarily by the bankruptcy filing by one of our paper company customers in January 2003, but was exacerbated by the decline in the performance of our Refractories segment late in the quarter. As a result of the bankruptcy filing of Great Northern Paper Inc. of Millinocket, Maine, where we own and operate a satellite precipitated calcium carbonate facility, we felt it necessary to increase our provision for bad debt by $3 million. This, alone, lowered our earnings per share by $0.09. Together, the bankruptcy and the poor performance by Refractories reduced our earnings per share growth to five percent.

Although our sales grew 10 percent, or $68 million, for the year—to $752.7 million in 2002 from $684.4 million in 2001—our net income increased 8 percent, which was below our expectations. MTI recorded net income of $53.8 million in 2002, compared with $49.8 million in 2001. Diluted earnings per common share increased to $2.61 compared with $2.48 in 2001.

The Company's operating margin as a percentage of sales declined from 11.8 percent in 2001 to 10.7 percent in 2002. Our Specialty Minerals segment, which includes PCC and Processed Minerals, saw a slight drop in operating margins, but the larger part of the decline came from the Refractories segment—most of that in the third and fourth quarters.

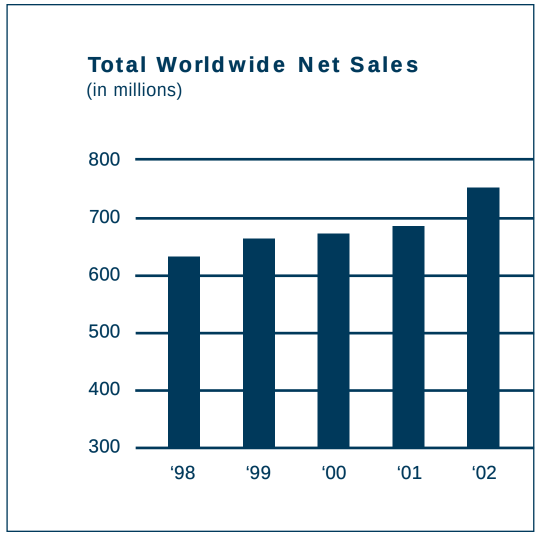
A brighter note was that our Paper PCC business recorded sales growth of 7 percent despite the shutdown of more than five million tons of paper capacity in the past two years. On a volume basis, Paper PCC grew 8 percent over 2001 to a total of 3.4 million tons. This occurred primarily because worldwide, highly efficient paper mills—most of which use PCC—outperformed the market as a whole. The overall growth was also a result of stronger volumes at existing satellite PCC plants and the ramp-up and start-up of new facilities added in the past two years. Most of this growth came in the uncoated freesheet market, which consists of high quality printing and writing paper. The Company also saw good growth in the groundwood sector of the paper market, which produces magazine, catalog and directory paper. Groundwood paper, which is produced from a less-refined pulp, is an important market for this Company because it represents nearly half of worldwide paper production. Today, the Company supplies PCC to approximately 40 groundwood paper machines at about 20 paper mills.

PAUL R. SAUERACKER

Chairman, President and Chief Executive Officer

OPPORTUNITY

taking the initiative



In 2002, we added four new units of production capacity for PCC—two from expansions of existing facilities and two from the acquisition we made in February of 2002 of a PCC plant in Belgium. (A unit of production capacity is between 25,000 and 35,000 tons of PCC annually.) Also, we announced in January of 2003 a new one-unit satellite plant under construction at a paper mill owned by Sabah Forest Industries in Malaysia. On the negative side, during 2002, the Company shut down four units of PCC production capacity as a result of the closure of two paper mills.

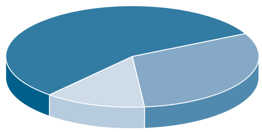
One of the effects of the consolidation in the worldwide paper industry is that paper companies have been more focused on integrating their operations than on adopting new manufacturing technology, such as our PCC. We believe that as these integrations are completed, we will see a resumption of the construction of new satellite PCC plants at paper mills around the world. We also believe, based upon our development efforts, that use of MTI's PCC in the groundwood paper sector and in paper coating will increase.

The Specialty PCC product line, which is used for non-paper applications, showed some improvement during 2002, but its financial performance remained below the levels it recorded in 2000. We continue to experience competitive pressure in the calcium supplement market from lower-cost ground calcium carbonate; and, although the merchant PCC facility in Mississippi has shown improved sales levels, it is still operating below capacity. In the coming year, we expect Specialty PCC to increase its sales to the plastics, health care, and sealants and adhesives sectors, resulting in further improvement in financial performance.

Our Processed Minerals product line, which consists primarily of limestone and talc manufactured at production facilities across the United States, had sales growth of about $10 million. This growth was attributable primarily to the September acquisition of the business and assets of Polar Minerals Inc. Processed Minerals, which sells to the construction and automotive industries, maintained a solid level of profitability during 2002.

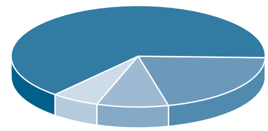
The Refractories segment recorded a 16–percent increase in sales over 2001, but, as indicated, profitability suffered. The sales increase was primarily a result of the 2001 acquisitions of the Martin Marietta refractories business and Rijnstaal, B.V. The decline in operating income in the Refractories segment was due to volume losses from slowdowns and closures in higher margin integrated steel mill accounts, higher development costs associated with new products and application systems, and production and inventory problems associated primarily with the Martin Marietta acquisition. We believe that we have taken the necessary steps—including reorganizing MINTEQ's management structure, tightening control of costs and resolving production and inventory problems—to improve these margins in the coming year. One of the changes we made was to bring on board Alain Bouruet-Aubertot as Senior Vice President and Managing Director of MINTEQ International. Alain has a strong and successful background in planning and global operations. Also, I would like to thank Howard R. Crabtree, who is now Senior Vice President of Technology and Logistics, for serving as interim head of MINTEQ International.

As we look ahead, I want to reconfirm that the management of Minerals Technologies recognizes that innovation remains the key to the long-term success of this Company. New products are the lifeblood of MTI, whether in PCC, Refractories, Processed Minerals or any other field that could benefit from our research expertise. We are advancing new technologies in PCC for coating paper and for PCC use in groundwood paper. We also have a number of other exciting products in our pipeline that we believe will contribute to our long-term growth.



2002 Net Sales By Product Line
(percentage/in millions of dollars)

56.2%	PCC Products $423.0 (Specialty Minerals Segment)
30.9%	Refractory Products $232.6 (Refractories Segment)
12.9%	Processed Minerals Products $97.1 (Specialty Minerals Segment)



2002 Sales by Geographic Area
(percentage/in millions of dollars)

64.1%	United States $482.2
20.7%	Europe /Africa $156.0
9.1%	Canada/Latin America $68.5
6.1%	Asia $46.0

Synsil™ Products, our family of synthetic silicates for use in the glass industry, is a prime example of the kind of innovative product our researchers discover and develop. *Synsil™* Products offer a number of distinct advantages for glass makers—lower melting temperatures, reduced energy consumption, lower emissions from glass-making furnaces and faster melting and integration of raw materials. After a year's delay because of technical difficulties in scaling up the production process, we are now able to produce enough of the product for large-scale trials in many varieties of glass. We are now running a number of trials aimed at meeting individual needs of specific customers. The Company has also completed design and engineering specifications both for large-scale production facilities for our *Synsil™* products and for satellite-type facilities that would be built adjacent to glass-making plants. The trials will continue throughout the first half of 2003, and we remain optimistic that the *Synsil™* family of products can become a third major business for MTI.

Another issue of shareholder concern is our relationship with International Paper Company, our largest customer for PCC. Last summer, International Paper announced that it would seek alternate suppliers at its paper mills as the contracts for our satellite PCC plants expire. MTI has 10 satellite plants at International Paper mills worldwide. One contract has already expired and the remaining nine expire between now and 2010. We have been in discussions with International Paper in an attempt to resolve this issue, and we remain hopeful that we will reach a satisfactory conclusion.

The year 2002 marked our tenth anniversary as an independent company. I can say with pride that it was a decade of achievement. During the past 10 years, we have nearly doubled our sales, and for the first eight years we grew our earnings per share by a compounded annual rate of more than 15 percent until the economic downturn that began in 2000. More importantly, MTI has successfully introduced value-added products and technologies to the paper and steel industries, which are conservative and often hesitant to change manufacturing processes in these difficult times. We are continuing this thrust with our new technology for the glass industry.

In conclusion, I want to assure our shareholders that Minerals Technologies will continue to strive to improve our financial results and enhance our shareholder value. We maintain a strong balance sheet and have excellent financial resources. As we go forward, we believe the Company is well positioned to take advantage of the many opportunities we see. I also want to thank our customers for selecting MTI as their preferred supplier. And, finally, to our employees, I want to say that this Company is the success it is because of your continued efforts and dedication.

PAUL R. SAUERACKER
Chairman, President and Chief Executive Officer

OPPORTUNITY

we create it


CHANGING
the way paper is made

The problem: In conventional groundwood papermaking, calcium carbonate filler can cause pulp to yellow or darken. The solution: An innovative product, conceived and patented more than a decade ago, that overcomes the usual limitations of papermaking.

As much as any current MTI product line, AT® PCC, the patented acid-tolerant technology, embodies the Company's response to meet the needs of the marketplace, as well as the shift from straightforward product marketing to a more synergistic involvement in the end-user's lines of business.

AT® PCC permits the use of alkaline PCC in the acid environment of groundwood-papermaking. "Groundwood papers are 45 percent lignin, and lignin is very pH-sensitive," said Bruce Evans, Technical Manager of Groundwood Research. "Typically those mills are running at pH5. When you add ordinary calcium carbonate, that level rises to 7.5 or 8.5. The higher the pH rises, the darker the lignin gets. However, MTI's AT® PCC is designed to minimize 'alkaline darkening,' thereby providing the full benefits of greater brightness and opacity over kaolin or other calcium carbonate."

Because PCC can replace expensive bleached wood fiber and pigments, AT® PCC technology delivers to groundwood mills cost efficiencies long available to free-sheet manufacturers. "While the papermaker is always interested in quality, the real driver in changing technology is cost savings," said Kenneth L. Massimine, Senior Vice President and Managing Director, Paper PCC. "The beauty is that AT® PCC accomplishes both goals."

For the Company, the potential payoff is equally clear. Groundwood, used chiefly in magazines and catalogs, accounts for 40 to 50 percent of all paper produced.

Work on AT® PCC began with a special research unit in 1989, and trials began a year later. The Company's penetration of the groundwood sector has increased dramatically since 1997, when Myllykoski Paper of Finland and Madison Paper Industries of Maine became the first producers of uncoated groundwood with fully dedicated AT® PCC satellite plants on-site. Today about 20 groundwood mills use MTI's PCC. Feedback from end-users has been excellent. At Myllykoski Paper, the initial customer was furniture maker IKEA, one of the world's largest distributors of catalogs. "Appearance is very important to them," said Ari-Pekka Laakso, Technical Manager, Specialty Minerals. "They now feel that their catalogs have a better look, a better 'touch.'"

If the amount of savings is linked to the amount of filler, a clear opportunity exists for anyone who can increase the amount of filler without causing incidental quality-related problems. That objective has spawned a second-generation groundwood product called VELACARB™ PCC. "Normally," said Massimine, "as you increase the filler content, you weaken the sheet. With VELACARB™ PCC the sheet does not weaken. Thus you increase the cost savings without sacrificing quality."

The VELACARB™ PCC project symbolizes the distinct advantage of working with synthesized materials over ground calcium carbonate. "If you're grinding, there is only so much you can accomplish. With PCC, which has uniform crystal morphologies, or shapes that impart distinct characteristics to a sheet of paper, you can leverage the desired end result," said Massimine.

The next frontier is the vast European market for supercalendered (SC) rotogravure and offset papers. "This is the biggest groundwood market in the world," said Evans. "There's probably an opportunity of close to a million tons of filler." Today, the SC rotogravure market almost universally uses water-washed clay as a filler. Evans feels that eventually, there will be pressure on the market to improve the brightness and opacity of this paper. "When it happens," he said, "we will be positioned to take advantage of it."

MTI 8

In 2002, MINTEQ achieved a rare coup for a company marketing to a traditional industry like steel: the introduction of an exclusive, revolutionary technology.

The Scantrol™ laser refractory measuring system is the world's first fully automated module that creates a touch-of-a-button system for measuring, evaluating, and repairing refractory linings in high-temperature environments. The integrated Scantrol™ system replaces time-intensive, inefficient refractory maintenance procedures with digital-age technology that enables steel makers to maintain a uniform, near-constant thickness of furnace linings.

"This is unique worldwide," said Christian Wasmuht, Vice President, MINTEQ Europe, who estimates that 80 percent of steel makers in electric arc furnace shops still measure furnace linings with the naked eye, and many apply the repair materials by hand. This human factor also plays havoc with efficiency in lining maintenance.

At their worst, hit-or-miss repair techniques can result in lining "breakouts," where the cost and danger escalate to intolerable, production-stoppage levels. A complete reline may take a furnace out of service several days.

A Scantrol™ interface module pairs the Company's MINSCAN™ robotic manipulator with the LaCam® laser-measurement system produced by Ferrotron Technologies GmbH, a wholly owned subsidiary acquired by MTI in March 2000. This eliminates the guesswork and dramatically reduces danger in the steel-making environment.

At Edestahlwerke Buderus AG in Wetzlar, Germany, where a Scantrol™ unit has been in development since January 2002, the measuring-and-repair sequence is the fastest in the world—about five minutes—including the laser measurements and the actual furnace repair. The LaCam® laser unit can scan up to 200,000 points in a vessel in 20 seconds, which produces a computer display showing where repair material is needed. The MINSCAN™ unit then applies the material at speeds of up to 450 pounds per minute.

The Scantrol™ system provides operators with a variety of possible maintenance options, along with a display of the lining with different colors symbolizing different amounts of wear. Though the operator can override the Scantrol™ unit's recommendations, the unit warns the operator of the maintenance consequences, and configures the operator's choice in the most cost-effective, least risky manner.

This increased accuracy in the application of repair materials reduces the frequency of brick replacement in the lining, which, in traditional maintenance scenarios, must be changed in electric arc furnaces every four to six weeks. Scantrol™ allows doubling of that interval, giving added value to the customer, as well as added worth to the Scantrol™ system.

The Scantrol™ hardware will provide revenues but the system also fosters a concomitant demand for MINTEQ's monolithic refractory materials. Said Wasmuht, "This refractory solution improves productivity for our customers and adds value to the steel-making process."

As 2003 unfolded, MINTEQ installed the first Scantrol™ unit since the Buderus pilot project, under a long-term contract with another German steel company, and negotiations were under way with a major U.S. steel maker. Additionally, MINTEQ teams are at work on adapting the Scantrol™ system for other proprietary robotic maintenance methods and different metal industries, such as copper and aluminum.

"With the Scantrol™ system, we can truly be a business partner with steel companies," said Alain Bouruet-Aubertot, Senior Vice President and Managing Director, MINTEQ International Inc. "In today's steel industry you are only competitive if you produce the most steel in the shortest time. If all goes as planned with the Scantrol™ system, the steel industry will see MINTEQ as a valuable partner."

ACQUISITION
for growth

Market conditions change. A forward-looking company adapts its strategies to those changes. Since its founding in 1992, MTI's philosophy had been to grow organically from within. Two years ago, marketplace forces dictated a shift to selective acquisitions to develop a more diversified portfolio of products and services. These acquisitions would be linked strategically to the Company's core businesses, and would provide immediate returns. Further, MTI would apply its technological expertise to transform the products and application systems of acquired companies, converting commodity-type businesses into higher-margin specialty businesses. This in turn would provide higher values for customers and a better return for MTI.

The first tangible evidence of this shift came in May 2001, when MTI, taking advantage of softness in the sector, acquired the refractories business of Martin Marietta Magnesia Specialties Inc. and Rijnstaal B.V., a Netherlands-based manufacturer of metallurgical wire.

In September 2002, similar imperatives guided the Company's $22.5 million acquisition of the business and assets of Polar Minerals Inc., a privately owned producer of industrial minerals with 2001 sales of $24.1 million. From its processing plants in Wellsville, Ohio, and Mount Vernon, Indiana, Polar supplied mineral products used in the adhesives, sealants, coatings, plastics, and cosmetics markets.

In Polar Minerals, MTI acquired not merely additional product lines, but a new business model for approaching relevant mineral-based markets. "The Processed Minerals business had not had a presence in the Midwestern United States," explained D. Randy Harrison, Vice President and Managing Director of Performance Minerals for Specialty Minerals Inc. (SMI). At the time of the acquisition, MTI operated a talc plant in Montana and ground calcium carbonate plants in Massachusetts, Connecticut and California. "However," continued Harrison, "some of the principal markets that we serve or seek to serve are in the industrial heartland."

He cited especially the polypropylene industry, which furnishes materials used widely in automobiles (for example, fenders and dashboards), as well as in numerous other plastic-based products.

Polar Minerals, formed in the early 1990s, had used an innovative plan of attack to develop its markets. The conventional business model called for having the refining and processing operations adjacent to the mine. In contrast, by using transoceanic shipping and arterial waterways, Polar imported materials at low cost from anywhere in the world. They then put their processing plants where the market was, allowing close proximity to the customer base.

The Polar acquisition thus gives MTI increased coverage of the North American market. It also provides far greater marketing flexibility. "The idea of not being tied to any one ore source, and of processing multiple minerals at one plant—that's a totally new model for us," said Kevin Porterfield, Director, Marketing and Sales, Performance Minerals.

Though SMI was principally interested in Polar's talc markets and ground calcium carbonate business, other so-called "boutique minerals" that came along in the package, such as barium sulfate and mica, offer attractive growth possibilities. "One of the things we look at in acquisitions is products we're not already in, like the micas," said Dr. Robert Moskaitis, Vice President of Research and Development, SMI. "Finding more markets for micas might spur an active attempt to synthesize and improve the naturally occurring product to meet those emerging markets."

"The overall key with Polar is that we can now reach into middle-America—to the auto industry, to the plastics industry—and we can reach them with whatever minerals they need," said Porterfield.

RESEARCH
the foundation

Research

Though research and development has been at the core of the MTI mission statement since the outset, never has an aggressive approach to R&D been more critical to the Company's competitive standing. Researchers from Specialty Minerals Inc. (SMI) and MINTEQ International Inc. recognize that new products and technologies are the lifeblood of MTI.

"Our sustaining marketplace advantage is a result of our commitment to research," said Dr. Robert Moskaitis, Vice President of R&D, SMI.

"And a major part of that commitment is to develop technologies that create significant added value for our customers," said John Damiano, Vice President of R&D, MINTEQ.

Apart from generating new products, the Company's commitment to R&D has yielded new approaches to the research itself. Amid market conditions that caused many companies to flinch away from investment in the longer term, MTI in 2000 unveiled "Discovery Research." Said Moskaitis, "The goal is to conceive and develop products that have a revolutionary, game-changing effect on the market. This takes time and vision. You're looking for the home run, so there are going to be some strikeouts. Senior management commitment is key."

Historically, MTI has outpaced its competitors in research spending, averaging 3 percent to 4 percent of sales. Some of the ongoing R&D projects:

PCC COATING REFINEMENTS

As the desire for increased brightness, opacity and gloss moves paper-coating formulations to higher levels of calcium carbonate, a significant portion of the product- and commercial-development efforts continues to be targeted at the coating market. The Company's premier PCC product for premium coated paper is Opacarb® A40 PCC, an aragonitic precipitated calcium carbonate developed jointly by its North American and European technical teams.

MINTEQ: EAF AND LADLES

MINTEQ's research objectives in the past few years have been to further penetrate two areas of worldwide steel making: the molten metal handling and electric arc furnace (EAF) sectors.

"We are targeting steel ladles because it is a very large market. Our research has been directed at developing new, more durable refractory products and application systems that extend ladle life," said John Damiano.

Because the electric arc, or mini-mill, technology is the future for steel in North America and Western Europe, MINTEQ is focused on new refractory materials that will be applied with the Company's innovative new MINSCAN™ and Scantrol™ computerized robotic technology.

OPTIBLOC® CLARITY ANTIBLOCK

MTI developed Optibloc® clarity antiblock in 1997 as an improvement over existing anti-blocking additives that reduce stickiness in polyethylene films. In 1998, the Company began working with ExxonMobil Corporation to fine-tune the product line. "The joint project involved personnel in business operations, R&D, and production," said Lou Dizikes, Technical Manager, SMI. In 2000, the two companies signed an agreement for MTI to supply Optibloc® antiblock to ExxonMobil on a worldwide basis.

SYNSIL™ PRODUCTS

SYNSIL™ Products encompasses a novel family of synthetic silicate minerals that, in glass production, lowers melting temperatures, reduces energy requirements, cuts emissions, and provides improved integration of raw materials. Early developmental lags gave way to stepped-up commercial trials in the fourth quarter of 2002; these continued into the first quarter of 2003, and expanded into additional segments of the glass market. Optimism remains that *SYNSIL™* will become a successful third major business area for MTI.

FINANCIAL
Review

Income and Expense Items as a Percentage of Net Sales

Year Ended December 31,	2002	2001	2000
Net sales	100.0%	100.0%	100.0%
Cost of goods sold	75.5	73.4	71.2
Marketing and administrative expenses	9.9	10.3	10.7
Research and development expenses	3.0	3.4	3.9
Bad debt expenses	0.8	0.6	0.9
Write-down of impaired assets	0.1	—	0.7
Restructuring charge	—	0.5	—
Income from operations	10.7	11.8	12.6
Net income	7.1%	7.3%	8.1%

Overview of 2002 and Outlook

In 2002, the Company like many companies in the manufacturing sector, continued to experience weakness due to a sluggish economy. As a result, the industries the Company primarily serves — paper and steel — have been affected by bankruptcies and consolidations. The Company expects the economic downturn that began in the second half of 2000 and continued throughout 2002 to continue at least into the first half of 2003.

The Company continues to be affected by negative factors in the industries it primarily serves:

- Since the third quarter of 2000, seven paper mills at which the Company has satellite precipitated calcium carbonate (PCC) plants have either shut down or announced their intention to do so. Other paper makers reduced production as a result of weaker paper demand and industry consolidations.
- The steel industry continued to experience difficulties in 2002 as several steel manufacturers ceased operations and others filed for bankruptcy protection.

However, despite this difficult market environment, the Company was able to achieve low double-digit operating margins. The Company's operating margin as a percentage of sales declined to 10.7% in 2002 as compared with 11.8% in 2001.

In 2003, the Company plans to continue its focus on the following growth strategies:

- Increase market penetration of PCC in paper filling at both free sheet and groundwood mills.
- Increase penetration of PCC into the paper coating market.
- Emphasize higher value specialty products and application systems to increase market penetration in the Refractories segment.
- Continue selective acquisitions to complement the Company's existing businesses.
- Continue research and development and marketing efforts for new and existing products.

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

In 2002, the Company added four units of production capacity for PCC - two from expansions and two from an acquisition in February 2002 of a PCC plant in Belgium. The Company also announced in January 2003 a new one-unit satellite plant to be built at a paper mill owned by Sabah Forest Industries in Malaysia, which is expected to be operational in the fourth quarter of 2003. A unit represents between 25,000 to 35,000 tons of annual PCC production capacity.

The Company also made the following acquisitions in 2002:

- On February 6, 2002, the Company purchased a PCC manufacturing facility in Hermalle-sous-Huy, Belgium, for approximately $10.2 million.
- On April 26, 2002, the Company acquired the assets of a company that develops and manufactures a refractory lining monitoring system, for approximately $1.4 million.
- On September 9, 2002, the Company acquired the business and assets of Polar Minerals Inc., a privately owned producer of industrial minerals in the Midwest United States, for approximately $22.5 million.

In 2003, the Company expects additional expansions at existing satellite PCC plants to occur and also expects to sign contracts for new satellite PCC plants.

As the Company continues to expand its operations overseas, it faces the inherent risks of doing business abroad, including inflation, fluctuations in interest rates and currency exchange rates, changes in applicable laws and regulatory requirements, export and import restrictions, tariffs, nationalization, expropriation, limits on repatriation of funds, civil unrest, terrorism, unstable governments and legal systems, and other factors. Some of the Company's operations are located in areas that have experienced political or economic instability, including Indonesia, Israel, China and South Africa. In addition, the Company's performance depends to some extent on that of the industries it serves, particularly the paper manufacturing, steel manufacturing, and construction industries.

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

Several consolidations in the paper industry have taken place in recent years. Such consolidations concentrate purchasing power in the hands of a smaller number of papermakers, enabling them to increase pressure on suppliers. This increased pressure could have an adverse effect on the Company's results of operations in the future. In addition, these consolidations could result in partial or total closure of some paper mills at which the Company operates PCC satellites. In particular, the Company's largest customer, International Paper Company (IP), decided during 2000 to reduce production capacity by closing four paper mills at which the Company had satellite PCC plants. These closed mills are located in Mobile, Alabama; Lock Haven, Pennsylvania; Erie, Pennsylvania; and Oswego, New York. Sales to IP represented approximately 11.5% of consolidated net sales in 2002 and 13% of consolidated net sales in both 2001 and 2000. During 2000 two paper companies filed for bankruptcy protection and closed their paper mills in Plainwell, Michigan and Anderson, California, at which the Company had satellite PCC plants. The Company recorded a write-down of impaired assets of $0.8 million and $4.9 million in 2002 and 2000, respectively.

Excluding the aforementioned plants that have been closed, there are three satellite locations at which contracts with host mills have expired, and one location, representing less than one unit of PCC production, at which the host mill has informed the Company that the contract will not be renewed upon its expiration in 2004, although the Company continues to supply PCC at all of these locations. At two of these locations the Company hopes to reach agreement on a long-term extension of the contract; however, there can be no assurance that these negotiations will be successful. At the other location, the customer, IP, has informed the Company that it intended to begin negotiations with alternative suppliers. The Company continues to supply PCC at this location, and expects to do so through 2003. IP also informed the Company at the end of the second quarter of 2002 that it would negotiate with other suppliers at other satellite locations as the contracts for those locations expire over the next several years, with the last contract expiring in 2010. That decision by IP increases the risk that some or all of these contracts will not be renewed. Because these contracts have various remaining terms, the full impact of these expirations on the Company would not be felt for several years. The Company is actively pursuing its own negotiations with IP, and hopes to reach agreement to extend some or all of these contracts past their current expiration dates. The outcome of these negotiations, however, cannot be predicted. The loss of a substantial amount of the Company's sales to IP would have a material adverse effect on the Company's results of operations and projected growth rate.

In recognition of this increased risk, the Company has shortened the periods over which existing satellite plants at IP mills are depreciated. The shortened depreciation schedule reduced diluted earnings per share by approximately $0.04 per share in the second half of 2002.

Other impairment losses in recent years have not been significant. However, a complex of two paper mills at which the Company operates a satellite PCC plant, at Millinocket and East Millinocket, Maine, owned by Great Northern Paper, Inc., ceased operations on or about December 23, 2002. Great Northern Paper filed for bankruptcy protection on January 9, 2003 and as of March 5, 2003, the Millinocket and East Millinocket mills had not resumed operations. The Bankruptcy Court has appointed new management which is actively seeking a buyer for the two mills. The Company is monitoring the situation at Great Northern Paper very closely, and believes that it will be well positioned to offer PCC to any eventual new operator of the Millinocket mills when and if they emerge from bankruptcy and resume production. If the Millinocket mills do not resume production, the Company could incur an impairment charge of approximately $10 million.

The Company has a consolidated interest in two joint venture companies that operate satellite PCC plants at paper mills owned by subsidiaries of Asia Pulp & Paper ("APP"), one at Perawang, Indonesia, and one at Dagang, China. APP is a multinational pulp and paper company whose current financial difficulties have been widely publicized. While APP is negotiating with its creditors, the Perawang and Dagang facilities have remained in operation at levels consistent with the prior year. Both mills are continuing to use MTI's PCC and to satisfy their obligations to the joint ventures. However, there can be no assurance that the Company's operations at these paper mills will not be adversely affected by APP's financial difficulties in the future. The Company's net investment in these satellite plants was $4.6 million at December 31, 2002.

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. The preparation of these financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities.

On an ongoing basis, the Company evaluates its estimates and assumptions, including those related to revenue recognition, allowance for doubtful accounts, valuation of inventories, valuation of long-lived assets, goodwill and other intangible assets, pension plan assumptions, income taxes, income tax valuation allowances and litigation and environmental liabilities. The Company bases its estimates on historical experience and on other assumptions that it believes 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.

The Company believes the following critical accounting policies require it to make significant judgments and estimates in the preparation of its consolidated financial statements:

- Revenue recognition: Revenue from sale of products is recognized at the time the goods are shipped and title passes to the customer. In most of the Company's PCC contracts, the price per ton is based upon the total number of tons sold to the customer during the year. Under those contracts, the price billed to the customer for shipments during the year is based on periodic estimates of the total annual volume that will be sold to the customer. Revenues are adjusted at the end of each year to reflect the actual volume sold.

- Allowance for doubtful accounts: Substantially all of the Company's accounts receivable are due from companies in the paper, construction and steel industries. Accounts receivable are reduced by an allowance for amounts that may become uncollectible in the future. Such allowance is established through a charge to the provision for bad debt expenses. The Company recorded bad debt expenses of $6.2 million, $3.9 million and $6.0 million in 2002, 2001 and 2000 respectively. These charges were much higher than historical levels and were primarily related to bankruptcy filings by some of the Company's customers in the paper and steel industries and to additional provisions associated with potential risks in the paper, steel and other industries. In addition to specific allowances established for bankrupt customers, the Company also analyzes the collection history and financial condition of its other customers considering current industry conditions and determines whether an allowance needs to be established or increased.

- Property, plant and equipment, goodwill, intangible and other long-lived assets: The Company's sales of PCC are predominantly pursuant to long-term arrangements, generally ten years in length, with paper mills at which the Company operates satellite PCC plants. The terms of many of these agreements have been extended, often in connection with an expansion of the satellite PCC plant. The Company also continues to supply PCC to three locations at which the PCC contract has expired.

Property, plant and equipment, goodwill, intangible and certain other long-lived assets are amortized over their useful lives. Useful lives are based on management's estimates of the period that the assets can generate revenue, which does not necessarily coincide with the remaining term of a customer's contractual obligation for use of those assets. Failure of a PCC customer to renew an agreement or continue to purchase PCC from the Company could result in an impairment of assets charge at such facility.

In the third quarter of 2002, the Company reduced the useful lives of satellite PCC plants at International Paper Company (IP) mills due to an increased risk that some or all of these PCC contracts will not be renewed. The accelerated depreciation reduced diluted earnings by approximately $0.04 per share in the second half of 2002.

- Valuation of long-lived assets, goodwill and other intangible assets: The Company assesses the possible impairment of long-lived assets and identifiable intangibles whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Goodwill and other intangible assets with indefinite lives are reviewed for impairment at least annually in accordance with the provisions of SFAS No. 142. Factors the Company considers important that could trigger an impairment review include the following:

  - significant under-performance relative to historical or projected future operating results;
  - significant changes in the manner of use of the acquired assets or the strategy for the overall business;
  - significant negative industry or economic trends.

When the Company determines that the carrying value of intangibles, long-lived assets or goodwill may not be recoverable based upon the existence of one or more of the above indicators of impairment, it measures any impairment by its ability to recover the carrying amount of the assets from expected future operating cash flow on a discounted basis. Net intangible assets, long-lived assets, and goodwill amounted to $596.1 million as of December 31, 2002.

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- Accounting for income taxes: As part of the process of preparing the Company's consolidated financial statements, the Company is required to estimate its income taxes in each of the jurisdictions in which it operates. This process involves estimating actual current tax exposure together with assessing temporary differences resulting from differing treatments of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included in the consolidated balance sheet. The Company must then assess the likelihood that its deferred tax assets will be recovered from future taxable income, and to the extent it believes that recovery is not likely, it must establish a valuation allowance. To the extent it establishes a valuation allowance or increases this allowance in a period, it must include an expense within the tax provision in the Statement of Income.

For a detailed discussion on the application of these and other accounting policies, see "Summary of Significant Accounting Policies" in the "Notes to the Consolidated Financial Statements." This discussion and analysis should be read in conjunction with the consolidated financial statements and related notes included elsewhere in this report.

Results of Operations

Net Sales

Dollars in Millions	2002	Growth	2001	Growth	2000
Net sales	$752.7	10.0%	$684.4	2.0%	$670.9

Worldwide net sales in 2002 increased 10.0% from the previous year to $752.7 million. Sales in the Specialty Minerals segment, which includes the PCC and Processed Minerals product lines, increased approximately 7.6% to $520.1 million compared with $483.3 million for the same period in 2001. Sales in the Refractories segment grew approximately 15.7% over the previous year to $232.6 million. In 2001, worldwide net sales increased 2.0% to $684.4 million from $670.9 million in the prior year. Specialty Minerals segment sales decreased approximately 1.0% and Refractories segment sales increased approximately 9.0% in 2001.

Worldwide net sales of PCC in 2002 increased approximately 6.8% to $423.0 million from $396.1 million in the prior year. Paper PCC sales and volumes grew 8% for the full year with volumes in excess of 3.4 million tons, even though the paper industry was affected adversely by consolidations, shutdowns and slowdowns. This has resulted in a reduction of over five million tons of paper capacity in the past two years. This occurred primarily because the most efficient paper mills worldwide, which use PCC, outperformed the market as a whole. The overall growth was primarily due to new capacity added in 2002, to the ramp-up of PCC capacity added in 2001, and to increased worldwide volume from existing satellites, which collectively more than compensated for the aforementioned paper mill shutdowns. Most of this growth came in the uncoated free sheet market, which consists of high quality printing and writing paper. The Company also achieved good growth in the groundwood sector of the paper market, which produces magazines, catalog and directory papers. Groundwood paper, which is produced from less-refined pulp, is an important market for the Company because it represents nearly half of worldwide paper production. Today, the Company supplies PCC to approximately 40 groundwood paper machines at about 20 paper mills. The Specialty PCC product line reflected a 1% sales increase over the prior year. The merchant PCC manufacturing facility in Brookhaven, Mississippi has shown improved sales levels but still remains below its expected volumes. Specialty PCC also continues to experience competitive pressure from lower-cost ground calcium carbonate in the calcium supplement market. PCC sales in 2001 decreased approximately 1% to $396.1 million from $399.2 million in 2000.

Net sales of Processed Minerals products in 2002 increased 11.4% to $97.1 million from $87.2 million in 2001. This increase was primarily attributable to the acquisition of Polar Minerals Inc. Processed Minerals net sales increased slightly in 2001 to $87.2 million from $87.1 million in 2000.

Net sales in the Refractories segment in 2002 increased approximately 15.7% to $232.6 million from $201.1 million in the prior year. The increase in sales for the Refractories segment in 2002 was attributable primarily to the 2001 acquisitions of the Martin Marietta refractories business and Rijnstaal B.V., which more than offset unfavorable economic conditions in the worldwide steel industry. In 2001, net sales in the Refractories segment increased 9.0% from the prior year.

Net sales in the United States was $482.2 million in 2002, approximately 9% higher than in the prior year. Increased sales from the acquisitions were partially offset by the aforementioned weakness in the steel and paper industries. International sales in 2002 increased 12% primarily as a result of the continued international expansion of the Company's PCC product line and acquisitions. In 2001, domestic net sales were slightly higher than the prior year, and international sales were approximately 5.9% greater than in the prior year.

Operating Costs and Expenses

Dollars in Millions	2002	Growth	2001	Growth	2000
Cost of goods sold	$567.9	13.0%	$502.5	5.2%	$477.5
Marketing and administrative	$ 74.2	5.2%	$ 70.5	(1.3%)	$ 71.4
Research and development	$ 22.7	(3.4%)	$ 23.5	(10.6%)	$ 26.3
Bad debt expenses	$ 6.2	59.0%	$ 3.9	(35.0%)	$ 6.0
Restructuring charge	$ —	*	$ 3.4	*	$ —
Write-down of impaired assets	$ 0.8	*	$ —	*	$ 4.9

* Percentage not meaningful

Cost of goods sold was 75.5% of sales compared with 73.4% in the prior year. This increase occurred in both business segments. In the Specialty Minerals segment, the gross margin ratio was adversely affected by development costs at the new merchant PCC facility in Hermalle, Belgium, increased costs to provide *SYNSIL®* trial material, and increased depreciation expense for satellite PCC plants located at International Paper's mills. In the Refractories segment, production and inventory problems at certain North American facilities; volume losses due to slowdowns and closures in high margin integrated steel mill accounts; and increased development costs associated with new products and systems contributed to the adverse gross margin ratio.

Marketing and administrative costs increased 5.2% in 2002 to $74.2 million and decreased to 9.9% of net sales from 10.3% in 2001. In 2001, marketing and administrative costs decreased 1.3% to $70.5 million.

Research and development expenses during 2002 decreased 3.4% to $22.7 million and represented 3.0% of net sales. This decrease was primarily a result of the 2001 restructuring and lower PCC trial expenses. In 2001, research and development expenses decreased 10.6% and represented 3.4% of sales. This decrease was primarily the result of the restructuring, a decrease in PCC trial activity and a shift of *SYNSIL®* product activities from development to production.

The Company recorded bad debt expenses of $6.2 million and $3.9 million in 2002 and 2001, respectively. These charges were primarily related to additional provisions associated with the Great Northern Paper Company's bankruptcy filing and to additional provisions associated with potential risks to its customers in the steel, paper and other industries.

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During the second quarter of 2001, the Company restructured its operations to reduce operating costs and improve efficiency. This resulted in a second quarter restructuring charge of $3.4 million. This restructuring reduced operating expenses by $6.0 million to $8.0 million annually. These expense reductions were partially realized during the second half of 2001.

During the first quarter of 2002, the Company recorded a write-down of impaired assets of $0.8 million for a satellite plant that ceased operations. In 2000, the Company recorded a write-down of impaired assets of $4.9 million for three satellite PCC plants at paper mills that ceased operations.

Income From Operations

Dollars in Millions	2002	Growth	2001	Growth	2000
Income from operations	$80.9	0.4%	$80.6	(5.0%)	$84.8

Income from operations in 2002 increased slightly to $80.9 million from $80.6 million in 2001. Income from operations decreased to 10.7% of sales as compared with 11.8% of sales in 2001. This decrease was primarily due to the aforementioned decrease in the gross margin ratios. In 2001, income from operations decreased 5.0% to $80.6 million from $84.8 million in 2000. This decrease was due primarily to weakness for the full year in the three major industries the Company serves and to the aforementioned restructuring charge.

Non-Operating Deductions

Dollars in Millions	2002	Growth	2001	Growth	2000
Non-operating deductions, net	$5.1	(35.4%)	$7.9	58.0%	$5.0

Non-operating deductions decreased 35.4% from the prior year. This decrease was due to lower interest rates and lower average borrowings in 2002 when compared with 2001. In 2001, interest expense increased from 2000 due primarily to higher average borrowings than in 2000.

Provision for Taxes on Income

Dollars in Millions	2002	Growth	2001	Growth	2000
Provision for taxes on income	$20.2	(4.3%)	$21.1	(10.9%)	$23.7

The effective tax rate decreased to 26.7% in 2002 compared with 29.1% in 2001. This decrease was due to changes in the geographic mix of profit by country. The effective tax rate was 29.8% in 2000.

Minority Interests

Dollars in Millions	2002	Growth	2001	Growth	2000
Minority interests	$1.8	5.9%	$1.7	(5.6%)	$1.8

The consolidated joint ventures continue to operate profitably and were at the approximate same level of profitability over the last two years.

Net Income

Dollars in Millions	2002	Growth	2001	Growth	2000
Net income	$53.8	8.0%	$49.8	(8.1%)	$54.2

Net income increased 8.0% in 2002 to $53.8 million. In 2001, net income decreased 8.1% to $49.8 million. Earnings per common share, on a diluted basis, increased 5.2% to $2.61 in 2002 as compared with $2.48 in the prior year.

Liquidity and Capital Resources

Cash flows in 2002 were provided from operations and proceeds from stock option exercises. The cash was applied principally to fund approximately $37.1 million of capital expenditures, the aforementioned acquisitions, to repay $41.5 million in short-term debt, and to repurchase $17.3 million of common shares for treasury. Cash provided from operating activities amounted to $117.8 million in 2002, $98.3 million in 2001, and $91.1 million in 2000. Included in cash flow from operations was pension plan funding of approximately $20.2 million, $10.7 million and $10.2 million for the years ended December 31, 2002, 2001 and 2000, respectively.

On February 22, 2001, the Board authorized the Company's Management Committee to repurchase, at its discretion, up to $25 million in additional shares per year over the following three years. As of December 31, 2002, the Company had repurchased approximately 470,000 shares under this program at an average price of approximately $40 per share.

The Company has $115.0 million in uncommitted short-term bank credit lines, of which $30.0 million was in use at December 31, 2002. The Company anticipates that capital expenditures for 2003 should range between $60 million and $70 million, principally related to the construction of PCC plants and other opportunities that meet the strategic growth objectives of the Company. The Company expects to meet its 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: 2003 – $1.3 million; 2004 – $2.3 million; 2005 – $2.8 million; 2006 – $52.8 million; 2007 – $1.0 million; thereafter – $30.2 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 "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 Item 1 of the Company's Annual Report on Form 10-K for the year ended December 31, 2002.

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Inflation

Historically, inflation has not had a material adverse effect on the Company. The contracts pursuant to which the Company constructs and operates its satellite PCC plants generally adjust pricing to reflect increases in costs resulting from inflation.

Cyclical Nature of Customers' Businesses

The bulk of the Company's sales are to customers in the paper manufacturing, steel manufacturing and construction industries, which have historically been cyclical. These industries encountered difficulties in 2002. The pricing structure of some of the Company's long-term PCC contracts makes its PCC business less sensitive to declines in the quantity of product purchased. For this reason, and because of the geographical diversification of its business, the Company's operating results to date have not been materially affected by the difficult economic environment. However, it cannot predict the economic outlook in the countries in which the Company does business, nor in the key industries it serves. There can be no assurance that a recession, in some markets or worldwide, would not have a significant negative effect on the Company's financial position or results of operations.

Recently Issued Accounting Standards

In June 2001, the Financial Accounting Standards Board issued 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 long-lived assets and the associated asset retirement costs. This statement requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of the fair value can be determined, and that the associated asset retirement costs be capitalized as part of the carrying amount of the long-lived asset. The effect of this standard on the Company's results of operations and financial position is being evaluated. It is likely that there will be significant obligations related to the future retirement of assets related to the Company's PCC satellite facilities and its mining properties which will result in a non-cash after-tax charge to earnings of approximately $4 million in the first quarter of 2003 for the cumulative effect of this accounting change. Excluding the cumulative effect adjustment, the Company estimates the impact of additional depreciation expense on the long-lived assets and accretion expense related to the liabilities to approximate $1.0 million in 2003.

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." This statement is effective for exit or disposal activities initiated after December 31, 2002, and is not expected to have a material effect on the Company's results of operation or financial position.

In November 2002, the FASB issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness to Others, an interpretation of FASB Statements No. 5, 57 and 107 and a rescission of FASB Interpretation No. 34." This Interpretation elaborates on the disclosures to be made by a guarantor in its interim and annual financial statements about its obligations under guarantees issued. The Interpretation also clarifies that a guarantor is required to recognize, at inception of a guarantee, a liability for the fair value of the obligation undertaken. The initial recognition and measurement provisions of the Interpretation are applicable to guarantees issued or modified after December 31, 2002 and are not expected to have a material effect on the Company's consolidated financial statements. The disclosure requirements are effective for financial statements of interim and annual periods ending after December 15, 2002.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation – Transition and Disclosure, an amendment of FASB Statement No. 123." This statement amends SFAS No. 123, "Accounting for Stock-Based Compensation," to provide alternative methods of transition for a voluntary change to the fair value method of accounting for stock-based employee compensation, and would require additional disclosures in the 2002 financial statements. These disclosure modifications are included in the notes to these consolidated financial statements.The Company is currently analyzing the other provisions of this statement.

Quantitative and Qualitative Disclosures About Market Risks

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. It does not anticipate that near-term changes in exchange rates will have a material impact on its future earnings or cash flows. However, there can be no assurance that a sudden and significant decline in the value of foreign currencies would not have a material adverse effect on the Company's financial condition and results of operations. Approximately 25% of the Company's bank debt bears interest at variable rates; therefore the Company's results of operations would only be affected by interest rate changes to the short-term bank debt outstanding. An immediate 10 percent change in interest rates would not have a material effect on the Company's results of operations over the next fiscal year.

The Company is exposed to various market risks, including the potential loss arising from adverse changes in foreign currency exchange rates and interest rates. The Company does not enter into derivatives or other financial instruments for trading or speculative purposes. When appropriate, the Company enters into derivative financial instruments, such as forward exchange contracts and interest rate swaps, to mitigate the impact of foreign exchange rate movements and interest rate movements on the Company's operating results. The counterparties are major financial institutions. Such forward exchange contracts and interest rate swaps would not subject the Company to additional risk from exchange rate or interest rate movements because gains and losses on these contracts would offset losses and gains on the assets, and liabilities and transactions being hedged. The Company had open forward exchange contracts to purchase $0.8 million of foreign currencies as of December 31, 2001. These contracts matured on June 28, 2002. The fair value of these instruments was $132,000 at December 31, 2001. 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 $(1,456,287) at December 31, 2002.

SELECTED
Financial Data

(Thousands, Except Per Share Data)	2002	2001	2000	1999	1998
Income Statement Data					
Net sales	$752,680	$684,419	$670,917	$662,475	$631,622
Cost of goods sold	567,985	502,525	477,512	466,702	442,562
Marketing and administrative expenses	74,160	70,495	71,404	72,208	75,068
Research and development expenses	22,697	23,509	26,331	24,788	21,038
Bad debt expenses	6,214	3,930	5,964	1,234	507
Write-down of impaired assets	750	—	4,900	—	—
Restructuring charge	—	3,403	—	—	—
Income from operations	80,874	80,557	84,806	97,543	92,447
Net income	53,752	49,793	54,208	62,116	57,224
Earnings Per Share					
Basic earnings per share	$ 2.66	$ 2.54	$ 2.65	$ 2.90	$ 2.57
Diluted earnings per share	$ 2.61	$ 2.48	$ 2.58	$ 2.80	$ 2.50
Weighted average number of common shares outstanding					
Basic	20,199	19,630	20,479	21,394	22,281
Diluted	20,569	20,063	21,004	22,150	22,926
Dividends declared per common share	$ 0.10	$ 0.10	$ 0.10	$ 0.10	$ 0.10
Balance Sheet Data					
Working capital	$167,028	$ 86,261	$ 81,830	$102,405	$112,892
Total assets	899,877	847,810	799,832	769,131	760,912
Long-term debt	89,020	88,097	89,857	75,238	88,167
Total debt	120,351	160,031	138,727	88,677	101,678
Total shareholders' equity	594,157	507,819	483,639	485,036	489,163

CONSOLIDATED
Balance Sheet

(Thousands of Dollars)	December 31, 2002	December 31, 2001
Assets		
Current assets:		
Cash and cash equivalents	$ 31,762	$ 13,046
Accounts receivable, less allowance for doubtful accounts:		
2002 – $7,079; 2001 – $3,697	129,608	125,289
Inventories	82,909	77,633
Prepaid expenses and other current assets	46,686	30,822
Total current assets	290,965	246,790
Property, plant and equipment,		
less accumulated depreciation and depletion	537,424	536,339
Goodwill	51,291	43,506
Other assets and deferred charges	20,197	21,175
Total assets	$899,877	$847,810
Liabilities & Shareholders' Equity		
Current liabilities:		
Short-term debt	$ 30,000	$ 71,497
Current maturities of long-term debt	1,331	437
Accounts payable	37,435	37,705
Income taxes payable	18,176	17,480
Accrued compensation and related items	15,086	14,231
Other current liabilities	21,909	19,179
Total current liabilities	123,937	160,529
Long-term debt	89,020	88,097
Accrued postretirement benefits	19,869	19,144
Deferred taxes on income	48,183	50,435
Other noncurrent liabilities	24,711	21,786
Total liabilities	305,720	339,991
Commitments and Contingent Liabilities		
Shareholders' equity:		
Preferred stock, without par value; 1,000,000 shares authorized; none issued	—	—
Common stock at par, $0.10 par value; 100,000,000 shares authorized;		
issued 26,937,260 shares in 2002 and 25,961,920 shares in 2001	2,694	2,596
Additional paid-in capital	190,144	158,559
Retained earnings	678,740	627,014
Accumulated other comprehensive loss	(35,034)	(55,295)
	836,544	732,874
Less common stock held in treasury, at cost; 6,781,473 shares in 2002		
and 6,347,973 shares in 2001	242,387	225,055
Total shareholders' equity	594,157	507,819
Total liabilities and shareholders' equity	$899,877	$847,810

See Notes to Consolidated Financial Statements, which are an integral part of these statements.

CONSOLIDATED
Statement of Income

(Thousands of Dollars, Except Per Share Data)	Year Ended December 31, 2002	2001	2000
Net sales	$752,680	$684,419	$670,917
Operating costs and expenses:			
Cost of goods sold	567,985	502,525	477,512
Marketing and administrative expenses	74,160	70,495	71,404
Research and development expenses	22,697	23,509	26,331
Bad debt expenses	6,214	3,930	5,964
Restructuring charge	—	3,403	—
Write-down of impaired assets	750	—	4,900
Income from operations	80,874	80,557	84,806
Interest income	1,172	835	1,146
Interest expense	(5,792)	(7,884)	(5,311)
Other deductions	(520)	(838)	(869)
Non-operating deductions, net	(5,140)	(7,887)	(5,034)
Income before provision for taxes on income and minority interests	75,734	72,670	79,772
Provision for taxes on income	20,220	21,148	23,735
Minority interests	1,762	1,729	1,829
Net income	$ 53,752	$ 49,793	$ 54,208
Basic earnings per share	$ 2.66	$ 2.54	$ 2.65
Diluted earnings per share	$ 2.61	$ 2.48	$ 2.58

See Notes to Consolidated Financial Statements, which are an integral part of these statements.

CONSOLIDATED
Statement of Cash Flows

(Thousands of Dollars)	Year Ended December 31, 2002	2001	2000
Operating Activities			
Net income	$ 53,752	$ 49,793	$ 54,208
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, depletion and amortization	68,960	66,518	60,795
Write-down of impaired assets	750	—	4,900
Loss on disposal of property, plant and equipment	1,301	19	257
Deferred income taxes	2,643	(131)	1,202
Bad debt expenses	6,214	3,930	5,964
Other	1,519	1,446	1,594
Changes in operating assets and liabilities, net of effects of acquisitions:			
Accounts receivable	1,143	(11,886)	(7,118)
Inventories	5,166	(2,182)	(5,123)
Prepaid expenses and other current assets	(15,865)	(10,620)	(5,732)
Accounts payable	(5,542)	(1,077)	(9,455)
Income taxes payable	465	(144)	(5,275)
Other	(2,668)	2,661	(5,104)
Net cash provided by operating activities	117,838	98,327	91,113
Investing Activities			
Purchases of property, plant and equipment	(37,107)	(63,078)	(103,286)
Proceeds from disposal of property, plant and equipment	280	5,193	1,396
Acquisition of businesses, net of cash acquired	(34,100)	(37,363)	(12,580)
Other investing activities	—	—	418
Net cash used in investing activities	(70,927)	(95,248)	(114,052)
Financing Activities			
Proceeds from issuance of short-term and long-term debt	154,908	268,684	165,672
Repayment of short-term and long-term debt	(194,876)	(248,677)	(114,346)
Purchase of common shares for treasury	(17,332)	(16,000)	(43,048)
Cash dividends paid	(2,026)	(1,960)	(2,049)
Proceeds from issuance of stock under option plan	29,384	3,158	4,044
Net cash provided by (used in) financing activities	(29,942)	5,205	10,273
Effect of exchange rate changes on cash and cash equivalents	1,747	(1,930)	(1,020)
Net increase (decrease) in cash and cash equivalents	18,716	6,354	(13,686)
Cash and cash equivalents at beginning of year	13,046	6,692	20,378
Cash and cash equivalents at end of year	$ 31,762	$ 13,046	$ 6,692

See Notes to Consolidated Financial Statements, which are an integral part of these statements.

CONSOLIDATED
Statement of Shareholders' Equity

(in thousands)	Common Stock Shares	Common Stock Par Value	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock Shares	Treasury Stock Cost	Total
Balance as of January 1, 2000	25,705	$2,571	$150,315	$527,022	$(28,865)	(4,819)	$(166,007)	$485,036
Comprehensive income:								
Net income	—	—	—	54,208	—	—	—	54,208
Currency translation adjustment	—	—	—	—	(15,208)	—	—	(15,208)
Total comprehensive income	—	—	—	54,208	(15,208)	—	—	39,000
Dividends declared	—	—	—	(2,049)	—	—	—	(2,049)
Employee benefit transactions	148	14	4,030	—	—	—	—	4,044
Income tax benefit arising from employee stock option plans	—	—	656	—	—	—	—	656
Purchase of common stock	—	—	—	—	—	(1,067)	(43,048)	(43,048)
Balance as of December 31, 2000	25,853	2,585	155,001	579,181	(44,073)	(5,886)	(209,055)	483,639
Comprehensive income:								
Net income	—	—	—	49,793	—	—	—	49,793
Currency translation adjustment	—	—	—	—	(11,896)	—	—	(11,896)
Minimum pension liability adjustment	—	—	—	—	500	—	—	500
Net gain on cash flow hedges	—	—	—	—	174	—	—	174
Total comprehensive income	—	—	—	49,793	(11,222)	—	—	38,571
Dividends declared	—	—	—	(1,960)	—	—	—	(1,960)
Employee benefit transactions	109	11	3,147	—	—	—	—	3,158
Income tax benefit arising from employee stock option plans	—	—	411	—	—	—	—	411
Purchase of common stock	—	—	—	—	—	(462)	(16,000)	(16,000)
Balance as of December 31, 2001	25,962	2,596	158,559	627,014	(55,295)	(6,348)	(225,055)	507,819
Comprehensive income:								
Net income	—	—	—	53,752	—	—	—	53,752
Currency translation adjustment	—	—	—	—	22,137	—	—	22,137
Minimum pension liability adjustment	—	—	—	—	(829)	—	—	(829)
Cash flow hedges:								
Net derivative losses arising during the year	—	—	—	—	(968)	—	—	(968)
Reclassification adjustment	—	—	—	—	(79)	—	—	(79)
Total comprehensive income	—	—	—	53,752	20,261	—	—	74,013
Dividends declared	—	—	—	(2,026)	—	—	—	(2,026)
Employee benefit transactions	975	98	29,286	—	—	—	—	29,384
Income tax benefit arising from employee stock option plans	—	—	2,299	—	—	—	—	2,299
Purchase of common stock	—	—	—	—	—	(433)	(17,332)	(17,332)
Balance as of December 31, 2002	26,937	$2,694	$190,144	$678,740	$(35,034)	(6,781)	$(242,387)	$594,157

See Notes to Consolidated Financial Statements, which are an integral part of these statements.

NOTES TO
Consolidated Financial Statements

Summary of Significant Accounting Policies

Basis of Presentation The accompanying consolidated financial statements include the accounts of Minerals Technologies Inc. (the "Company") and its wholly and majority-owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates The Company employs accounting policies that are in accordance with generally accepted accounting principles in the United States of America 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 taxes, income tax valuation allowances and litigation and environmental liabilities. Actual results could differ from those estimates.

Business The Company is a resource– and technology-based company that develops, produces and markets on a worldwide basis a broad range of specialty mineral, mineral-based and synthetic mineral products and related systems and technologies. The Company's products are used in manufacturing processes of the paper and steel industries, as well as by the building materials, polymers, ceramics, paints and coatings, glass and other manufacturing industries.

Cash Equivalents The Company considers all highly liquid investments with maturities of three months or less at the date of purchase to be cash equivalents. Cash equivalents amounted to $3.8 million and $2.9 million at December 31, 2002 and 2001, respectively.

Trade Accounts Receivable Trade accounts receivable are recorded at the invoiced amount and do not bear interest. The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in the Company's existing accounts receivable. The Company determines the allowance based on historical write-off experience and specific allowances for bankrupt customers. The Company also analyzes the collection history and financial condition of its other customers considering current industry conditions and determines whether an allowance needs to be established. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

Inventories Inventories are valued at the lower of cost or market. Cost is determined by the first-in, first-out (FIFO) method.

Property, Plant and Equipment Property, plant and equipment are recorded at cost. Significant improvements are capitalized, while maintenance and repair expenditures are charged to operations as incurred. The Company capitalizes interest costs as a component of construction in progress. In general, the straight-line method of depreciation is used for financial reporting purposes and accelerated methods are used for U.S. and certain foreign tax reporting purposes. The annual rates of depreciation are 4%-8% for buildings, 8%-12% for machinery and equipment and 8%-12% for furniture and fixtures.

Property, plant and equipment are depreciated over their useful lives. Useful lives of satellite precipitated calcium carbonate (PCC) plants are based on management's estimates of the period that the assets can generate revenue, which does not necessarily coincide with the remaining term of a customer's contractual obligation to purchase PCC from those facilities. Failure of a PCC customer to renew an agreement or continue to purchase PCC from the Company could result in an impairment of assets charge at such facility.

In the third quarter of 2002, the Company reduced the useful lives of satellite PCC plants at International Paper Company (IP) mills due to an increased risk that some or all of these PCC contracts will not be renewed. The accelerated depreciation reduced diluted earnings by approximately $0.04 per share in the second half of 2002.

Depletion of the mineral and quarry properties is provided for on a unit-of-extraction basis as the related materials are mined for financial reporting purposes and on a percentage depletion basis for tax purposes.

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

Accounting for the 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 of. 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 comparing the carrying amount of an asset to estimated undiscounted future net cash flows expected to be generated by the asset. If the carrying amount of the asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. During the first quarter of 2002, the Company recorded a write-down of impaired assets of $750,000 for a precipitated calcium carbonate plant at a paper mill that had ceased operations.

Prior to adoption of SFAS No. 144, the Company accounted for long-lived assets in accordance with SFAS No. 121, "Accounting for Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed of." In accordance with this pronouncement, the Company recorded a write-down of impaired assets of approximately $4.9 million in the fourth quarter of 2000 for three satellite PCC plants at paper mills that had ceased or were expected to cease operations.

Goodwill and Other Intangibles Goodwill represents the excess of purchase price and related costs over the value assigned to the net tangible and identifiable intangible assets of businesses acquired. On January 1, 2002, the Company adopted 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 tested for impairment at least annually in accordance with the provisions of SFAS No. 142. SFAS No. 142 also requires that intangible assets with estimable useful lives be amortized over their respective estimated useful lives to the estimated residual values, and reviewed for impairment in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets."

The Company evaluates the recoverability of goodwill using a two-step impairment test approach at the reporting unit level. In the first step the fair value for the reporting unit is compared to its book value including goodwill. In the case that the fair value of the reporting unit is less than the book value, a second step is performed which compares the fair value of the reporting unit's goodwill to the book value of the goodwill. The fair value for the goodwill is determined based on the difference between the fair values of the reporting units and the net fair values of the identifiable assets and liabilities of such reporting unit. If the fair value of the goodwill is less than the book value the difference is recognized as an impairment.

Prior to the adoption of SFAS No. 142, goodwill was amortized on a straight-line basis over 20-25 years, and assessed for recoverability by determining whether the amortization of the goodwill balance over its remaining life could be recovered through undiscounted future operating cash flows of the acquired operation. All other intangible assets were amortized on straight-line basis up to 17 years. The amount of goodwill and other intangible asset impairment, if any, was measured based on the Company's ability to recover the carrying amount from the expected future operating cash flows on a discounted basis.

Derivative Financial Instruments The Company enters into derivative financial instruments to hedge certain foreign exchange and interest rate exposures pursuant to SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities." See the Notes on Derivative Financial Instruments and Hedging Activities and Financial Instruments and Concentration of Credit Risk in the Consolidated Financial Statements for a full description of the Company's hedging activities and related accounting policies.

Revenue Recognition Revenue from sale of products is recognized at the time the goods are shipped and title passes to the customer. In most of the Company's PCC contracts, the price per ton is based upon the total number of tons sold to the customer during the year. Under those contracts the price billed to the customer for shipments during the year is based on periodic estimates of the total annual volume that will be sold to such customer. Revenues are adjusted at the end of each year to reflect the actual volume sold.

Foreign Currency The assets and liabilities of most of the Company's international subsidiaries are translated into U.S. dollars using exchange rates at the respective balance sheet date. The resulting translation adjustments are recorded in accumulated other comprehensive loss in shareholders' equity. Income statement items are generally translated at average exchange rates prevailing during the period. Other foreign currency gains and losses are included in net income. International subsidiaries operating in highly inflationary economies translate nonmonetary assets at historical rates, while net monetary assets are translated at current rates, with the resulting translation adjustments included in net income.

Income Taxes Income taxes are provided for based on the asset and liability method of accounting pursuant to SFAS No. 109, "Accounting for Income Taxes." Under SFAS No. 109, deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. Under SFAS No. 109, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The accompanying financial statements generally do not include a provision for U.S. income taxes on international subsidiaries' unremitted earnings, which, for the most part, are expected to be reinvested overseas.

Research and Development Expenses Research and development expenses are expensed as incurred.

Stock-Based Compensation The Company has elected to recognize compensation cost based on the intrinsic value of the equity instrument awarded as promulgated in Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees." The Company has disclosed below under " Stock and Incentive Plan" the pro forma effect of the fair value method on net income and earnings per share.

Pension and Post-retirement Benefits The Company has defined benefit pension plans covering substantially all of its employees. The benefits are based on years of service.

The Company also provides post-retirement health care benefits for substantially all retirees and employees in the United States. The Company measures the costs of its obligation based on its best estimate. The net periodic costs are recognized as employees render the services necessary to earn the post-retirement benefits.

Earnings Per Share Basic earnings per share have been computed based upon the weighted average number of common shares outstanding during the period.

Diluted earnings per share have been computed 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.

Income Taxes

Income before provision for taxes, by domestic and foreign source is as follows:

Thousands of Dollars	2002	2001	2000
Domestic	$44,768	$40,777	$51,098
Foreign	30,966	31,893	28,674
Total income before provision for income taxes	$75,734	$72,670	$79,772

The provision for taxes on income consists of the following:

Thousands of Dollars	2002	2001	2000
Domestic			
Taxes currently payable			
Federal	$ 5,797	$ 8,906	$11,741
State and local	179	1,484	2,380
Deferred income taxes	5,873	998	406
Domestic tax provision	11,849	11,388	14,527
Foreign			
Taxes currently payable	11,601	10,889	8,412
Deferred income taxes	(3,230)	(1,129)	796
Foreign tax provision	8,371	9,760	9,208
Total tax provision	$20,220	$21,148	$23,735

The provision for taxes on income shown in the previous table is classified based on the location of the taxing authority, regardless of the location in which the taxable income is generated.

The major elements contributing to the difference between the U.S. federal statutory tax rate and the consolidated effective tax rate are as follows:

Percentages	2002	2001	2000
U.S. statutory tax rate	35.0%	35.0%	35.0%
Depletion	(4.7)	(4.5)	(5.0)
Difference between tax provided on foreign earnings and the U.S. statutory rate	(3.2)	(1.9)	(1.0)
State and local taxes, net of Federal tax benefit	1.4	1.5	1.9
Tax credits	(0.9)	(1.4)	(1.3)
Other	(0.9)	0.4	0.2
Consolidated effective tax rate	26.7%	29.1%	29.8%

The Company believes that its accrued liabilities are sufficient to cover its U.S. and foreign tax contingencies. The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are presented below:

Thousands of Dollars	2002	2001
Deferred tax assets:		
Pension and post-retirement benefits cost reported for financial statement purposes in excess of amounts deductible for tax purposes	$ —	$ 3,207
State and local taxes	3,554	2,955
Accrued expenses	3,131	2,943
Deferred expenses	4,244	1,606
Net operating loss carry forwards	7,745	2,875
Other	1,125	1,231
Total deferred tax assets	19,799	14,817
Deferred tax liabilities:		
Plant and equipment, principally due to differences in depreciation	63,590	61,427
Pension and post-retirement benefits cost deducted for tax purposes in excess of amounts reported for financial statements	2,885	—
Other	1,507	3,825
Total deferred tax liabilities	67,982	65,252
Net deferred tax liabilities	$48,183	$50,435

A valuation allowance for deferred tax assets has not been recorded since management believes it is more likely than not that the existing net deductible temporary differences will reverse during periods in which the Company generates net taxable income.

Net cash paid for income taxes was $14.6 million, $20.8 million, and $24.9 million for the years ended December 31, 2002, 2001 and 2000, respectively.

Foreign Operations

The Company has not provided for U.S. federal and foreign withholding taxes on $83.9 million of foreign subsidiaries' undistributed earnings as of December 31, 2002 because such earnings, for the most part, are intended to be reinvested overseas. To the extent the parent company has received foreign earnings as dividends, the foreign taxes paid on those earnings have generated tax credits, which have substantially offset related U.S. income taxes. On repatriation, certain foreign countries impose withholding taxes. The amount of withholding tax that would be payable on remittance of the entire amount of undistributed earnings would approximate $2.9 million.

Net foreign currency exchange gains and (losses), included in other deductions in the Consolidated Statement of Income, were $233,000, $201,000, and ($425,000) for the years ended December 31, 2002, 2001 and 2000, respectively.

Inventories

The following is a summary of inventories by major category:

Thousands of Dollars	2002	2001
Raw materials	$32,967	$28,541
Work in process	7,153	9,083
Finished goods	25,459	22,775
Packaging and supplies	17,330	17,234
Total inventories	$82,909	$77,633

Property, Plant and Equipment

The major categories of property, plant and equipment and accumulated depreciation and depletion are presented below:

Thousands of Dollars	2002	2001
Land	$ 21,516	$ 20,136
Quarries/mining properties	27,918	26,981
Buildings	140,550	125,489
Machinery and equipment	801,788	755,471
Construction in progress	39,548	41,024
Furniture and fixtures and other	84,684	76,526
	1,116,004	1,045,627
Less: Accumulated depreciation and depletion	(578,580)	(509,288)
Property, plant and equipment, net	$ 537,424	$ 536,339

Restructuring Charge

During the second quarter of 2001, the Company announced plans to restructure its operations in an effort to reduce operating costs and to improve efficiency. The restructuring, together with workforce reductions associated with the acquisition of the refractory operations of Martin Marietta Magnesia Specialties Inc., resulted in a total workforce reduction of approximately 120 people or five percent of the Company's worldwide workforce. The Company recorded a pre-tax restructuring charge of $3.4 million in the second quarter of 2001 to reflect these actions. This charge consisted of severance and other employee benefits. As of December 31, 2002, substantially all of the employees identified in the workforce reduction were terminated and there was no remaining restructuring liability. As of December 31, 2001 the remaining restructuring liability was approximately $0.8 million.

Acquisitions

In 2002, the Company acquired the following three entities for a total cash cost of $34.1 million:

- On February 6, 2002, the Company purchased a PCC manufacturing facility in Hermalle-sous-Huy, Belgium for approximately $10.2 million. The Company acquired this facility to accelerate the development of its European coating PCC program. 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.
- On April 26, 2002, the Company acquired for approximately $1.4 million the assets of a company that develops and manufactures a refractory lining monitoring system.
- On September 9, 2002, the Company acquired the business and assets of Polar Minerals Inc., a privately owned producer of industrial minerals in the Midwest United States, for approximately $22.5 million.

In 2001, the Company acquired the following two entities for a total cash cost of $37.4 million:

- On May 1, 2001, the Company acquired the refractories business of Martin Marietta Magnesia Specialties Inc.
- On September 24, 2001, the Company purchased all of the outstanding shares of Rijnstaal B.V., a Netherlands-based producer of cored metal wires used mainly in the steel and foundry industries.

These acquisitions were accounted for under the purchase method and the operations of these entities have been included in the Company's financial statements since the aforementioned dates of the acquisitions.

The following table summarizes the estimated fair value of the assets acquired and liabilities assumed at the date of the acquisitions:

Millions of Dollars	2002	2001
Current assets	$11.6	$ 8.1
Property, plant and equipment	17.7	6.4
Intangible assets	0.7	1.4
Goodwill	5.5	30.1
Net operating loss carry forwards	3.4	—
Total assets acquired	38.9	46.0
Liabilities assumed	(4.8)	(8.6)
Net cash paid	$34.1	$37.4

Goodwill and Other Intangible Assets

Effective January 1, 2002, the Company adopted 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 reviewed 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. The Company completed the initial impairment analysis and performed a subsequent impairment analysis in the fourth quarter. These analyses did not result in an impairment charge.

The carrying amount of goodwill was $51.3 million and $43.5 million as of December 31, 2002 and December 31, 2001, respectively. The net change in goodwill since January 1, 2002 was primarily attributable to the acquisition of Polar Minerals Inc. in the Specialty Minerals segment and the effect of foreign exchange.

The following table reconciles previously reported net income as if the provisions of SFAS No. 142 had come into effect in 2000:

Thousands of Dollars	Year Ended December 31, 2002	2001	2000
Reported net income	$53,752	$49,793	$54,208
Addback: goodwill amortization	—	818	268
Adjusted net income	$53,752	$50,611	$54,476
Basic earnings per share:			
Reported net income	$2.66	$2.54	$2.65
Goodwill amortization	—	0.04	0.01
Adjusted net income	$2.66	$2.58	$2.66
Diluted earnings per share:			
Reported net income	$2.61	$2.48	$2.58
Goodwill amortization	—	0.04	0.01
Adjusted net income	$2.61	$2.52	$2.59

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

	December 31, 2002		December 31, 2001	
Millions of Dollars	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Patents and trademarks	$5.8	$0.7	$5.0	$0.4
Customer lists	1.4	0.1	1.4	0.1
Other	0.2	—	—	—
	$7.4	$0.8	$6.4	$0.5

The weighted average amortization period for acquired intangible assets subject to amortization is approximately 15 years. Amortization expense was $0.3 million in 2002 and the estimated amortization expense is $0.4 million for each of the next five years through 2007.

Derivative Instruments and Hedging Activities

The Company is exposed to foreign currency exchange rate fluctuations and interest rate changes in the normal course of its business. As part of the Company's risk management strategy, the Company uses interest-rate related derivative instruments to manage its exposure on its debt instruments, as well as forward exchange contracts (FEC) to manage its exposure to foreign currency risk on certain raw material purchases. The Company's objective is to offset gains and losses resulting from these exposures with gains and losses on the derivative contracts used to hedge them. The Company has not entered into derivative instruments for any purpose other than to hedge certain expected cash flows. The Company does not speculate using derivative instruments.

By using derivative financial instruments to hedge exposures to changes in interest rates and foreign currency, the Company exposes itself to credit risk and market risk. Credit risk is the risk that the counterparty will fail to perform under the terms of the derivative contract. When the fair value of a derivative contract is positive, the counterparty owes the Company, which creates credit risk for the Company. When the fair value of a derivative contract is negative, the Company owes the counterparty, and therefore, it does not face any credit risk. The Company minimizes the credit risk in derivative instruments by entering into transactions with major financial institutions.

Market risk is the adverse effect on the value of a financial instrument that results from a change in interest rates, currency exchange rates, or commodity prices. The market risk associated with interest rate and forward exchange contracts is managed by establishing and monitoring parameters that limit the types and degree of market risk that may be undertaken.

Based on criteria established by SFAS No. 133, the Company designated its derivatives as a cash flow hedge. During 2001, the Company entered into three-year interest rate swap agreements with notional amounts totaling $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 with an interest rate of 4.5%, thus reducing the impact of the interest rate changes on future cash flows and income. The Company uses FEC designated as cash flow hedges to protect against foreign currency exchange rate risks inherent in its forecasted inventory purchases. The Company had no open forward exchange contracts at December 31, 2002.

For derivative instruments that are designated and qualify as cash flow hedges, the effective portion of the gain or loss on the derivative instrument is initially recorded in accumulated other comprehensive income as a separate component of stockholders' equity and subsequently reclassified into earnings in the period during which the hedged transaction is recognized in earnings. The gains and losses associated with these forward exchange contracts and interest rate swaps are recognized into cost of sales and interest expense, respectively.

Financial Instruments and Concentrations of Credit Risk

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

Cash and Cash equivalents, Accounts Receivable and Payable, and Accrued Liabilities: The carrying amounts approximate fair value because of the short maturities of these instruments.

Short-Term Debt and Other Liabilities: The carrying amounts of short-term debt and other liabilities approximate fair value because of the short maturities of these instruments.

Long-Term Debt: The fair value of the long-term debt of the Company is estimated based on the quoted market prices for that debt or similar debt and approximates the carrying amount.

Forward Exchange Contracts: The fair value of forward exchange contracts (used for hedging purposes) is estimated by obtaining quotes from brokers. If appropriate, the Company would enter into forward exchange contracts to mitigate the impact of foreign exchange rate movements on the Company's operating results. It does not engage in speculation. Such foreign exchange contracts would not subject the Company to additional risk from exchange rate movements because gains and losses on these contracts would offset losses and gains on the assets, liabilities and transactions being hedged. The fair value of these instruments was $132,000 at December 31, 2001. The Company had no open forward exchange contracts at December 31, 2002.

Interest Rate Swap Agreements: The Company enters into interest rate swap agreements as a means to hedge its interest rate exposure on debt instruments. At December 31, 2002, the Company had two interest rate swaps with major financial institutions that effectively converted variable-rate debt to a fixed rate. One swap has a notional amount of $20 million and the other swap has a notional amount of $10 million. These swap agreements are under three-year terms expiring in January 2005 whereby the Company pays 4.50% and receives a three-month LIBOR rate plus 45 basis points. The fair value of these instruments was determined based on the present value of the estimated future net cash flows using implied rates in the applicable yield curve as of the valuation date. The fair value of these instruments was a liability of approximately $1.5 million and an asset of $158,000 at December 31, 2002 and December 31, 2001 respectively.

Credit Risk: Substantially all of the Company's accounts receivable are due from companies in the paper, construction and steel industries. Credit risk results from the possibility that a loss may occur from the failure of another party to perform according to the terms of the contract. The Company regularly monitors its credit risk exposures and takes steps to mitigate the likelihood of these exposures resulting in actual loss. The Company's extension of credit is based on an evaluation of the customer's financial condition and collateral is generally not required.

The Company's bad debt expense for the years ended December 31, 2002, 2001 and 2000 was $6.2 million, $3.9 million and $6.0 million, respectively.

Long-Term Debt and Commitments

The following is a summary of long-term debt:

Thousands of Dollars	2002	2001
7.49% Guaranteed Senior Notes Due July 24, 2006	$50,000	$50,000
Yen-denominated Guaranteed Credit Agreement Due March 31, 2007	8,957	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	5,000	5,000
Other borrowings	1,594	—
	90,351	88,534
Less: Current maturities	1,331	437
Long-term debt	$89,020	$88,097

On July 24, 1996, through a private placement, the Company issued $50 million of 7.49% Guaranteed Senior Notes due July 24, 2006. The proceeds from the sale of the notes were used to refinance a portion of the short-term commercial bank debt outstanding. No required principal payments are due until July 24, 2006. Interest on the notes is payable semi-annually.

On May 17, 2000, the Company's majority-owned subsidiary, Specialty Minerals FMT K.K., entered into a Yen-denominated Guaranteed Credit Agreement with the Bank of New York due March 31, 2007. The proceeds were used to finance the construction of a PCC satellite facility in Japan. Principal payments began on June 30, 2002. Interest is payable quarterly at a rate of 2.05% per annum.

The Variable/Fixed Rate Industrial Development Revenue Bonds due 2009 are tax-exempt 15-year instruments issued to finance the expansion of a PCC plant in Selma, Alabama. The bonds are dated November 1, 1994, and provide for an optional put by the holder (during the Variable Rate Period) and a mandatory call by the issuer. The bonds bear interest at either a variable rate or fixed rate, at the option of the Company. Interest is payable semi-annually under the fixed rate option and monthly under the variable rate option. The Company has selected the variable rate option on these borrowings and the average interest rates were approximately 1.57% and 3.18% for the years ended December 31, 2002 and 2001, respectively.

The Economic Development Authority Refunding Revenue Bonds due 2010 were issued on February 23, 1999 to refinance the bonds issued in connection with the construction of a PCC plant in Eastover, South Carolina. The bonds bear interest at either a variable rate or fixed rate, at the option of the Company. Interest is payable semi-annually under the fixed rate option and monthly under the variable rate option. The Company has selected the variable rate option on these borrowings and the average interest rates were approximately 1.51% and 2.61% for the years ended December 31, 2002 and 2001, respectively.

The Variable/Fixed Rate Industrial Development Revenue Bonds due August 1, 2012 are tax-exempt 15-year instruments that were issued on August 1, 1997 to finance the construction of a PCC plant in Courtland, Alabama. The bonds bear interest at either a variable rate or fixed rate, at the option of the Company. Interest is payable semi-annually under the fixed rate option and monthly under the variable rate option. The Company has selected the variable rate option on these borrowings and the average interest rates were approximately 1.56% and 3.35% for the years ended December 31, 2002 and 2001, respectively.

The Variable/Fixed Rate Industrial Development Revenue Bonds due November 1, 2014 are tax-exempt 15-year instruments and were issued on November 30, 1999 to refinance the bonds issued in connection with the construction of a PCC plant in Jackson, Alabama. The bonds bear interest at either a variable rate or fixed rate at the option of the Company. Interest is payable semi-annually under the fixed rate option and monthly under the variable rate option. The Company has selected the variable rate option on these borrowings and the average interest rates were approximately 1.56% and 3.10% for the years ended December 31, 2002 and 2001, respectively.

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 Mississippi. The Company has selected the variable rate option for this borrowing and the average interest rate was approximately 2.33% and 6.69% for the years ended December 31, 2002 and 2001, respectively.

The aggregate maturities of long-term debt are as follows: 2003 – $1.3 million; 2004 – $2.3 million; 2005 – $2.8 million; 2006 – $52.8 million, 2007 – $1.0 million; thereafter – $30.2 million.

The Company had available approximately $115.0 million in uncommitted, short-term bank credit lines, of which $30.0 million was in use at December 31, 2002. The interest rate for these borrowings was approximately 3.85% for the year ended December 31, 2002.

During 2002, 2001 and 2000, respectively, the Company incurred interest costs of $6.4 million, $8.8 million and $7.2 million including $0.6 million, $0.9 million and $1.9 million, respectively, which were capitalized. Interest paid approximated the incurred interest costs.

Benefit Plans

Pension Plans and Other Postretirement Benefit Plans

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

The funded status of the Company's pension plans and other postretirement benefit plans at December 31, 2002 and 2001 is as follows:

Millions of Dollars	Pension Benefits 2002	Pension Benefits 2001	Other Benefits 2002	Other Benefits 2001
Change in Benefit Obligation				
Benefit obligation at beginning of year	$107.2	$104.9	$21.6	$19.0
Service cost	5.1	5.2	1.1	1.1
Interest cost	7.3	6.9	1.5	1.4
Actuarial gain	7.5	5.7	1.6	0.8
Benefits paid	(4.1)	(14.1)	(1.5)	(1.3)
Acquisitions	—	—	—	0.6
Other	2.8	(1.4)	—	—
Benefit obligation at end of year	$125.8	$107.2	$24.3	$21.6
Change in Plan Assets				
Fair value of plan assets at beginning of year	$102.7	$110.5	$ —	$ —
Actual return on plan assets	(9.2)	(3.5)	—	—
Employer contributions	20.2	10.7	1.6	1.3
Plan participants' contributions	0.2	0.2	—	—
Benefits paid	(4.1)	(14.1)	(1.6)	(1.3)
Other	1.6	(1.1)	—	—
Fair value of plan assets at end of year	$111.4	$102.7	$ —	$ —
Funded status	$ (14.4)	$ (4.5)	$(24.3)	$(21.6)
Unrecognized transition amount	—	0.2	—	—
Unrecognized net actuarial loss	42.0	16.6	4.4	2.9
Unrecognized prior service cost	4.7	4.9	—	(0.4)
Prepaid (accrued) benefit cost	$ 32.3	$ 17.2	$(19.9)	$(19.1)
Amounts recognized in the consolidated balance sheet consist of:				
Prepaid benefit cost	$ 36.1	$ 20.4	$ —	$ —
Accrued benefit liabilities	(7.2)	(5.5)	(19.9)	(19.1)
Intangible asset	1.2	1.5	—	—
Accumulated other comprehensive loss	2.2	0.8	—	—
Net amount recognized	$ 32.3	$ 17.2	$(19.9)	$(19.1)

The weighted average assumptions used in the accounting for the pension benefit plans and other benefit plans as of December 31 are as follows:

	2002	2001	2000
Discount rate	6.75%	7.25%	7.50%
Expected return on plan assets	8.75%	9.25%	9.50%
Rate of compensation increase	3.50%	4.00%	4.00%

For measurement purposes, health care cost trend rates of approximately 10.0% for pre-age-65 and post-age-65 benefits were used in 2002. These trend rates were assumed to decrease gradually to 5.0% for 2007 and remain at that level thereafter.

The projected benefit obligation, accumulated benefit obligation, and fair value of plan assets for the pension plans with accumulated benefit obligations in excess of plan assets were $31.5 million, $26.4 million and $17.8 million, respectively, as of December 31, 2002 and $9.4 million, $8.4 million and $2.9 million, as of December 31, 2001.

The components of net periodic benefit costs are as follows:

Millions of Dollars	Pension Benefits 2002	Pension Benefits 2001	Pension Benefits 2000
Service cost	$5.1	$5.2	$5.1
Interest cost	7.3	6.9	6.9
Expected return on plan assets	(9.0)	(9.5)	(9.3)
Amortization of transition amount	0.1	0.8	0.7
Amortization of prior service cost	0.5	0.5	0.4
Net periodic benefit cost	$4.8	$5.6	$3.3

Millions of Dollars	Other Benefits 2002	Other Benefits 2001	Other Benefits 2000
Service cost	$1.1	$1.1	$0.9
Interest cost	1.5	1.4	1.3
Amortization of prior service cost	(0.4)	(1.7)	(1.7)
Net periodic benefit cost	$2.2	$0.8	$0.5

Unrecognized prior service cost is amortized on an accelerated basis over the average remaining service period of each active employee.

Benefits under defined benefit plans are generally based on years of service and an employee's career earnings. Employees become fully vested after five years.

Under the provisions of SFAS No. 88, lump sum distributions from the Company's Supplemental Retirement Plan caused a partial settlement of such plan, resulting in a charge of $1.9 million in 2001.

The Company's funding policy for U.S. plans generally is to contribute annually into trust funds at a rate that is intended to remain at a level percentage of compensation for covered employees. The funding policy for the international plans conforms to local governmental and tax requirements. The plans' assets are invested primarily in stocks and bonds.

The Company provides postretirement health care and life insurance benefits for substantially all of its U.S. retired employees. Employees are generally eligible for benefits upon retirement and completion of a specified number of years of creditable service. The Company does not pre-fund these benefits and has the right to modify or terminate the plan in the future.

A one-percentage-point change in assumed health care cost trend rates would have the following effects:

	1-Percentage-Point Increase	1-Percentage-Point Decrease
Effect on total service and interest cost components	$ 17,000	$ (21,000)
Effect on postretirement benefit obligation	$204,000	$(231,000)

Savings and Investment Plans

The Company maintains a voluntary Savings and Investment Plan for most non-union employees in the U.S. Within prescribed limits, the Company bases its contribution to the Plan on employee contributions. The Company's contributions amounted to $2.9 million, $2.9 million and $3.0 million for the years ended December 31, 2002, 2001 and 2000, respectively.

Leases

The Company has several noncancelable operating leases, primarily for office space and equipment. Rent expense amounted to approximately $4.6 million, $4.4 million and $5.1 million for the years ended December 31, 2002, 2001 and 2000, respectively. Total future minimum rental commitments under all noncancelable leases for each of the years 2003 through 2007 and in the aggregate thereafter are approximately $3.2 million, $3.2 million, $3.0 million, $2.4 million, $2.3 million, respectively and $11.8 million thereafter.

Total future minimum payments to be received under direct financing leases for each of the years 2003 through 2007 and in the aggregate thereafter are approximately $2.6 million, $2.0 million, $1.7 million, $1.1 million, $0.7 million, respectively and $2.8 million thereafter.

Litigation

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. Following extensive discussions among the parties, the proposed order was revised by the DEP on February 11, 2003. 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 as well as alleged violations of requirements pertaining to stormwater and waste water discharge and management of underground storage tanks. The proposed order would require payment of a civil penalty in the amount of $11,000 and funding of several supplemental environmental projects totaling $330,000. These amounts are included in other current liabilities in the consolidated balance sheet as of December 31, 2002. Costs of remediation at the site remains uncertain.

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

Capital Stock

The Company's authorized capital stock consists of 100 million shares of common stock, par value $0.10 per share, of which 20,155,787 shares and 19,613,947 shares were outstanding at December 31, 2002 and 2001, respectively, and 1,000,000 shares of preferred stock, none of which were issued and outstanding.

Cash Dividends

Cash dividends of $2.0 million or $0.10 per common share were paid during 2002. In January 2003, a cash dividend of approximately $0.5 million or $0.025 per share, was declared, payable in the first quarter of 2003.

Preferred Stock Purchase Rights

On August 27, 1999, the Company's Board of Directors redeemed the Company's current rights plan effective September 13, 1999 and simultaneously replaced it with a new rights plan. The redemption price for the old rights of $0.01 per right was paid to the stockholders of record as of September 13, 1999.

Under the Company's new Preferred Stock Purchase Rights Plan, each share of the Company's common stock carries with it one preferred stock purchase right. Subject to the terms and conditions set forth in the plan, the rights will become exercisable if a person or group acquires beneficial ownership of 15% or more of the Company's common stock or announces a tender or exchange offer that would result in the acquisition of 30% or more thereof. If the rights become exercisable, separate certificates evidencing the rights will be distributed, and each right will entitle the holder to purchase from the Company a new series of preferred stock, designated as Series A Junior Preferred Stock, at a predefined price. The rights also entitle the holder to purchase shares in a change-of-control situation. The preferred stock, in addition to a preferred dividend and liquidation right, will entitle the holder to vote on a pro rata basis with the Company's common stock.

The rights are redeemable by the Company at a fixed price until 10 days or longer, as determined by the Board, after certain defined events or at any time prior to the expiration of the rights on September 13, 2009 if such events do not occur.

Stock and Incentive Plan

The Company has adopted a Stock and Incentive Plan (the "Plan"), which provides for grants of incentive and non-qualified stock options, stock appreciation rights, stock awards or performance unit awards. The Plan is administered by the Compensation and Nominating Committee of the Board of Directors. Stock options granted under the Plan have a term not in excess of ten years. The exercise price for stock options will not be less than the fair market value of the common stock on the date of the grant, and each award of stock options will vest ratably over a specified period, generally three years.

In 2001, the shareholders approved an amendment to increase the number of shares of common stock available under the Plan by an additional 0.5 million.

The following table summarizes stock option activity for the Plan:

		Under Option	
	Shares Available For Grant	Shares	Weighted Average Exercise Price Per Share ($)
Balance 1/1/2000	1,339,552	2,580,799	33.25
Granted	(107,000)	107,000	50.34
Exercised	—	(148,148)	28.20
Canceled	20,437	(20,437)	39.26
Balance 12/31/2000	1,252,989	2,519,214	34.23
Authorized	500,000	—	—
Granted	(252,500)	252,500	34.81
Exercised	—	(109,504)	29.04
Canceled	42,057	(42,057)	38.57
Balance 12/31/2001	1,542,546	2,620,153	34.43
Granted	(285,728)	285,728	46.92
Exercised	—	(977,363)	30.03
Canceled	20,335	(20,335)	50.83
Balance 12/31/2002	1,277,153	1,908,183	38.54

SFAS No. 123, "Accounting for Stock-Based Compensation," requires the disclosure of pro forma net income and net income per share as if the Company adopted the fair-value method of accounting for stock-based awards. The fair value of stock-based awards to employees was calculated using the Black-Scholes option-pricing model, modified for dividends, with the following weighted average assumptions:

	2002	2001	2000
Expected life (years)	7	7	7
Interest rate	3.27%	4.69%	5.03%
Volatility	31.21%	30.41%	31.13%
Expected dividend yield	0.21%	0.28%	0.20%

As required by SFAS No. 123, the Company has determined that the weighted average estimated fair values of options granted in 2002, 2001 and 2000 were $18.30, $14.36 and $21.85 per share, respectively. Pro forma net income and earnings per share reflecting compensation cost for the fair value of stock options awarded in 2002, 2001 and 2000 were as follows:

Millions of Dollars, Except Per Share Amounts	2002	2001	2000
Net income As reported	$53.8	$49.8	$54.2
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	2.2	5.5	4.8
Pro forma net income	$51.6	$44.3	$49.4
Basic earnings per share			
As reported	$2.66	$2.54	$2.65
Pro forma	$2.55	$2.26	$2.41
Diluted earnings per share			
As reported	$2.61	$2.48	$2.58
Pro forma	$2.51	$2.21	$2.35

The following table summarizes information concerning Plan options outstanding at December 31, 2002:

	Options Outstanding		
Range of Exercise Prices	Number Outstanding at 12/31/02	Weighted Average Remaining Contractual Term (Years)	Weighted Average Exercise Price
$22.625 – 29.750	56,265	0.1	$23.61
$30.625 – 34.825	598,062	4.3	$32.13
$38.438 – 39.531	874,433	6.1	$39.53
$42.070 – 52.375	379,423	8.6	$48.15

	Options Exercisable	
Range of Exercise Prices	Number Exercisable at 12/31/02	Weighted Average Exercise Price
$22.625 – 29.750	56,265	$23.61
$30.625 – 34.825	455,875	$31.28
$38.438 – 39.531	870,933	$39.53
$42.070 – 52.375	77,673	$50.15

Earnings Per Share (EPS)

Basic EPS

Thousands of Dollars, Except Per Share Amounts	2002	2001	2000
Net income	$53,752	$49,793	$54,208
Weighted average shares outstanding	20,199	19,630	20,479
Basic earnings per share	$ 2.66	$ 2.54	$ 2.65

Diluted EPS

Thousands of Dollars, Except Per Share Amounts	2002	2001	2000
Net income	$53,752	$49,793	$54,208
Weighted average shares outstanding	20,199	19,630	20,479
Dilutive effect of stock options	370	433	525
Weighted average shares outstanding, adjusted	20,569	20,063	21,004
Diluted earnings per share	$ 2.61	$ 2.48	$ 2.58

The weighted average diluted common shares outstanding for the years ending December 31, 2002, 2001 and 2000 excludes the dilutive effect of approximately 445,000, 376,000 and 388,000 options, respectively, since such options had an exercise price in excess of the average market value of the Company's common stock during such years.

Comprehensive Income

Comprehensive income includes changes in the fair value of certain financial derivative instruments that qualify for hedge accounting to the extent they are effective, the minimum pension liability and cumulative foreign currency translation adjustments.

The following table reflects the accumulated balances of other comprehensive income (loss) (in millions):

	Currency Translation Adjustment	Minimum Pension Liability	Net Gain (Loss) On Cash Flow Hedges	Accumulated Other Comprehensive Income (Loss)
Balance at 1/1/00	$(27.9)	$(1.0)	$ —	$(28.9)
Current year change	(15.2)	—	—	(15.2)
Balance at 12/31/00	(43.1)	(1.0)	—	(44.1)
Current year change	(11.9)	0.5	0.2	(11.2)
Balance at 12/31/01	(55.0)	(0.5)	0.2	(55.3)
Current year change	22.2	(0.8)	(1.1)	20.3
Balance at 12/31/02	$(32.8)	$(1.3)	$(0.9)	$(35.0)

The income tax expense (benefit) associated with items included in other comprehensive income (loss) was approximately ($1.1) million, $0.4 million and ($0.5) million for the years ended December 31, 2002, 2001 and 2000, respectively.

Segment and Related Information

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The Company's operating segments are strategic business units that offer different products and serve different markets. They are managed separately and require different technology and marketing strategies.

The Company has two operating segments: Specialty Minerals and Refractories. The Specialty Minerals segment produces and sells precipitated calcium carbonate and lime, and mines, processes and sells the natural mineral products limestone and talc. This segment's products are used principally in the paper, building materials, paints and coatings, glass, ceramic, polymers, food, and pharmaceutical industries. The Refractories segment produces and markets monolithic and shaped refractory materials and services used primarily by the steel, cement and glass industries.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The Company evaluates performance based on the operating income of the respective business units. Depreciation expense related to corporate assets is allocated to the business segments and is included in their income from operations. However, such corporate depreciable assets are not included in the segment assets. Specialty Minerals' segment sales to International Paper Company and affiliates represented approximately 11.5% of consolidated net sales for 2002 and 13% of consolidated net sales in 2001 and 2000, respectively. Intersegment sales and transfers are not significant.

Segment information for the years ended December 31, 2002, 2001 and 2000 was as follows (in millions):

2002	Specialty Minerals	Refractories	Total
Net sales	$520.1	$232.6	$752.7
Income from operations	60.0	20.9	80.9
Bad debt expenses	3.8	2.4	6.2
Depreciation, depletion and amortization	59.0	10.0	69.0
Segment assets	612.7	238.6	851.3
Capital expenditures	27.3	9.7	37.0

2001	Specialty Minerals	Refractories	Total
Net sales	$483.3	$201.1	$684.4
Income from operations	55.5	25.1	80.6
Bad debt expenses	0.6	3.3	3.9
Depreciation, depletion and amortization	55.9	10.6	66.5
Segment assets	587.9	231.4	819.3
Capital expenditures	54.3	8.6	62.9

2000	Specialty Minerals	Refractories	Total
Net sales	$486.3	$184.6	$670.9
Income from operations	61.4	23.4	84.8
Bad debt expenses	1.2	4.8	6.0
Depreciation, depletion and amortization	51.8	9.0	60.8
Write-down of impaired assets	4.9	—	4.9
Segment assets	612.4	169.5	781.9
Capital expenditures	95.6	7.7	103.3

Included in income from operations of the Specialty Minerals segment and the Refractories segment for the year ended December 31, 2001, is a restructuring charge of approximately $3.0 million and $0.4 million, respectively.

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

	2002	2001	2000
Income Before Provision for Taxes On Income and Minority Interests			
Income from operations for reportable segments	$ 80.9	$ 80.6	$ 84.8
Unallocated corporate expenses	—	—	—
Consolidated income from operations	80.9	80.6	84.8
Interest income	1.1	0.8	1.1
Interest expense	(5.8)	(7.9)	(5.3)
Other deductions	(0.5)	(0.8)	(0.8)
Income before provision for taxes on income and minority interests	$ 75.7	$ 72.7	$ 79.8

	2002	2001	2000
Total Assets			
Total segment assets	$851.3	$819.3	$781.9
Corporate assets	48.6	28.5	17.9
Consolidated total assets	$899.9	$847.8	$799.8

	2002	2001	2000
Capital Expenditures			
Total segment capital expenditures	$ 37.0	$ 62.9	$103.3
Corporate capital expenditures	0.1	0.2	—
Consolidated total capital expenditures	$ 37.1	$ 63.1	$103.3

The following is a schedule of amortization expense related to goodwill by segment:

Amortization of Goodwill	Year Ended December 31,		
Thousands of Dollars	2002	2001	2000
Specialty Minerals	$ —	$ 373	$ 182
Refractories	—	991	298
Total	$ —	$1,364	$ 480

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

Goodwill		
Thousands of Dollars	2002	2001
Specialty Minerals	$14,637	$ 8,038
Refractories	36,654	35,468
Total	$51,291	$43,506

The net change in goodwill since January 1, 2002 was primarily attributable to the acquisition of Polar Minerals Inc. in the Specialty Minerals segment and the effect of foreign exchange.

Financial information relating to the Company's operations by geographic area was as follows (in millions):

Net Sales	2002	2001	2000
United States	$482.2	$442.7	$442.7
Canada/Latin America	68.5	63.6	62.0
Europe/Africa	156.0	129.6	116.8
Asia	46.0	48.5	49.4
Total International	270.5	241.7	228.2
Consolidated total net sales	$752.7	$684.4	$670.9

Net sales and long-lived assets are attributed to countries and geographic areas based on the location of the legal entity. No individual foreign country represents more than 10% of consolidated net sales or consolidated long-lived assets.

Long-Lived Assets	2002	2001	2000
United States	$400.6	$411.1	$387.4
Canada/Latin America	21.5	28.5	31.2
Europe/Africa	141.3	115.3	112.3
Asia	31.9	31.4	37.5
Total International	194.7	175.2	181.0
Consolidated total long-lived assets	$595.3	$586.3	$568.4

QUARTERLY
Financial Data (unaudited)

Thousands of Dollars, Except Per Share Amounts

2002 Quarters	First	Second	Third	Fourth
Net Sales by Product Line				
PCC	$102,876	$103,320	$107,562	$109,230
Processed Minerals	21,439	24,380	24,546	26,726
Specialty Minerals Segment	124,315	127,700	132,108	135,956
Refractories Segment	54,685	59,128	60,026	58,762
Consolidated net sales	179,000	186,828	192,134	194,718
Gross profit	45,576	46,166	46,397	45,806
Net income	13,543	13,997	14,213	11,999
Earnings per share:				
Basic	0.68	0.68	0.70	0.60
Diluted	0.66	0.67	0.70	0.59
Market Price Range Per Share of Common Stock:				
High	53.91	53.84	48.99	46.07
Low	44.06	49.12	33.17	36.38
Close	52.93	49.32	37.07	43.15
Dividends paid per common share	$ 0.025	$ 0.025	$ 0.025	$ 0.025

In the second quarter of 2002, the Company recorded a $0.75 million write-down of impaired assets related to a satellite PCC plant at a paper mill that has ceased operations.

Thousands of Dollars, Except Per Share Amounts

2001 Quarters	First	Second	Third	Fourth
Net Sales by Product Line				
PCC	$ 99,669	$ 97,615	$ 98,695	$100,180
Processed Minerals	21,012	22,955	22,482	20,721
Specialty Minerals Segment	120,681	120,570	121,177	120,901
Refractories Segment	43,294	50,168	53,734	53,894
Consolidated net sales	163,975	170,738	174,911	174,795
Gross profit	43,499	45,483	46,091	46,821
Net income	11,658	10,341	13,591	14,203
Earnings per share:				
Basic	0.59	0.53	0.69	0.73
Diluted	0.58	0.52	0.68	0.71
Market Price Range Per Share of Common Stock:				
High	38.09	43.95	44.78	48.00
Low	31.92	33.62	33.23	35.98
Close	34.89	42.87	37.72	46.64
Dividends paid per common share	$ 0.025	$ 0.025	$ 0.025	$ 0.025

In the second quarter of 2001, the Company recorded a $3.4 million restructuring charge.

INDEPENDENT
Auditors' Report

The Board of Directors and Shareholders
Minerals Technologies Inc.:

We have audited the accompanying consolidated balance sheet of Minerals Technologies Inc. and subsidiary companies as of December 31, 2002 and 2001 and the related consolidated statements of income, shareholders' equity and cash flows for each of the years in the three-year period ended December 31, 2002. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Minerals Technologies Inc. and subsidiary companies as of December 31, 2002 and 2001 and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2002 in conformity with accounting principles generally accepted in the United States of America.

As discussed in the notes to the consolidated financial statements, the Company adopted Statement of Financial Accounting Standards No.142, "Goodwill and Other Intangible Assets," as of January 1, 2002.

KPMG LLP

KPMG LLP
New York, New York

January 23, 2003

MANAGEMENT'S
Statement of Responsibility

Management's Responsibility for Financial Statements and System of Internal Control

The consolidated financial statements and all related financial information herein are the responsibility of the Company's management. The financial statements, which include amounts based on judgments, have been prepared in accordance with accounting principles generally accepted in the United States of America. Other financial information in the annual report is consistent with that in the financial statements.

The Company maintains a system of internal control over financial reporting, which it believes provides reasonable assurance that transactions are executed in accordance with management's authorization and are properly recorded, that assets are safeguarded, and that accountability for assets is maintained. Even an effective internal control system, no matter how well designed, has inherent limitations and, therefore, can provide only reasonable assurance with respect to financial statement preparation. The system of internal control is characterized by a control-oriented environment within the Company, which includes written policies and procedures, careful selection and training of personnel, and audits by a professional staff of internal auditors.

The Company's independent accountants have audited and reported on the Company's consolidated financial statements. Their audits were performed in accordance with auditing standards generally accepted in the United States of America.

The Audit Committee of the Board of Directors is composed solely of outside directors. The Audit Committee meets periodically with our independent auditors, internal auditors and management to review accounting, auditing, internal control and financial reporting matters. Recommendations made by the independent auditors and the Company's internal auditors are considered and appropriate action is taken with respect to these recommendations. Both our independent auditors and internal auditors have free access to the Audit Committee.

PAUL R. SAUERACKER
Chairman of the Board and Chief Executive Officer

JOHN A. SOREL
Senior Vice President, Finance and Chief Financial Officer

MICHAEL A. CIPOLLA
Corporate Controller and Chief Accounting Officer

January 23, 2003

DIRECTORS,
Committees & Officers

Board of Directors

PAUL R. SAUERACKER
Chairman of the Board,
President and
Chief Executive Officer

JOHN B. CURCIO
Retired Chairman of the Board
and Chief Executive Officer,
Mack Trucks, Inc.

DUANE R. DUNHAM
Former President
and Chief Executive Officer,
Bethlehem Steel Corporation

STEVEN J. GOLUB
Managing Director,
Lazard Frères & Co. LLC

KRISTINA M. JOHNSON
Dean of the Edmund T. Pratt, Jr.
School of Engineering,
Duke University

PAUL M. MEISTER
Vice Chairman of the Board,
Fisher Scientific International Inc.

MICHAEL F. PASQUALE
Business Consultant,
Retired Executive Vice President
and Chief Operating Officer,
Hershey Foods Corporation

JOHN T. REID
Adjunct Professor,
Stern Business School,
New York University

WILLIAM C. STEERE, JR.
Retired Chairman of the Board
and Chief Executive Officer,
Pfizer Inc

JEAN-PAUL VALLÈS
Chairman Emeritus

Corporate Officers

PAUL R. SAUERACKER +
Chairman, President and
Chief Executive Officer

GORDON S. BORTECK +
Vice President,
Organization & Human Resources

ALAIN BOURUET-AUBERTOT +
Senior Vice President
and Managing Director,
MINTEQ International

HOWARD R. CRABTREE +
Senior Vice President,
Technology and Logistics

D. RANDY HARRISON +
Vice President and Managing Director,
Performance Minerals

KENNETH L. MASSIMINE +
Senior Vice President
and Managing Director,
Paper PCC

JOHN A. SOREL +
Senior Vice President and
Chief Financial Officer; Treasurer

S. GARRETT GRAY
Vice President, General Counsel
and Secretary

WILLIAM A. KROMBERG
Vice President, Taxes

MICHAEL A. CIPOLLA
Corporate Controller and
Chief Accounting Officer

Committees of the Board

Executive ^

PAUL R. SAUERACKER, Chair
JEAN-PAUL VALLÈS
JOHN B. CURCIO
WILLIAM C. STEERE, JR.

Audit

MICHAEL F. PASQUALE, Chair
DUANE R. DUNHAM
STEVEN J. GOLUB
KRISTINA M. JOHNSON

Compensation and Nominating

JOHN B. CURCIO, Chair
PAUL M. MEISTER
WILLIAM C. STEERE, JR.

^ All directors are alternate members of the Executive Committee

+ Member, Management Committee of the Company

INVESTOR
Information

Stock Listings

Minerals Technologies Common Stock is listed on the New York Stock Exchange under the symbol MTX.

Registrar and Transfer Agent

EQUISERVE, INC.
P.O. Box 43011
Providence, RI 02940-3011

Inquiries concerning transfer requirements, stock holdings, dividend checks, duplicate mailings, and change of address should be directed to:

EQUISERVE, INC.
P.O. Box 43011
Providence, RI 02940-3011
Shareholder Inquiries: 1-800-426-5523
www.equiserve.com

Form 10-K

The Company, upon written request, will provide without charge to each stockholder a copy of the Company's annual report on Form 10-K filed with the Securities and Exchange Commission for the fiscal year ended December 31, 2002, including the financial schedule thereto. The report will be available on or about March 31, 2003.

Requests should be directed to:

SECRETARY
Minerals Technologies Inc.
The Chrysler Building
405 Lexington Avenue
New York, NY 10174-1901

Annual Meeting

The Minerals Technologies Annual Meeting will take place on Thursday, May 22, 2003 at 2 p.m. in Room C on the eleventh floor of the J.P. Morgan Chase & Co. Building, 270 Park Avenue, New York, NY.

Detailed information about the meeting is contained in the Notice of Annual Meeting and Proxy Statement sent with a copy of the Annual Report to each stockholder of record as of March 25, 2003.

Investor Relations

Security analysts and investment professionals should direct their business-related inquiries to:

RICK B. HONEY
Vice President,
Investor Relations/Corporate Communications
Minerals Technologies Inc.
The Chrysler Building
405 Lexington Avenue
New York, NY 10174-1901
212-878-1831

For further information on Minerals Technologies Inc. visit the Company's website at www.mineralstech.com

Cover photo: Susan Stevens, Project Specialist, Groundwood Printability, in the laboratory at the Company's research center in Bethlehem, Pennsylvania.

This annual report is printed on paper containing PCC produced by Specialty Minerals Inc., a wholly owned subsidiary of Minerals Technologies Inc.

Design by Firefly Design + Communications Inc.

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www.mineralstech.com

MLTCM-AR-03