RENEWING GROWTH

Minerals Technologies Inc.
2004 Annual Report

WHO WE ARE

Minerals Technologies Inc. is a resource- and technology-based company that develops, produces and markets worldwide a broad range of specialty mineral, mineral-based and synthetic mineral products and related systems and services. The Company has two reportable segments: Specialty Minerals and Refractories. The Specialty Minerals segment produces and sells the synthetic mineral product precipitated calcium carbonate (PCC) and the processed mineral product quicklime (lime), and mines, processes and sells other natural mineral products, primarily limestone and talc. This segment's products are used principally in the paper, building materials, paint and coatings, glass, ceramic, polymer, food and pharmaceutical industries. The Refractories segment produces and markets monolithic and shaped refractory materials and specialty products, services and application equipment used primarily by the steel, non-ferrous metal and glass industries.

The Company emphasizes research and development. The level of the Company's research and development spending, as well as its capability of developing and introducing technologically advanced new products, has enabled the Company to anticipate and satisfy changing customer requirements, creating market opportunities through new product development and product application innovations.

Millions of Dollars, Except Per Share Data	December 31, 2004	December 31, 2003
Net sales	$923.7	$813.7
Specialty Minerals Segment	623.4	557.1
PCC Products	484.7	436.1
Processed Minerals Products	138.7	121.0
Refractories Segment	300.3	256.6
Operating income before restructuring and impairment of assets	90.2	83.7
Operating income	89.1	77.2
Net income	58.6	48.2
Earnings per share:		
Basic	2.85	2.39
Diluted	2.82	2.36
Research and development expenses	29.0	25.1
Depreciation and Depletion	70.5	66.3
Capital expenditures	106.4	52.7
Net cash provided by operating activities	129.2	100.1
Number of shareholders of record	201	201
Number of employees	2,484	2,425

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“We are well-positioned to ensure our Company's future growth.”

Paul R. Saueracker
Chairman, President & Chief Executive Officer

STRATEGIES FOR GROWTH:

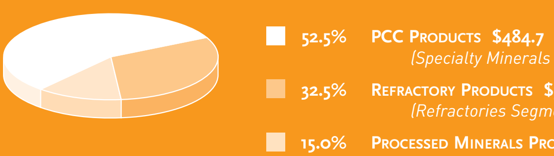
Dear Shareholders:

In 2004, Minerals Technologies recorded a solid financial performance despite a relatively slow start in the first quarter resulting from weakness in the paper and steel industries—the two major industries we serve. As the year progressed, we saw an upturn in these industries that continued throughout the year; and, if the economy remains stable, we look forward to a strong performance in 2005.

In the past five years, the business environment for manufacturing companies has changed drastically, and Minerals Technologies has adapted its strategies to meet the challenges that have resulted from this new environment. The changes that affected us occurred primarily in paper and steel. The worldwide paper industry consolidated and shuttered inefficient capacity, and the North American steel industry underwent an upheaval that resulted in dozens of steel makers seeking bankruptcy protection. I believe these are structural changes, or what I have called a permanent disruption in the marketplace, that require different strategies for MTI to renew its growth.

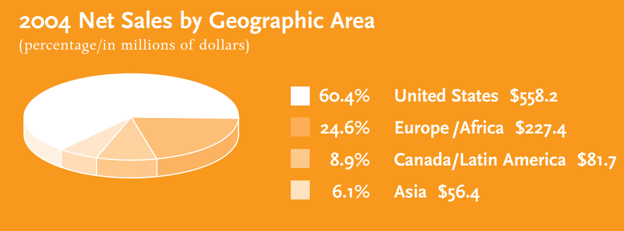
In this report, I will first review our financial performance for 2004, and will then delineate the new strategies we have put in place to assure our continued growth as a global research and technology company.

2004 Net Sales By Product Line
(percentage/in millions of dollars)



- 52.5% PCC Products $484.7 *(Specialty Minerals Segment)*
- 32.5% Refractory Products $300.3 *(Refractories Segment)*
- 15.0% Processed Minerals Products $138.7 *(Specialty Minerals Segment)*

2004 Net Sales by Geographic Area
(percentage/in millions of dollars)



- 60.4% United States $558.2
- 24.6% Europe /Africa $227.4
- 8.9% Canada/Latin America $81.7
- 6.1% Asia $56.4

Worldwide sales for the full year 2004 were $923.7 million, a 14-percent increase over $813.7 million reported in 2003. Foreign exchange had a favorable impact on sales of approximately $28.2 million, or 3 percentage points of growth. The Company's operating income for the full year 2004 was $89.1 million, a 15-percent increase over $77.2 million for 2003. Operating income as a percentage of sales was 9.6 percent versus 9.5 percent in 2003.

During 2004, MTI recognized pre-tax corporate charges of $1.0 million, or $0.03 per share, related to due diligence from a terminated acquisition effort in the fourth quarter. In addition, the Company recognized a pre-tax charge of $1.1 million, or $0.03 per share, relating to workforce reductions for a program announced in the prior year.

Excluding charges for restructuring and asset impairments for both 2003 and 2004, operating income was $90.2 million, an 8-percent increase over $83.7 million in 2003.

Net income for the full year increased 22 percent to $58.6 million from $48.2 million in 2003. Diluted earnings per share were $2.82, a 19-percent increase over the previous year. Diluted earnings per share, before the cumulative effect of an accounting change in the prior year, increased 11 percent.

Our precipitated calcium carbonate, or PCC, product line—MTI's largest business with more than $480 million in sales—grew 11 percent. Volumes of PCC for paper increased from roughly 3.4 million short tons in 2003 to 3.7 million short tons in 2004. This increased volume was the result of improved conditions in the North American and European paper markets, the ramp-up of our PCC satellite plant in Malaysia and the re-start of our satellite in Millinocket, Maine, that had been shut down during all of 2003.

The Company's Specialty PCC business showed improvement primarily as a result of our success in penetrating new consumer markets.

Our Processed Minerals product line maintained a solid performance as a result of the continued strength in the construction industry. To meet this demand, we are constructing additional capacity at three of our manufacturing facilities.

Sales in our Refractories product line grew 17 percent for the full year 2004 and exceeded $300 million for the first time. The growth in Refractories was the result of improved strength primarily in the North American steel industry, as well as the positive impact of foreign exchange. In addition, the Refractories segment showed growth in metallurgical products.

MTI's future looks bright. The economy and the prospects for both paper and steel have shown signs of improvement. We, however, continue to face the challenges that occurred from the structural changes in the markets we serve. For example, in

the United States, I do not believe we will ever again see the levels of paper and steel production we saw in 1999 and 2000.

In 2004, MTI adopted a set of strategies to address the changes in the marketplace. They are:

- Move regionally with the markets we serve
- Create entirely new markets
- Increase demand for our products in existing markets
- Broaden opportunities within our markets
- Improve our cost competitiveness

Since 1998, MTI's geographic mix of sales has shifted somewhat; the percentage of total sales has declined slightly in the United States, while increasing in Europe and Asia. This trend will continue. We believe there are three areas of the world critical to our sustained growth—Asia, particularly China; Latin America, especially Brazil; and Eastern Europe. Right now the paper and steel industries are growing in these regions and we need to take advantage of the opportunities that are present.

MTI already has operations in these areas, but we have made a concerted effort to increase our presence in these regions, especially China. Last year, we announced the construction of two large PCC satellite plants in China at paper mills owned by Asia Pulp & Paper Company (China) Pte. Both of these satellite plants, which we expect to be operational in the first half of 2005, will be capable of producing more than 125,000 tons of PCC annually. To take advantage of the major growth in steel production in China, our Refractories segment is constructing a 100,000-ton manufacturing facility for refractory products that will be on stream by the fourth quarter. This facility, located in Suzhou, is near 15 steel mills that will be able to take advantage of the added value this segment's systems approach provides. This approach incorporates the most advanced laser-measuring system, our robotic application equipment, our more durable refractory products and the people with the expertise to operate this system.

With these facilities in place, MTI will be better positioned to take advantage of the dramatic expansion in the Chinese economy—especially in steel production. Latin America and Eastern Europe are also regions that are expected to grow in both paper and steel production, and we are investigating how best to take advantage of these opportunities.

Our SYNSIL® Products is an example of how—through our research and development expertise—we can create entirely new markets to sustain our future growth. We are very optimistic about SYNSIL® Products, and believe this product line offers the potential, over time, to be as large as the refractories or PCC businesses. SYNSIL® Products is a new innovative technology for the glass industry that we believe will result in a major change in glass manufacturing. SYNSIL® Products are composite minerals that reduce the temperature needed to melt the raw materials in a glass furnace. The material reduces energy costs, furnace wear and the amount of downtime needed on the furnace. More importantly though, SYNSIL® Products improves the throughput—it increases the amount of glass produced. The savings to the glassmaker are impressive. For example, in a 100,000-ton glass furnace, SYNSIL® Products can save the glassmaker between $1.7 million and $2.7 million a year.

At present, the Company has two supply contracts with one glass manufacturer and a smaller contract with a producer of specialty glass. We continue to conduct trials of SYNSIL® Products at two major glass manufacturers in the United States. If these trials proceed as expected, it is likely we will announce the construction of a 200,000-ton SYNSIL® Products manufacturing facility around mid-year.

In the mid-1980s, we were instrumental in revolutionizing the way paper was made in North America when we introduced the "satellite" concept of building PCC production facilities on site at paper mills. Today, as part of our strategy to increase demand for our products in existing markets, we are involved in a joint development effort with International Paper, our largest customer, for a filler/fiber composite. This material, while still in a product development phase, is intended to increase

the filler levels in paper upwards to 30 percent. If successful, the joint development effort would provide the papermaker substantial savings in fiber costs and would greatly enhance sales of PCC. Based upon the trials that have been conducted to date, we are cautiously optimistic about this endeavor.

The use of PCC for paper coating is a major effort for MTI that is part of our strategy to broaden the opportunities within our markets. In the fourth quarter of 2004, we began commissioning the Company's new 125,000 metric-ton manufacturing facility in Walsum, Germany, for the production of coating-grade PCC. This facility will produce sophisticated PCC coating products for use in high-quality publication and graphic art papers. Walsum is central to one of the world's largest concentrations of manufacturing for these types of high-quality papers. We are providing new PCC technology, which grants papermakers new opportunities to achieve greater success in terms of quality and cost, to the many producers of high quality coated papers in this area.

Another example of broadening our opportunities is the systems approach our Refractories segment is taking in the steel industry. Our SCANTROL™ laser refractory measuring system utilizes our state-of-the-art laser-measuring technology with our MINSCAN robotic application system to allow the steel maker to improve productivity by quickly measuring the areas of a steel-making vessel that need repair and automatically applying that material in less than five minutes.

In our Processed Minerals product line, we continue to seek opportunities in our markets. The Company's FLEXTALC® Products—a family of ultrafine, densified talc for use in polypropylene in the automotive industry—has been a resounding success. In addition, the ExxonMobil Chemical Company uses our antiblock talc product in a branded form of its polyethylene—and includes Specialty Minerals in some of its print advertising.

An ongoing strategy the Company has had for many years is the continuing drive to improve cost competitiveness. Our new Oracle Global Enterprise Resource Planning System and our Operations Excellence/Best Practices programs are just two of the approaches we have taken to improve our efficiency and productivity.

Looking forward, I believe that with these strategies in place and with our highly capable and experienced people to execute them, we are well-positioned to ensure our Company's future growth.

Minerals Technologies recently added two new members to its Board of Directors. Joining the Board in January were Paula H. J. Cholmondeley and Joseph C. Muscari. Ms. Cholmondeley is a business consultant and a former Vice President and General Manager of Specialty Products for SAPPI Fine Paper, North America. Mr. Muscari is an Executive Vice President for Alcoa, where he also serves as Group President for Rigid Packaging, Foil & Asia. Both of these highly qualified individuals have a wealth of knowledge in many business disciplines and will be of great value to our Company.

Also in January, S. Garrett Gray, our Vice President, General Counsel and Secretary, retired after 26 years with the Company. We thank Garrett for his commitment to MTI during his career and wish him well in his retirement. He was succeeded by Kirk G. Forrest, who was most recently Vice President and General Counsel at SAM'S CLUB and a corporate Vice President of its parent company, Wal-Mart Stores, Inc.

In closing, I would like to express my appreciation to our shareholders for their confidence in MTI, to our customers for selecting us as a supplier of specialty products, and to our employees for their commitment to making this Company successful. In 2005, we will continue to pursue opportunities for growth that will allow us to maintain our leadership in the markets we serve, and to improve shareholder value.

Paul R. Saueracker
Chairman, President & Chief Executive Officer

A EUROPEAN BASE FOR PCC IN PAPER COATING

Germany

The Company's new merchant plant in Walsum, Germany, for the manufacture of PCC for use in coated papers began operation in the first quarter of 2005.

October's dedication of Specialty Minerals' merchant facility for the production of precipitated calcium carbonate (PCC) coatings at Walsum, Germany, established an important beachhead for further advancement into the large European paper-coating market. With an initial annual capacity of 125,000 metric tons—expandable to as much as a half-million metric tons—the approximately $35 million plant provides sophisticated PCC coating products that offer significant value for use in high-quality publication and graphic-arts papers that are produced in Europe.

The addition of Walsum brings the Company's total European presence to 13 plants that are expected to produce close to 1 million tons of PCC in 2005. Walsum is the second SMI facility in Germany. A satellite plant in Schongau is dedicated to the production of PCC pigments for uncoated publication papers.

It is hard to overstate Walsum's significance. Most obviously, the facility is a key element in the Company's strategic thrust to expand coating-grade PCC capability on a global basis. Walsum is also situated logistically to well serve the Central European marketplace. Its location near Duisburg puts it at the epicenter of the European coating industry. "Because of the excellent access to highway, rail and water distribution networks from this location, our PCC pigments produced here will be cost effective for use in coating paper throughout the region," says Paul R. Saueracker, Chairman, President and Chief Executive Officer of Minerals Technologies Inc. The plant's physical venue, within the Steag AG power-generation facility, also promotes cost-effective use of available infrastructure and raw material resources. Adds Saueracker, "Our site within the Steag facility allows for the environmentally positive and economical use of carbon dioxide, process water, electricity and wastewater treatment."

Perhaps most important, the Walsum plant reaffirms the Company's determination to change the rules of the game in papermaking worldwide.

"When you consider PCC vs. ground calcium carbonate you're dealing with chemistry and all its possibilities vs. grinding and all its limitations," says Kenneth L. Massimine, Senior Vice President and Managing Director, Paper PCC. "OPACARB® PCC enables you to tailor performance requirements to meet the individual needs and goals of the customer."

John Dobson, Vice President, Europe for Specialty Minerals agrees: "We offer papermakers meaningful leverage. They can realize improved quality at the same price they now pay for GCC/kaolin, or lower costs for the same level of quality. We give customers the opportunity to better control their destiny in terms of how to position their paper in the marketplace."

Though today, ground calcium carbonate and kaolin clays continue to predominate, SMI's OPACARB® PCC product line gives the Company a highly competitive stake in a sector that offers dramatic potential for growth: An estimated 16 million tons of pigment is now used in coating paper worldwide.

"Globally, we see our customers and prospective customers coming to appreciate the value afforded by the use of coating-grade PCC products. They will play a major role in helping to shape the industry's future," says Massimine. "And we're confident that bodes well for our future."

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TWO NEW SATELLITE PCC PLANTS GO UP IN CHINA

China

MTI is finishing construction of two new satellite PCC plants in China that will be operational in the first half of 2005. The facility pictured here is located at the APP paper mill in Zhenjiang.

In industries undergoing change, some tactical moves are symbolic statements, while others are no-nonsense revenue enhancers. Rarely, however, does a business initiative achieve both goals as seamlessly and as well as MTI's expanding relationship with Asia Pulp & Paper China.

Construction of two precipitated calcium carbonate (PCC) plants in Suzhou and Zhenjiang represent not only an important expansion of Specialty Minerals Inc.'s joint venture with APP China, but also a clear statement of MTI's forward-looking strategic plan. Together, the satellite plants will produce the equivalent of eight units of PCC annually (a unit representing between 25,000 and 35,000 tons).

The Suzhou and Zhenjiang facilities should be online during the second quarter of 2005. The plant at Suzhou will provide filling-grade PCC for uncoated free-sheet and other papers. The plant at Zhenjiang, where a previous joint venture already operates a four-unit filler-grade PCC plant, will provide PCC for both filling and coating applications in wood-free paper. Much like its merchant counterpart at Walsum, Germany the Zhenjiang coating PCC facility was designed to be expandable. "We fully anticipate that APP will need to increase their OPACARB® PCC use," says Kenneth L. Massimine, Senior Vice President and Managing Director, Paper PCC. "The facility was designed specifically to meet that need as warranted by APP as they ramp up product usage.

"APP China is an innovative paper company, in fact, the premier innovator in Asia for this industry," Massimine continues. "They push the technology envelope to maximize value for not only their home market but also to be in a better position to compete on the world stage. They've identified our coating PCC as a benchmark product that brings them to the level of performance they require."

SMI's stepped-up Chinese platform is part of the Company's intensified focus on serving markets through a strong local presence. That priority also dictates increasing activity and allocation of capital (albeit not yet on as great a scale) elsewhere in Asia and in other emerging markets such as Brazil. Explains MTI Chairman, President and Chief Executive Officer Paul Saueracker, "We must move regionally with the markets we serve. And we must do so proactively rather than reactively."

The Chinese satellites also represent the latest manifestation of a visionary strategy for growth that MTI pioneered during the mid-1980s, when it built its first PCC plants on-site at U.S. mills. There are now 55 such satellite plants in operation or under construction in 17 countries, serving the world's premier paper companies. In the process, SMI has helped revolutionize the paper industry by allowing manufacturers to substitute PCC for wood fiber and other more costly pigments. Today, almost all uncoated freesheet paper in the world is made in this manner. As for tomorrow, says Massimine, "Through continued innovative technology, we plan to play a major role in bringing high value to our customers on a global basis."

CREATING A NEW MARKET: *SYNSIL®* PRODUCTS

USA

For any company grounded in research, the pinnacle goal is the commercialization of technologies that not only serve existing markets, but also the creation of new markets. Such is the potential of an incipient third business line for MTI: SYNSIL® Products, a family of synthetic composite minerals that—depending on a glass manufacturer's specific needs—facilitate quicker melting and integration of raw materials, allow higher yields, lower furnace temperatures, higher throughput and reduced emissions. In short, SYNSIL® Products is expected to replace the historic constants of glass-making with a new set of variables that can be "flexed" to a given customer's priorities.

"We envision SYNSIL® as a truly innovative technology that brings about a sea change in how glass is made," says Gerald Mehner, Vice President and General Manager, SYNSIL® Products. "As was the case with PCC filler, we have an in-house technology that holds the power to drive the evolution of an entire industry."

Sparked by a conference-goer's casual question to an SMI researcher in 1997, the SYNSIL® Products program has undergone extensive refinement and testing in the intervening years. During that time, the Company has obtained eight SYNSIL®-related patents. "The story of this product encapsulates our commitment to R&D," says Robert Moskaitis, Vice President of Research and Development, Specialty Minerals. "At the outset, SYNSIL® could've been scrapped because it wasn't in anyone's wheelhouse. But the corporate vision was there. MTI management saw the future and was willing to commit for the long haul."

The key to understanding the promise of SYNSIL® Products lies in the flexibility the composite mineral provides glassmakers. Guy DelFranco, Sales and Marketing Director, explains: "There are three key parameters in operating a glass furnace: melt temperature, production rate from the furnace, and the quality of the glass produced. Without SYNSIL® Products, a glassmaker who wants to change one parameter also has to change another. For example, if a glass plant wants to increase production rate, it must increase temperature or quality will suffer. That extra heat could be very damaging, because furnaces are designed to work within certain tolerances. With SYNSIL® Products, at increased production rates, the glass maker can reduce temperature and improve the yield. There's a whole new range in which to operate, with greater flexibility. Bottom line, the customer can take the credits where they need them—reduced energy, increased rate, or increased yield. Most customers use a combination of these benefits."

Adds SYNSIL® Products Technical Manager John Hockman, "The normal life of a glass furnace is 17 to 20 years. You can extend that life by running at lower temperatures. That's critical because these machines are so capital-intensive." Hockman was SYNSIL® Products' inventor and chief developer, but recently has devoted considerable time to the marketing effort, which makes use of best practices developed at SMI and MINTEQ. Hockman's involvement in marketing has paid reciprocal dividends for R&D. "An in-depth knowledge of each customer's process is integral to the ongoing refinement of our product," he says.

Today's glass industry divides into five major business lines: container glass, float glass, insulating fiberglass, continuous fiberglass, and all others. Mehner is confident that within those areas of specialization, and the sub-niches of the glassmakers who populate them, is the path to a rosy future for SYNSIL® Products. "Penetration of even one or two segments," he concludes, "could lead to significant international business."

Fiery Furnaces: MTI's SYNSIL® Products reduces the temperature at which the raw materials melt in glass production. Pictured here are two furnaces used in the production of float glass.

ESTABLISHING A FOOTHOLD FOR REFRACTORIES IN CHINA

China

The story of the steel industry for the past decade is dominated by the explosive growth of both supply and demand for steel in China.

"In 2004, China's steel production, despite efforts to restrain growth, increased more than 23 percent to more than 270 million tons. China now accounts for more than one ton out of four produced globally," says Paul R. Saueracker, Chairman, President and Chief Executive Officer of Minerals Technologies Inc. For MTI, the mandate is clear—and visible in the $14 million refractory materials plant now under construction at Suzhou, Jiangsu Province. "Steel accounts for more than half the refractory materials consumed worldwide," says Saueracker. "This new facility positions the company to service the world's largest and fastest growing steel market."

"We are deploying assets," says Alain F. Bouruet-Aubertot, Senior Vice President and Managing Director, MINTEQ International Inc. "We already have operations in Japan and Korea, and we are present throughout Asia, but the plant at Suzhou is a major step forward. It will have the capacity to produce about 100,000 tons of monolithic refractory materials, and we expect it to become operational by the beginning of the fourth quarter of 2005."

The new plant site is in close proximity to a cluster of 15 steel mills (and also happens to be within sight of one of our two plants being built for production of PCC). Suzhou itself sits about 50 miles west of Shanghai, the Refractories segment's Asia headquarters. Though Suzhou is an ancient city—its known history dates back 2,500 years, it is also a thriving, ultra-modern industrial hub at the nexus of two of China's most vibrant areas of economic development: the coastal economic belt and the Yangtze River economic belt.

The facility, with its own dock, provides excellent bulk raw-material handling cost advantages, says Saueracker: "In addition to being a local supplier and producing high-performance refractory products close to our customers, we will also have improved access to two of our key raw materials, magnesia and bauxite."

Going forward, roughly two-thirds of the worldwide growth in refractories markets is forecast to take place in China. Projections are similarly robust for other infrastructure industries served by MINTEQ, including cement, aluminum and glass.

"You cannot be a global refractories supplier without a strong presence in China," says Bouruet-Aubertot. "And, remember, we are at the early stages of China's economic development. Right now, steel production, in China is only an estimated 220 kilogram per capita—one quarter of that of South Korea and less than half of that of Japan—creating strong opportunity for sustained long-term growth."

MTI is constructing a 100,000-ton refractory manufacturing facility in China to take advantage of the surge in Chinese steel production. Shown here is the steel-making operation at the BaoSteel facility in Meishan.

Income and Expense Items as a Percentage of Net Sales

Year Ended December 31,	**2004**	2003	2002
Net sales	**100.0%**	100.0%	100.0%
Cost of goods sold	**76.8**	75.7	75.5
Marketing and administrative expenses	**10.1**	10.3	9.9
Research and development expenses	**3.1**	3.1	3.0
Bad debt expenses	**0.2**	0.6	0.8
Restructuring charges	**0.1**	0.4	–
Acquisition termination costs	**0.1**	–	–
Write-down of impaired assets	–	0.4	0.1
Income from operations	**9.6**	9.5	10.7
Income before provision for taxes on income and minority interests	**9.1**	8.9	10.0
Provision for taxes on income	**2.6**	2.4	2.7
Minority interests	**0.2**	0.2	0.2
Income before cumulative effect of accounting change	**6.3**	6.3	7.1
Cumulative effect of accounting change	**–**	0.4	–
Net income	**6.3%**	5.9%	7.1%

Executive Summary

At Minerals Technologies, over 80% of our sales are to customers in two industries: papermaking and steelmaking. The adverse economic environment of the past several years has had severe effects on the paper industry, by far our largest customer group, as paper mills have closed or taken significant downtime and the industry has consolidated. The effect on the steel industry has been even more dramatic, with several large steel makers declaring bankruptcy. Although the overall economy began to improve in late 2003 and early 2004, the paper and steel industries had been slow to participate in the recovery, while maintaining pricing pressure on their suppliers. For most of 2004, we experienced improved conditions, particularly in the steel industry and construction industry in North America. As a result, we reflected an improved performance in 2004 in both segments.

Our net sales grew 14% over the prior year from $813.7 million to $923.7 million. Foreign exchange had a favorable impact on sales of approximately 3.5 percentage points of growth. Operating income grew 15% to $89.1 million from $77.2 million in the prior year. Net income grew 22% to $58.6 million from $48.2 million in 2003.

The comparison of our operating income and net income in the past three years has been affected by a number of factors:

- In 2002, we recorded an impairment charge of $0.8 million related to a satellite PCC plant at a paper mill which was permanently shut down;
- We adopted SFAS No. 143, "Accounting for Asset Retirement Obligations," in the first quarter of 2003, which resulted in a charge to earnings of about $3.4 million, net of tax and annual ongoing costs of approximately $0.04 per share;
- In the fourth quarter of 2003, we recorded charges relating to reduction of approximately 3% in our worldwide workforce; the planned closure of the facility at River Rouge, Michigan, which we acquired in 2001 as part of the refractory business of Martin Marietta Materials; and the retirement of some SYNSIL® Products manufacturing assets, which had been made obsolete by improvements in the production process. The total effect was to reduce pretax income by about $6.5 million.
- We recorded additional restructuring costs of $1.1 million in 2004 in relation to the workforce reduction program that began in the fourth quarter of 2003.
- We recognized a $1.0 million pre-tax corporate charge in the fourth quarter of 2004 related to due diligence for a terminated acquisition effort.

We face some significant risks and challenges in the future:

- Our success depends in part on the performance of the industries we serve, particularly papermaking and steelmaking. Some of our customers may continue to face a difficult business environment, and may experience further shutdowns.
- The recent wave of consolidations in the paper and steel industries concentrates purchasing power in the hands of fewer customers, increasing pricing pressure on suppliers such as MTI;
- Most of our PCC sales are under long-term contracts with paper companies at whose mills we operate satellite PCC plants; when they reach their expiration dates these contracts may not be renewed, or may be renewed on terms less favorable to us;
- The cost of employee benefits, particularly health insurance, has risen significantly in recent years and continues to do so;
- We are experiencing increased cost of magnesia and talc imported from China, including higher shipping costs and higher other raw material costs in both segments;
- We are also experiencing increased energy costs in both our business segments;
- Although the SYNSIL® products family has received favorable reactions from potential customers and we have signed two supply contracts, this product line is not yet profitable and its commercial viability cannot be assured; and

- As we expand our operations abroad we face the inherent risks of doing business in many foreign countries, including foreign exchange risk, import and export restrictions, and security concerns.

Despite these difficulties, we are optimistic about the opportunities for continued growth that are open to us, including:

- Increasing our sales of PCC for paper by further penetration of the markets for paper filling at both free sheet and groundwood mills;
- Increasing our sales of PCC for paper coating, particularly from the coating PCC facility in Walsum, Germany;
- Continuing research and development activities for new products, in particular our joint project with International Paper to develop and implement a filler-fiber composite technology;
- Achieving market acceptance of the SYNSIL® Products' family of composite minerals for the glass industry;
- Continuing our penetration in both business segments into China, including the start-up of two four-unit satellite PCC plants through our joint venture with Asia Pulp & Paper (China) Pte. Ltd. ("APP China"), and our new facility for the Refractories segment;
- Increase market penetration in the Refractories segment through higher value specialty products and application systems.

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

Results of Operations

Sales

Net Sales Millions of Dollars	**2004**	**% of Total Sales**	**Growth**	2003	% of Total Sales	Growth	2002	% of Total Sales
U.S.	**$558.2**	**60.4%**	**11.7%**	$499.9	61.4%	3.7%	$482.2	64.1%
International	**$365.5**	**39.6%**	**16.5%**	$313.8	38.6%	16.0%	$270.5	35.9%
Paper PCC	**$434.0**	**47.0%**	**11.4%**	$389.6	47.9%	3.6%	$376.0	50.0%
Specialty PCC	**50.7**	**5.5%**	**9.0%**	46.5	5.7%	(1.1)%	47.0	6.2%
PCC Products	**$484.7**	**52.5%**	**11.1%**	$436.1	53.6%	3.1%	$423.0	56.2%
Talc	**$ 51.6**	**5.6%**	**19.4%**	$ 43.2	5.3%	42.6%	$ 30.3	4.0%
Other Processed Minerals	**87.1**	**9.4%**	**12.0%**	77.8	9.6%	16.5%	66.8	8.9%
Processed Minerals Products	**$138.7**	**15.0%**	**14.6%**	$121.0	14.9%	24.6%	$ 97.1	12.9%
Specialty Minerals Segment	**$623.4**	**67.5%**	**11.9%**	$557.1	68.5%	7.1%	$520.1	69.1%
Refractory Products	**$243.0**	**26.3%**	**15.9%**	$209.7	25.8%	10.5%	$189.8	25.2%
Metallurgical Products	**57.3**	**6.2%**	**22.2%**	46.9	5.8%	9.6%	42.8	5.7%
Refractories Segment	**$300.3**	**32.5%**	**17.0%**	$256.6	31.5%	10.3%	$232.6	30.9%
Net Sales	**$923.7**	**100.0%**	**13.5%**	$813.7	100.0%	8.1%	$752.7	100.0%

Worldwide net sales in 2004 increased 14% from the previous year to $923.7 million. Foreign exchange had a favorable impact on sales of approximately $28.2 million or 3 percentage points of growth. Sales in the Specialty Minerals segment, which includes the PCC and Processed Minerals product lines, increased 12% to $623.4 million compared with $557.1 million for the same period in 2003. Sales in the Refractories segment grew 17% over the previous year to $300.3 million. In 2003, worldwide net sales increased 8% to $813.7 million from $752.7 million in the prior year. Specialty Minerals segment sales increased approximately 7% and Refractories segment sales increased approximately 10% in 2003.

Worldwide net sales of PCC, which is primarily used in the manufacturing process of the paper industry, increased 11% to $484.7 million from $436.1 million in the prior year. Worldwide net sales of Paper PCC increased 11% to $434.0 million from $389.6 million in the prior year. Paper PCC volumes grew 7% for the full year with volumes in excess of 3.7 million tons. In 2004, worldwide printing and writing paper production increased 5.3% over 2003, and demand for uncoated freesheet, our largest market for PCC, increased slightly in 2004. Sales growth was achieved in all regions. Excluding the effect of foreign currency, European sales grew 12%. This was due to an overall increase in production of printing and

writing papers in that region. Asia reported 10% growth, excluding the effect of foreign currency, primarily due to our new satellite facility in Malaysia. North America also performed strongly with 6% growth aided by the restart of our Millinocket, Maine, satellite facility which has been idle since December 2002. Sales of Specialty PCC grew 9% to $50.7 million from $46.5 million in 2003. This growth was primarily attributable to improved volumes, especially in automotive and consumer applications. PCC sales in 2003 increased 3% to $436.1 million from $423.0 million in the prior year. In 2003, United States printing and writing paper shipments were down 2.8 percent, and demand for uncoated freesheet, our largest market for PCC was down 1 percent, compared with 2002. Sales of PCC for paper were adversely affected by these decreases in production. The implementation of the International Paper agreements also had a negative impact on sales. However, the favorable effect of foreign exchange more than offset these factors.

Net sales of Processed Minerals products in 2004 increased 15% to $138.7 million from $121.0 million in 2003. The growth in this product line was attributed to the continued strength of the residential construction market and the Company's increased penetration in the building products and plastics industries. Processed Minerals net sales in 2003 increased 24.6% to $121.0 million from $97.1 million in 2002. This increase was primarily attributable to the acquisition of Polar Minerals Inc. Full year sales in 2003, excluding Polar Minerals increased approximately 9% due to strong demand from the residential construction-related industries and from new polymer and health-care applications for our talc products.

Net sales in the Refractories segment in 2004 increased 17% to $300.3 million from $256.6 million in the prior year. The favorable impact of foreign exchange was approximately 5 percentage points of the sales growth. This underlying growth was primarily attributable to both improved performance and better steel industry conditions in North America, our largest market, where sales grew 25% over the prior year. Steel production in the United States increased 5.2% in 2004. Net sales in the Refractories segment in 2003 increased 10.3% to $256.6 million from $232.6 million in the prior year. The increase in sales for the Refractories segment in 2003 was primarily attributable to increased sales of equipment and application systems in Europe, and the favorable impact of foreign exchange.

Net sales in the United States was $558.2 million in 2004, approximately 12% higher than in the prior year. International sales in 2004 increased 17%. Foreign exchange had a 3% impact on sales growth. In 2003, domestic net sales were 4% higher than the prior year and international sales were 16% greater than in the prior year primarily due to the impact of foreign exchange.

Operating Costs and Expenses

Millions of Dollars	2004	Growth	2003	Growth	2002
Cost of goods sold	**$709.0**	15.2%	$615.7	8.4%	$568.0
Marketing and administrative	**$ 92.8**	10.7%	$ 83.8	12.9%	$ 74.2
Research and development	**$ 29.0**	15.5%	$ 25.1	10.6%	$ 22.7
Bad debt expenses	**$ 1.6**	(69.8%)	$ 5.3	(14.5%)	$ 6.2
Acquisition termination costs	**$ 1.0**	*	$ –	*	$ –
Restructuring charges	**$ 1.1**	(66.7%)	$ 3.3	*	$ –
Write-down of impaired assets	**$ –**	–%	$ 3.2	*	$ 0.8

*Percentage not meaningful

Cost of goods sold in 2004 was 76.8% of sales compared with 75.7% in the prior year. Our cost of goods sold grew 15% which had an unfavorable leveraging impact on our sales growth resulting in an 8% increase in production margin. This unfavorable leveraging occurred in both reporting segments. In the Specialty Minerals segment, production margins were affected by higher raw material costs, energy costs and start-up costs for our new plant in Walsum, Germany. In the Refractories segment, the production margin was impacted by the higher cost of magnesia and other raw materials and increased energy costs.

In 2003, cost of goods sold was 75.7% of sales compared with 75.5% in 2002. Our production margin increased at approximately the same rate as sales. In the Specialty Minerals segment, production margins increased 2% despite a 7% sales growth. Margins in this segment were affected by the shutdown of the Millinocket satellite PCC plant, continuing development costs in the coating PCC program, the effect of the revisions to the IP contracts, and weakness in the Specialty PCC product line. In the Refractories segment, production margins increased 19%, almost double the sales growth. This was due to an improved product mix, increased product and equipment system sales, and improved manufacturing operations.

Marketing and administrative costs increased 11% in 2004 to $92.8 million and represented 10.1% of net sales from 10.3% of net sales in 2003. Both segments increased marketing expenses to support worldwide business development efforts. The Company also experienced higher litigation costs to protect our intellectual property as well as higher corporate expenses associated with the Sarbanes-Oxley Section 404 implementation. In 2003, marketing and administrative costs increased 13% to $83.8 million and increased to 10.3% of net sales from 9.9% of net sales in 2002.

Research and development expenses increased 16% to $29.0 million and represented 3.1% of net sales due to increased product development activities in both segments, but particularly in the PCC product line as we continue our commitment to the filler-fibre composite mineral program and coating trial activities. In 2003, research and development expenses increased 10.6% and represented 3.1% of sales.

We recorded bad debt expenses of $1.6 million and $5.3 million in 2004 and 2003, respectively. In 2004, the provision for bad debt was net of recoveries of approximately $2.3 million related to steel company bankruptcies, in which we had previously written off the related accounts receivable. In 2003, these charges were primarily related to additional provisions and associated with potential risks to our customers in the steel, paper and other industries and several customer bankruptcy filings.

In the fourth quarter of 2004, the Company recognized $1.0 million in pre-tax corporate charges related to due diligence costs from a terminated acquisition effort.

During the fourth quarter of 2003, we restructured our operations to reduce operating costs and improve efficiency. This resulted in a 2003 restructuring charge of $3.3 million. As part of this restructuring program, we recorded $1.1 million in additional charges in 2004. The restructuring charges relate to workforce reductions from all business units throughout our worldwide operations and the termination of certain leases.

During the fourth quarter of 2003, we recorded a write-down of impaired assets of $3.2 million. The impairment charges were related to the closure of our operations in River Rouge, Michigan, in 2004 and the retirement of certain SYNSIL® Products' assets that have been made obsolete.

Income from Operations

Millions of Dollars	**2004**	Growth	2003	Growth	2002
Income from operations	**$89.1**	15.4%	$77.2	(4.6%)	$80.9

Income from operations in 2004 increased 15% to $89.1 million from $77.2 million in 2003. Income from operations was 9.6% of sales as compared with 9.5% of sales in 2003. Income from operations in 2003 decreased 4.6% to $77.2 million from $80.9 million in 2002. Income from operations decreased to 9.5% of sales as compared with 10.7% of sales in 2002. This decrease was primarily due to the aforementioned restructuring and impairment costs.

Income from operations for the Specialty Minerals segment increased 8% to $59.7 million and was 9.6% of its net sales. Unfavorable leveraging to operating income for this segment was primarily due to the impact of higher raw material and energy costs, new plant start-up costs, and higher litigation and other expenses. Operating income for the Refractories segment increased 39% to $30.4 million and was 10.1% of its net sales. The improvement in operating income was due to an improved product mix, increased equipment sales, and more efficient manufacturing operations.

In 2003, income from operations for the Specialty Minerals segment decreased 7.7% to $55.4 million and was 9.9% of its net sales. The margins of this segment were affected by the IP agreement and the Millinocket temporary shutdown. Operating income for the Refractories segment increased 4.5% to $21.8 million and was 8.5% of its net sales.

Non-Operating Deductions

Millions of Dollars	**2004**	Growth	2003	Growth	2002
Non-operating deductions, net	$4.5	(8.2%)	$4.9	(3.9%)	$5.1

Non-operating deductions decreased 7% from the prior year. This decrease was primarily due to lower interest expense.

Provision for Taxes on Income

Millions of Dollars	**2004**	Growth	2003	Growth	2002
Provision for taxes on income	**$24.3**	27.2%	$19.1	(5.4%)	$20.2

The effective tax rate increased to 28.7% in 2004 compared with 26.4% in 2003. The effective tax rate for 2003 was lower than 2004 primarily due to a contribution of intellectual property.

Minority Interests

Millions of Dollars	**2004**	Growth	2003	Growth	2002
Minority interests	**$1.7**	6.3%	$1.6	(11.1%)	$1.8

The consolidated joint ventures continue to operate profitably and at approximately the same level as prior years.

Net Income

Millions of Dollars	**2004**	Growth	2003	Growth	2002
Net income	**$58.6**	21.6%	$48.2	(10.4%)	$53.8

Income before the cumulative effect of an accounting change increased 13% to $58.6 million from $51.7 million in 2003. Diluted earnings per common share before the cumulative effect of the accounting change increased 11% to $2.82 compared with $2.53 in 2003.

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

Upon adoption of SFAS No. 143, we recorded a non-cash, after-tax charge to earnings of approximately $3.4 million for the cumulative effect of this accounting change related to retirement obligations associated with our PCC satellite facilities and mining properties, both within the Specialty Minerals segment.

Net income increased 22% in 2004 to $58.6 million. Earnings per common share, on a diluted basis, increased 19% to $2.82 in 2004 as compared with $2.36 in the prior year.

Outlook

In 2004, after some years of difficulty, MTI experienced a favorable economic environment. Consumer confidence, retail spending and housing starts strengthened in 2004 and we saw an upward trend in the two major industries we serve – papermaking and steel. The global demand for printing and writing paper increased as did worldwide steel production. As a result, during 2004 we were able to significantly increase our sales growth. However, we continue to be affected by significantly higher raw material and energy costs.

In 2005, we plan to continue our focus on the following growth strategies:

- Expand regionally with the markets we serve.
- 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 research and development and marketing efforts for new and existing products, including market acceptance for the SYNSIL® family of composite minerals.
- Continue to improve our cost competitiveness.
- Continue selective acquisitions to complement our existing businesses.

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

The following are notable 2004 events that may impact our 2005 performance:

In 2004, we began the construction of two new PCC plants at two APP China Paper Mills in the Republic of China. They will be located at APP paper mills in Dagang and Suzhou. They are expected to be operational in the first half of 2005 and will add a total capacity of 8 units, or, approximately 250,000 tons of coating and filling PCC pigments.

In 2004, we completed construction and began commissioning at our merchant Paper Coating PCC facility in Walsum, Germany. In 2005, we expect sales volumes to increase, particularly in the second half of 2005.

In 2004 we had agreements to expand four of our existing satellite facilities. The ramp up of these facilities is expected to add approximately 6 units of additional capacity, with a unit of capacity representing between 25,000 to 35,000 tons. Also, we accelerated our efforts under the cooperative development and licensing agreement with IP to develop and commercialize filler-fiber composite materials which are capable of raising PCC filler levels.

After several years of SYNSIL® development, the Company sees the potential of this innovation to become a growing business for MTI.

In 2004, the Refractories segment began construction of a 100,000 ton capacity refractory manufacturing facility in China. We expect this plant to come on line in the fourth quarter of 2005. It will allow this segment to effectively serve China, which has become one of the largest and fastest growing steel markets in the world.

As we continue to expand our operations overseas, we face 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 our operations are located in areas that have experienced political or economic instability, including Indonesia, Israel, Brazil, Thailand, China and South Africa. In addition, our performance depends to some extent on that of the industries we serve, particularly the paper manufacturing, steel manufacturing, and construction industries.

Our sales of PCC are predominately pursuant to long-term contracts, initially ten years in length, with paper companies at whose mills we operate 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 our customers to renew existing agreements on terms as favorable to us as those currently in effect could cause our future growth rate to differ materially from our historical growth rate, and could also result in impairment of the assets associated with the PCC plant.

There are presently three satellite locations at which the initial term of the contract with the host mills have expired. We continue to supply PCC at these locations. We hope to reach agreement on a long-term extension of the contract; however, there can be no assurance that these negotiations will be successful.

We have a consolidated interest in four joint venture companies at paper mills owned by subsidiaries of Asia Pulp & Paper Company Ltd. ("APP") and APP 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 facilities have remained in operation at levels consistent with the prior year. The mills are continuing to use our PCC and to satisfy their obligations to the joint ventures. However, there can be no assurance that our operations at these paper mills will not be adversely affected by APP's financial difficulties in the future. Our net investment in these satellite plants was approximately $7.6 million at December 31, 2004.

Liquidity and Capital Resources

Cash flows in 2004 were provided from operations and proceeds from stock option exercises. The cash was applied principally to fund $106.4 million of capital expenditures and $16.2 million for purchases of common shares for treasury. Cash provided from operating activities amounted to $129.2 million in 2004 as compared with $100.1 million in 2003. Included in cash flow from operations was pension plan funding of approximately $17.6 million, $20.8 million and $20.2 million for the years ended December 31, 2004, 2003 and 2002, respectively.

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

On February 22, 2001, the Board authorized our 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, 2003, we had repurchased approximately 619,500 shares under this program at an average price of approximately $40 per share.

On October 23, 2003, our Board of Directors authorized our Management Committee, at its discretion, to repurchase up to $75 million in additional shares over the next three-year period. As of December 31, 2004, the Company had purchased 293,100 shares under this program at an average price of $55 per share.

On January 26, 2005, our Board of Directors declared a regular quarterly dividend on our common stock of $0.05 per share. No dividend will be payable unless declared by the Board and unless funds are legally available for payment thereof.

We have $110 million in uncommitted short-term bank credit lines, of which $30 million was in use in December 31, 2004. We anticipate that capital expenditures for 2005 should approximate $100 million, principally related to the construction of PCC plants and other opportunities that meet our strategic growth objectives. We expect to meet our 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: 2005 - $3.9 million; 2006 - $54.2 million; 2007 - $2.1 million; 2008 - $7.0 million; 2009 - $4.3 million; thereafter - $27.2 million.

Critical Accounting Policies

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

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

We believe the following critical accounting policies require us to make significant judgments and estimates in the preparation of our 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 our 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. Revenues from sales of equipment are recorded upon completion of installation and receipt of customer acceptance. Revenues from services are recorded when the services are performed.
- Allowance for doubtful accounts: Substantially all of our 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. We recorded bad debt expenses of $1.6 million, $5.3 million, and $6.2 million in 2004, 2003 and 2002, respectively. The $1.6 million provision in 2004 was net of $2.3 million of bad debt recoveries related to steel customer bankruptcies for previously written off accounts receivable. The charges in 2003 and 2002 were much higher than historical levels and were primarily related to bankruptcy filings by some of our customers in the paper and steel industries and to additional provisions associated with risks in the paper, steel and other industries. In addition to specific allowances established for bankrupt customers, we also analyze the collection history and financial condition of our other customers considering current industry conditions and determine whether an allowance needs to be established or adjusted.
- Property, plant and equipment, goodwill, intangible and other long-lived assets: Property, plant and equipment are depreciated over their useful lives. Useful lives are based on management's estimates of the period that the assets can generate revenue, which does not necessarily coincide with the remaining term of a customer's contractual obligation to purchase products made using those assets. Our sales of PCC are predominately pursuant to long-term contracts, initially ten years in length, with paper mills at which we operate satellite PCC plants. The terms of many of these agreements have been extended, often in connection with an expansion of the satellite PCC plant. We also continue to supply PCC at three locations at which the PCC contract has expired. Failure of a PCC customer to renew an agreement or continue to purchase PCC from our facility could result in an impairment of assets or accelerated depreciation at such facility.
- In the third quarter of 2002, we reduced the useful lives of satellite PCC plants at International Paper Company's ("IP") mills due to an increased risk that some or all of these PCC contracts would not be renewed. As a result of this change, we also reviewed the useful lives of the assets at our remaining satellite PCC facilities and other plants. During the first quarter of 2003, we revised the estimated useful lives of machinery and equipment pertaining to our natural stone mining and processing plants and chemical processing plants from 12.5 years (8%) to 15 years (6.67%). We also reduced the estimated useful lives of certain software-related assets due to implementation of a new global enterprise resource planning system. During the second quarter of 2003, we reached an agreement with IP that extended eight PCC supply contracts and therefore extended the useful lives of the satellite PCC plants at those IP mills. The net effect of the changes in estimated useful lives, including the deceleration of depreciation at the IP plants, was an increase to diluted earnings per share of approximately $0.08 in 2003.
- Valuation of long-lived assets, goodwill and other intangible assets: We assess 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 we consider 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 we determine 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, we measure any impairment by our 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 $673.8 million as of December 31, 2004.

- Accounting for income taxes: As part of the process of preparing our consolidated financial statements, we are required to estimate our income taxes in each of the jurisdictions in which we operate. This process involves estimating actual current tax exposure together with assessing temporary differences resulting from differing treatments of items for tax and accounting pur-

poses. These differences result in deferred tax assets and liabilities, which are included in the consolidated balance sheet. We must then assess the likelihood that our deferred tax assets will be recovered from future taxable income, and to the extent we believe that recovery is not likely, we must establish a valuation allowance. To the extent we establish a valuation allowance or increase this allowance in a period, we must include an expense within the tax provision in the Statement of Income.

- Pension Benefits: We sponsor pension and other retirement plans in various forms covering the majority of its employees who meet eligibility requirements. Several statistical and other factors which attempt to estimate future events are used in calculating the expense and liability related to the plans. These factors include assumptions about the discount rate, expected return on plan assets and rate of future compensation increases as determined by us, within certain guidelines. Our assumptions reflect our historical experience and management's best judgment regarding future expectations. In addition, our actuarial consultants also use subjective factors such as withdrawal and mortality rates to estimate these factors. The actuarial assumptions used by us may differ materially from actual results due to changing market and economic conditions, higher or lower withdrawal rates or longer or shorter life spans of participants, among other things. Differences from these assumptions may result in a significant impact to the amount of pension expense/liability recorded by us.

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" of this Annual Report. This discussion and analysis should be read in conjunction with the consolidated financial statements and related notes included elsewhere in this report.

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 our anticipated results based on management's plans and assumptions. Words such as "expects," "plans," "anticipates," and words and terms of similar substance, used in connection with any discussion of future operating or financial performance identify these forward-looking statements.

We cannot guarantee that the outcomes suggested in any forward-looking statement will be realized, although we believe we have been prudent in our 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 Annual Report on Form 10-K.

Inflation

Historically, inflation has not had a material adverse effect on us. The contracts pursuant to which we construct and operate our satellite PCC plants generally adjust pricing to reflect increases in costs resulting from inflation.

Cyclical Nature of Customers' Businesses

The bulk of our sales are to customers in the paper manufacturing, steel manufacturing and construction industries, which have historically been cyclical. The pricing structure of some of our long-term PCC contracts makes our PCC business less sensitive to declines in the quantity of product purchased. However, we cannot predict the economic outlook in the countries in which we do business, nor in the key industries we serve. There can be no assurance that a recession, in some markets or worldwide, would not have a significant negative effect on our financial position or results of operations.

Recently Issued Accounting Standards

In December 2004, the Financial Accounting Standards Board ("FASB") issued SFAS No. 123R, "Share-Based Payment." This statement is a revision to SFAS No. 123 and supersedes Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees," and amends FASB Statement No. 95, "Statement of Cash Flows." This statement requires a public entity to expense the cost of employee services received in exchange for an award of equity instruments. This statement also provides guidance on valuing and expensing these awards, as well as disclosure requirements of these equity arrangements. This statement is effective for the first interim reporting period that begins after June 15, 2005.

As permitted by SFAS No. 123, we currently account for share-based payments to employees using APB Opinion No. 25's intrinsic value method and, as such, we generally recognize no compensation cost for employee stock options. The impact of the adoption of SFAS No. 123R cannot be predicted at this time because it will depend on levels of share-based payments granted in the future. However, valuation of employee stock options under SFAS No. 123R is similar to SFAS No. 123, with minor exceptions. For information about what our reported results of operations and earnings per share would have been had we adopted SFAS No. 123, please see the discussion under the heading, "Stock Based Compensation" in Note 2 to our Consolidated Financial Statements. Accordingly, the adoption of SFAS No. 123R's fair value method will have a significant impact on our results of operations, although it will have no impact on our overall financial position. SFAS No. 123R also requires the benefits of tax deductions in excess of recognized compensation cost to be reported as a financing cash flow, rather than as an operating cash flow as required under current literature. This requirement will reduce net operating cash flows and increase net financing cash flows in periods after adoption. Due to timing of the release of SFAS No. 123R, we have not yet completed the analysis of the ultimate impact that this new pronouncement will have on the results of operations, nor the method of adoption for this new standard.

In December 2004, FASB issued Statement No. 153, "Exchanges of Non-monetary Assets - an amendment to APB Opinion No. 29." This statement amends the guidance in Opinion No. 29 to eliminate the exception for non-monetary exchanges of similar productive assets and replaces it with a general exception for exchanges of non-monetary assets that do not have commercial substance. A non-monetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. The Company had no such exchanges in 2004.

In November 2004, FASB issued Statement No. 151, "Inventory Costs - an amendment of ARB No. 43, Chapter 4." This statement amends the guidance in ARB No 43, Chapter 4, "Inventory Pricing," to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted material (spoilage). This statement requires that items such as idle facility expense, excessive spoilage, double freight, and rehandling costs be recognized as current-period charges. In addition, this statement requires that allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. This statement will be effective for fiscal years beginning after June 15, 2005. We do not expect the adoption of SFAS No. 151 to have a material impact on our financial condition or results of operations.

In December 2004, the FASB issued SFAS No. 109-2, "Accounting and Disclosure Guidance for the Foreign Earnings Repatriation Provision within the American Jobs Creation Act of 2004," which provides relief concerning the timing of the SFAS No. 109 requirement to accrue deferred taxes for unremitted earnings of foreign subsidiaries. The FASB determined that the provisions of the Act were sufficiently complex and ambiguous that companies may not be in a position to determine the impact of the Act on their plans for repatriation or reinvestment of foreign earnings or the corresponding deferred tax liability. Accrual of any deferred tax liability is not required until companies have the information necessary to determine the amount of earnings to be repatriated and a reasonable estimate can be made of the deferred tax liability.

Quantitative and Qualitative Disclosures about Market Risk

Market risk represents the risk of loss that may impact our financial position, results of operations or cash flows due to adverse changes in market prices and rates. We are exposed to market risk because of changes in foreign currency exchange rates as measured against the U.S. dollar. We do not anticipate that near-term changes in exchange rates will have a material impact on our future earnings or cash flows. However, there can be no assurance that a sudden and significant decline in the value of foreign currencies would not have a material adverse effect on our financial condition and results of operations. Approximately 25% of our bank debt bear interest at variable rates; therefore our results of operations would only be affected by interest rate changes to such bank debt outstanding. An immediate 10 percent change in interest rates would not have a material effect on our results of operations over the next fiscal year.

We are exposed to various market risks, including the potential loss arising from adverse changes in foreign currency exchange rates and interest rates. We do not enter into derivatives or other financial instruments for trading or speculative purposes. When appropriate, we enter into derivative financial instruments, such as forward exchange contracts and interest rate swaps, to mitigate the impact of foreign exchange rate movements and interest rate movements on our operating results. The counterparties are major financial institutions. Such forward exchange contracts and interest rate swaps would not subject us to additional risk from exchange rate or interest rate movements because gains and losses on these contracts would offset losses and gains on the assets, liabilities, and

transactions being hedged. We have open forward exchange contracts to purchase approximately $5.8 million and $2.2 million of foreign currencies as of December 31, 2004 and 2003, respectively. These contracts mature between January and June of 2005. The fair value of these instruments at December 31, 2004 was a liability of $0.6 million and an asset of $0.1 million at December 31, 2003. We entered into three-year interest rate swap agreements with a notional amount of $30 million which expired in January 2005. These agreements effectively converted a portion of our floating-rate debt to a fixed rate basis. The fair value of these instruments was a liability of approximately $0.1 million and $1.0 million at December 31, 2004 and 2003, respectively.

SELECTED FINANCIAL DATA

Minerals Technologies Inc. and Subsidiary Companies 2004 Annual Report

Thousands, Except Per Share Data	**2004**	2003	2002	2001	2000
INCOME STATEMENT DATA					
Net sales	**$ 923,667**	$ 813,743	$752,680	$684,419	$670,917
Cost of goods sold	**709,032**	615,749	567,985	502,525	477,512
Marketing and administrative expenses	**92,844**	83,809	74,160	70,495	71,404
Research and development expenses	**28,996**	25,149	22,697	23,509	26,331
Bad debt expenses	**1,576**	5,307	6,214	3,930	5,964
Restructuring charges	**1,145**	3,323	–	3,403	–
Acquisition termination costs	**997**	–	–	–	–
Write-down of impaired assets	–	3,202	750	–	4,900
Income from operations	**89,077**	77,204	80,874	80,557	84,806
Income before provision for taxes on income and minority interests	**84,572**	72,344	75,734	72,670	79,772
Provision for taxes on income	**24,299**	19,116	20,220	21,148	23,735
Minority interests	**1,710**	1,575	1,762	1,729	1,829
Income before cumulative effect of accounting change	**58,563**	51,653	53,752	49,793	54,208
Cumulative effect of accounting change	–	3,433	–	–	–
Net income	**$ 58,563**	$ 48,220	$ 53,752	$ 49,793	$ 54,208
EARNINGS PER SHARE					
Basic:					
Before cumulative effect of accounting change	**$ 2.85**	$ 2.56	$ 2.66	$ 2.54	$ 2.65
Cumulative effect of accounting change	–	(0.17)	–	–	–
Basic earnings per share	**$ 2.85**	$ 2.39	$ 2.66	$ 2.54	$ 2.65
Diluted:					
Before cumulative effect of accounting change	**$ 2.82**	$ 2.53	$ 2.61	$ 2.48	$ 2.58
Cumulative effect of accounting change	–	(0.17)	–	–	–
Basic earnings per share	**$ 2.82**	$ 2.36	$ 2.61	$ 2.48	$ 2.58
Weighted average number of common shares outstanding:					
Basic	**20,530**	20,208	20,199	19,630	20,479
Diluted	**20,769**	20,431	20,569	20,063	21,004
Dividends declared per common share	**$ 0.20**	$ 0.10	$ 0.10	$ 0.10	$ 0.10
BALANCE SHEET DATA					
Working capital	**$ 242,818**	$ 216,795	$167,028	$ 86,261	$ 81,830
Total assets	**1,154,902**	1,035,690	899,877	847,810	799,832
Long-term debt	**94,811**	98,159	89,020	88,097	89,857
Total debt	**128,728**	131,681	120,351	160,031	138,727
Total shareholders' equity	**799,313**	707,381	594,157	507,819	483,639

CONSOLIDATED BALANCE SHEETS

Thousands of Dollars	December 31, 2004	2003
ASSETS		
Current assets:		
Cash and cash equivalents	$ 105,767	$ 90,515
Short-term investments, at cost which approximates market	7,200	–
Accounts receivable, less allowance for doubtful accounts:		
2004 - $7,143; 2003 – $7,010	156,276	147,600
Inventories	106,125	86,378
Prepaid expenses and other current assets	20,303	18,087
Total current assets	395,671	342,580
Property, plant and equipment,		
less accumulated depreciation and depletion	614,285	561,588
Goodwill	53,729	52,721
Prepaid benefit costs	61,617	46,251
Other assets and deferred charges	29,600	32,550
Total assets	$1,154,902	$1,035,690
LIABILITIES & SHAREHOLDERS' EQUITY		
Current liabilities:		
Short-term debt	$ 30,000	$ 30,347
Current maturities of long-term debt	3,917	3,175
Accounts payable	56,381	44,217
Income taxes payable	12,521	3,750
Accrued compensation and related items	17,072	21,710
Other current liabilities	32,962	22,586
Total current liabilities	152,853	125,785
Long-term debt	94,811	98,159
Accrued postretirement benefits	21,426	20,385
Deferred taxes on income	45,238	48,057
Other noncurrent liabilities	41,261	35,923
Total liabilities	355,589	328,309
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 27,785,858 shares in 2004 and 27,422,472 shares in 2003	2,778	2,742
Additional paid-in capital	248,230	225,512
Deferred compensation	(2,088)	(1,220)
Retained earnings	779,397	724,936
Accumulated other comprehensive income	35,624	3,814
Less common stock held in treasury, at cost; 7,224,073 shares in 2004 and 6,930,973 shares in 2003	(264,628)	(248,403)
Total shareholders' equity	799,313	707,381
Total liabilities and shareholders' equity	$1,154,902	$1,035,690

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

CONSOLIDATED STATEMENTS OF INCOME

Minerals Technologies Inc. and Subsidiary Companies 2004 Annual Report

Thousands of Dollars, Except Per Share Data	Year Ended December 31, 2004	2003	2002
Net sales	**$ 923,667**	$ 813,743	$752,680
Operating costs and expenses:			
Cost of goods sold	**709,032**	615,749	567,985
Marketing and administrative expenses	**92,844**	83,809	74,160
Research and development expenses	**28,996**	25,149	22,697
Bad debt expenses	**1,576**	5,307	6,214
Restructuring charges	**1,145**	3,323	–
Acquisition termination costs	**997**	–	–
Write-down of impaired assets	–	3,202	750
Income from operations	**89,077**	77,204	80,874
Interest income	**1,608**	836	1,172
Interest expense	**(4,147)**	(5,423)	(5,792)
Foreign exchange gains (losses)	**(567)**	476	233
Other deductions	**(1,399)**	(749)	(753)
Non-operating deductions, net	**(4,505)**	(4,860)	(5,140)
Income before provision for taxes on income and minority interests	**84,572**	72,344	75,734
Provision for taxes on income	**24,299**	19,116	20,220
Minority interests	**1,710**	1,575	1,762
Income before cumulative effect of accounting change	**58,563**	51,653	53,752
Cumulative effect of accounting change, net of tax benefit of $2,072	–	3,433	–
Net income	**$ 58,563**	$ 48,220	$ 53,752

EARNINGS PER SHARE:

	2004	2003	2002
Basic:			
Before cumulative effect of accounting change	**$ 2.85**	$ 2.56	$ 2.66
Cumulative effect of accounting change	–	(0.17)	–
Basic earnings per share	**$ 2.85**	$ 2.39	$ 2.66
Diluted:			
Before cumulative effect of accounting change	**$ 2.82**	$ 2.53	$ 2.61
Cumulative effect of accounting change	–	(0.17)	–
Diluted earnings per share	**$ 2.82**	$ 2.36	$ 2.61

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Thousands of Dollars	Year Ended December 31, 2004	2003	2002
OPERATING ACTIVITIES			
Net income	**$ 58,563**	$ 48,220	$ 53,752
Adjustments to reconcile net income to net cash provided by operating activities:			
Cumulative effect of accounting change	–	3,433	–
Depreciation, depletion and amortization	**70,467**	66,340	68,960
Write-down of impaired assets	–	3,202	750
Loss on disposal of property, plant and equipment	**1,269**	1,472	1,301
Deferred income taxes	**(8,070)**	5,085	2,643
Provisions for bad debts	**3,876**	5,307	6,214
Tax benefits related to stock incentive programs	**7,220**	3,176	2,299
Other	**1,495**	1,270	1,519
Changes in operating assets and liabilities, net of effects of acquisitions:			
Accounts receivable	**(3,141)**	(7,946)	1,143
Inventories	**(17,483)**	767	5,166
Prepaid expenses and other current assets	**(2,077)**	(13,549)	621
Pension plan funding	**(17,579)**	(20,784)	(20,185)
Accounts payable	**10,596**	4,706	(5,542)
Income taxes payable	**8,771**	(5,767)	(1,834)
Other	**15,316**	5,156	1,031
Net cash provided by operating activities	**129,223**	100,088	117,838
INVESTING ACTIVITIES			
Purchases of property, plant and equipment	**(106,423)**	(52,665)	(37,107)
Purchases of short-term investments	**(12,875)**	–	–
Proceeds from sales of short-term investments	**5,675**	–	–
Proceeds from disposal of property, plant and equipment	**1,655**	1,874	280
Acquisition of businesses, net of cash acquired	**–**	(1,958)	(34,100)
Net cash used in investing	**(111,968)**	(52,749)	(70,927)
FINANCING ACTIVITIES			
Proceeds from issuance of short-term and long-term debt	**7,809**	5,659	154,908
Repayment of short-term and long-term debt	**(11,397)**	(6,019)	(194,876)
Purchase of common shares for treasury	**(16,225)**	(6,016)	(17,332)
Cash dividends paid	**(4,102)**	(2,024)	(2,026)
Proceeds from issuance of stock under option plan	**14,173**	15,884	29,384
Net cash provided by (used in) financing activities	**(9,742)**	7,484	(29,942)
Effect of exchange rate changes on cash and cash equivalents	**7,739**	3,930	1,747
Net increase in cash and cash equivalents	**15,252**	58,753	18,716
Cash and cash equivalents at beginning of year	**90,515**	31,762	13,046
Cash and cash equivalents at end of year	**$105,767**	$ 90,515	$ 31,762
NON-CASH INVESTING AND FINANCING ACTIVITIES			
Property, plant and equipment acquired by incurring installment obligations	**$ –**	$ 11,368	$ –
Property, plant and equipment additions related to asset retirement obligations	**$ –**	$ 6,762	$ –

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

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Minerals Technologies Inc. and Subsidiary Companies 2004 Annual Report

In Thousands	Common Stock Shares	Common Stock Par Value	Additional Paid-in Capital	Deferred Com-pensation	Retained Earnings	Accumulated Other Com-prehensive Income (Loss)	Treasury Stock Shares	Treasury Stock Cost	Total
Balance as of January 1, 2002	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 for treasury	–	–	–	–	–	–	(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
Comprehensive income:									
Net income	–	–	–	–	48,220	–	–	–	48,220
Currency translation adjustment	–	–	–	–	–	39,695	–	–	39,695
Minimum pension liability adjustment	–	–	–	–	–	(1,368)	–	–	(1,368)
Cash flow hedges:									
Net derivative losses arising during the year	–	–	–	–	–	521	–	–	521
Reclassification adjustment	–	–	–	–	–	–	–	–	–
Total comprehensive income	–	–	–	–	48,220	38,848	–	–	87,068
Dividends declared	–	–	–	–	(2,024)	–	–	–	(2,024)
Employee benefit transactions	485	48	15,836	–	–	–	–	–	15,884
Income tax benefit arising from employee stock option plans	–	–	3,176	–	–	–	–	–	3,176
Issuance of restricted stock	–	–	1,356	(1,356)	–	–	–	–	–
Amortization of restricted stock	–	–	–	136	–	–	–	–	136
Purchase of common stock for treasury	–	–	–	–	–	–	(150)	(6,016)	(6,016)
Tax accrual reversal	–	–	15,000	–	–	–	–	–	15,000
Balance as of December 31, 2003	27,422	2,742	225,512	(1,220)	724,936	3,814	(6,931)	(248,403)	707,381
Comprehensive income:									
Net income	–	–	–	–	58,563	–	–	–	58,563
Currency translation adjustment	–	–	–	–	–	33,974	–	–	33,974
Minimum pension liability adjustment	–	–	–	–	–	(2,246)	–	–	(2,246)
Cash flow hedges:									
Net derivative losses arising during the year	–	–	–	–	–	150	–	–	150
Reclassification adjustment	–	–	–	–	–	(68)	–	–	(68)
Total comprehensive income	–	–	–	–	58,563	31,810	–	–	90,373
Dividends declared	–	–	–	–	(4,102)	–	–	–	(4,102)
Employee benefit transactions	363	36	14,137	–	–	–	–	–	14,173
Income tax benefit arising from employee stock option plans	–	–	7,220	–	–	–	–	–	7,220
Issuance of restricted stock	–	–	1,361	(1,361)	–	–	–	–	–
Amortization of restricted stock	–	–	–	493	–	–	–	–	493
Purchase of common stock for treasury	–	–	–	–	–	–	(293)	(16,225)	(16,225)
Balance as of December 31, 2004	27,785	$2,778	$248,230	$(2,088)	$779,397	$35,624	(7,224)	$(264,628)	$799,313

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

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

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 and Short-term Investments 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 $2.2 million and $1.1 million at December 31, 2004 and 2003, respectively. Short-term investments consist of municipal bonds with original maturities beyond three months. Short-term investments amounted to $7.2 million at December 31, 2004.

Trade Accounts Receivable Trade accounts receivables 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 cost as a component of construction in progress. In general, the straight-line method of depreciation is used for financial reporting purposes and accelerated methods are used for U.S. and certain foreign tax reporting purposes. The annual rates of depreciation are 3% - 6.67% for buildings, 6.67% - 12.5% for machinery and equipment, 8% - 12.5% for furniture and fixtures and 12.5% - 25% for computer equipment and software-related assets.

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

In the third quarter of 2002, the Company reduced the useful lives of satellite PCC plants at International Paper Company's ("IP") mills due to an increased risk that some or all of these PCC contracts would not be renewed. As a result of this change, the Company also reviewed the useful lives of the assets at its remaining satellite PCC facilities and other plants. During the first quarter of 2003, the Company revised the estimated useful lives of machinery and equipment pertaining to its natural stone mining and processing plants and chemical processing plants from 12.5 years (8%) to 15 years (6.67%) and reduced the useful lives of buildings at certain satellite PCC facilities from 25 years (4%) to 15 years (6.67%). The Company also reduced the estimated useful lives of certain software-related assets due to implementation of a new global enterprise resource planning system. During the second quarter of 2003,

the Company reached an agreement with IP that extended eight PCC supply contracts and therefore extended the useful lives of the satellite PCC plants at those IP mills. The net effect of the changes in estimated useful lives, including the deceleration of depreciation at the IP plants, was an increase to diluted earnings per share of approximately $0.08 in 2003.

Depletion of mineral reserves is determined on a unit-of-extraction basis for financial reporting purposes and on a percentage depletion basis of 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. Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable, the Company estimates the undiscounted future cash flows (excluding interest) resulting from the use of the asset and its ultimate disposition. If the sum of the undiscounted cash flows (excluding interest) is less than the carrying value, the Company recognizes an impairment loss, measured as the amount by which the carrying value exceeds the fair value of the asset, determined principally using discounted cash flows.

Goodwill and Other Intangible Assets 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 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 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.

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

Fair Value of Financial Instruments The recorded amounts of cash and cash equivalents, receivables, short-term borrowings, accounts payable, accrued interest, and variable-rate long-term debt approximate fair value because of the short maturity of those instruments or the variable nature of underlying interest rates. Short-term investments are recorded at cost which approximates fair market value.

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 Concentrations 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.

Revenues from sales of equipment are recorded upon completion of installation and receipt of customer acceptance. Revenues from services are recorded when the services have been performed.

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 income 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 non-monetary 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 costs 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 in Note 2, "Stock-Based Compensation" 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 the majority of its employees. The benefits are based on years of service and an employee's career earnings.

The Company also provides post-retirement healthcare benefits for the majority of its 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.

Environmental Expenditures that relate to current operations are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations and which do not contribute to current or future revenue generation are expensed. Liabilities are recorded when it is probable the Company will be obligated to pay amounts for environmental site evaluation, remediation or related costs, and such amounts can be reasonably estimated.

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 potentially dilutive common shares outstanding.

Reclassifications Certain reclassifications have been made to prior-year amounts to conform with the current year presentation.

2. STOCK-BASED COMPENSATION

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure, an amendment of SFAS No. 123." This statement amends SFAS No. 123, "Accounting for Stock-Based Compensation," to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation, and requires additional disclosures in interim and annual financial statements. SFAS No. 123 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.

In December 2004, the FASB issued SFAS 123-R, "Share-Based Payment." This statement replaces Statement 123 and supersedes APB Opinion 25 covering a wide range of share-based compensation arrangements including share options, restricted share plans, performance-based awards, share appreciation rights, and employee share purchase plans. It will require companies to recognize the compensation costs relating to share-based payments to their employees in their financial statements. This statement will be effective for fiscal periods beginning after June 15, 2005. Due to the timing of the release of SFAS No. 123R, the Company has not

yet completed the analysis of the ultimate impact of this new pronouncement on its results of operations.

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:

	2004	2003	2002
Expected life (years)	**7**	7	7
Interest rate	**3.94%**	3.74%	3.27%
Volatility	**29.58%**	30.61%	31.21%
Expected dividend yield	**0.37%**	0.21%	0.21%

As required by SFAS No. 123, the Company has determined that the weighted average estimated fair values of options granted in 2004, 2003 and 2002 were $20.73, $18.86 and $18.30 per share, respectively. Pro forma net income for the fair value of stock options awarded in 2004, 2003 and 2002 were as follows:

Millions of Dollars	2004	2003	2002
Income before cumulative effect of accounting change, as reported	**$58.6**	$51.7	$53.8
Add: Stock-based employee compensation included in reported income before accounting change, net of related tax effects	**0.3**	0.1	–
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	**(2.7)**	(2.2)	(2.2)
Pro forma income before cumulative effect of accounting change	**56.2**	49.6	51.6
Cumulative effect of accounting change	**–**	(3.4)	–
Pro forma net income	**$56.2**	$46.2	$51.6
Net income, as reported	**$58.6**	$48.2	$53.8

Basic EPS

Dollars Per Share	2004	2003	2002
Income before cumulative effect of accounting change, as reported	$2.85	$2.56	$2.66
Pro forma income before cumulative effect of accounting change	2.73	2.45	2.55
Pro forma net income	2.73	2.29	2.55
Net income, as reported	2.85	2.39	2.66

Diluted EPS

Dollars Per Share	2004	2003	2002
Income before cumulative effect of accounting change, as reported	**$2.82**	$2.53	$2.61
Pro forma income before cumulative effect of accounting change	**2.72**	2.43	2.51
Pro forma net income	**2.72**	2.26	2.51
Net income, as reported	**2.82**	2.36	2.61

3. EARNINGS PER SHARE (EPS)

(Thousands of Dollars Except Per Share Amounts)	2004	2003	2002
Income before cumulative effect of accounting change	**$58,563**	$51,653	$53,752
Cumulative effect of accounting change	–	(3,433)	–
Net income	**$58,563**	$48,220	$53,752
Weighted average shares outstanding	**20,530**	20,208	20,199
Basic earnings per share before cumulative effect of accounting change	**$ 2.85**	$ 2.56	$ 2.66
Cumulative effect of accounting change	**–**	(0.17)	–
Basic earnings per share	**$ 2.85**	$ 2.39	$ 2.66

Diluted EPS	2004	2003	2002
Income before cumulative effect of accounting change	**$58,563**	$51,653	$53,752
Cumulative effect of accounting change	**–**	(3,433)	–
Net income	**$58,563**	$48,220	$53,752
Weighted average shares outstanding	**20,530**	20,208	20,199
Dilutive effect of stock options	**239**	223	370
Weighted average shares outstanding, adjusted	**20,769**	20,431	20,569
Diluted earnings per share before cumulative effect of accounting change	**$ 2.82**	$ 2.53	$ 2.61
Cumulative effect of accounting change	**–**	(0.17)	–
Diluted earnings per share	**$ 2.82**	$ 2.36	$ 2.61

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

4. INCOME TAXES

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

Thousands of Dollars	2004	2003	2002
Domestic	$42,070	$32,853	$44,768
Foreign	42,502	39,491	30,966
Total income before provision for income taxes	$84,572	$72,344	$75,734

The provision for taxes on income consists of the following:

Thousands of Dollars	2004	2003	2002
Domestic			
Taxes currently payable			
Domestic			
Federal	**$13,406**	$ 2,326	$ 5,797
State and local	**3,483**	1,281	179
Deferred income taxes	**(3,890)**	4,036	5,873
Domestic tax provision	**12,999**	7,643	11,849
Foreign			
Taxes currently payable	**15,480**	10,424	11,601
Deferred income taxes	**(4,180)**	1,049	(3,230)
Foreign tax provision	**11,300**	11,473	8,371
Total tax provision	**$24,299**	$19,116	$20,220

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	2004	2003	2002
U.S. statutory tax rate	**35.0%**	35.0%	35.0%
Depletion	**(4.1)**	(5.5)	(4.7)
Difference between tax provided on foreign earnings and the U.S. statutory rate	**(3.5)**	(3.3)	(3.2)
State and local taxes, net of Federal tax benefit	**1.0**	0.8	1.4
Tax credits and foreign dividends	**(0.1)**	2.3	(0.9)
Contribution of technology	**–**	(2.5)	–
Other	**0.4**	(0.4)	(0.9)
Consolidated effective tax rate	**28.7%**	26.4%	26.7%

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	2004	2003
Deferred tax assets:		
State and local taxes	**$ 4,115**	$ 4,218
Accrued expenses	**8,052**	2,432
Deferred expenses	**5,247**	5,425
Net operating loss carry forwards	**16,452**	9,339
Other	**6,284**	4,520
Total deferred tax assets	**40,150**	25,934
Deferred tax liabilities:		
Plant and equipment, principally due to differences in depreciation	**62,628**	61,172
Pension and post-retirement benefits cost deducted for tax purposes in excess of amounts reported for financial statements	**12,486**	8,441
Other	**4,564**	2,938
Total deferred tax liabilities	**79,678**	72,551
Net deferred tax liabilities	**$39,528**	$46,617

The current and long-term portion of net deferred tax (assets) liabilities is as follows:

Thousands of Dollars	2004	2003
Net deferred tax assets, current	**$(5,710)**	$ (1,440)
Net deferred tax liabilities, long-term	**45,238**	48,057
	$39,528	$46,617

The current portion of the net deferred tax assets is included in prepaid expenses and other current assets.

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.

The Company recorded $16.5 million of deferred tax assets arising from tax loss carry forwards which will be realized through future operations. Carry forwards of approximately $2.7 million expire over the next 15 years, and $13.7 million can be utilized over an indefinite period.

Net cash paid for income taxes were $15.3 million, $15.6 million and $14.6 million for the years ended December 31, 2004, 2003, and 2002, respectively.

5. FOREIGN OPERATIONS

The Company has not provided for U.S. federal and foreign withholding taxes on $124.9 million of foreign subsidiaries' undistributed earnings as of December 31, 2004 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 $5.1 million.

On October 22, 2004, the American Jobs Creation Act of 2004 (AJCA) was signed into law. The AJCA includes a special one-time 85% dividends received deduction for certain foreign earnings that are repatriated. The Company is currently evaluating the effects of the repatriation provision; however, we do not expect to be able to complete this evaluation until after Congress or the Treasury Department provides additional clarifying language on certain key elements of the provision. We expect to complete our evaluation of the effects of the repatriation provision within a reasonable period of time following the publication of the additional clarifying language. The Company estimates the potential income tax effect of any such repatriation would be to record a tax liability based on the effective 5.25% rate provided by the AJCA. The actual income tax impact to the Company will become determinable once further technical guidance has been issued.

Net foreign currency exchange (losses) gains, included in non-operating deductions in the Consolidated Statements of Income, were $(567,000), $476,000 and $233,000 for the years ended December 31, 2004, 2003 and 2002, respectively.

6. INVENTORIES

The following is a summary of inventories by major category:

Thousands of Dollars	2004	2003
Raw materials	**$ 45,333**	$34,132
Work in process	**7,078**	8,153
Finished goods	**33,733**	25,998
Packaging and supplies	**19,981**	18,095
Total inventories	**$106,125**	$86,378

7. PROPERTY, PLANT AND EQUIPMENT

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

Thousands of Dollars	2004	2003
Land	**$ 20,942**	$ 19,873
Quarries/mining properties	**50,126**	49,770
Buildings	**160,719**	151,923
Machinery and equipment	**887,596**	837,659
Construction in progress	**108,385**	54,899
Furniture and fixtures and other	**102,408**	95,826
	1,330,176	1,209,950
Less: Accumulated depreciation and depletion	**(715,891)**	(648,362)
Property, plant and equipment, net	**$ 614,285**	$ 561,588

Approximately 60% of the balance in contruction in progress as of December 31, 2004 relates to the construction of new facilities in Germany and China.

8. RESTRUCTURING CHARGES

During the fourth quarter of 2003, the Company announced plans to restructure its operations in an effort to reduce operating costs and to improve efficiency. The restructuring resulted in a total workforce reduction of approximately 70 people or three percent of the Company's worldwide workforce. The Company recorded a pre-tax restructuring charge of $3.3 million in the fourth quarter of 2003 to reflect these actions. This charge consisted of severance, other employee benefits, and lease termination costs. During 2004, additional costs related to this program of $1.1 million were recorded. As of December 31, 2004, all employees identified in the workforce reduction were terminated and no liability remains to be paid.

9. ACQUISITIONS

In the fourth quarter of 2004, the Company recognized pre-tax corporate charges of $1.0 million expense related to due diligence for a terminated acquisition effort.

On September 15, 2003, the Company purchased for approximately $2.0 million a pre-cast refractory shapes manufacturing facility.

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.

10. GOODWILL AND OTHER INTANGIBLE ASSETS

The carrying amount of goodwill was $53.7 million and $52.7 million as of December 31, 2004 and December 31, 2003, respectively. The net change in goodwill since January 1, 2004 was primarily attributable to the effect of foreign exchange.

Acquired intangible assets subject to amortization as of December 31, 2004 and December 31, 2003 were as follows;

	Dec. 31, 2004		Dec. 31, 2003	
Millions of Dollars	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Patents and trademarks	**$5.8**	**$1.2**	$5.8	$0.9
Customer lists	**1.4**	**0.3**	1.4	0.2
Other	**0.2**	**0.1**	0.2	0.1
	$7.4	**$1.6**	$7.4	$1.2

The weighted average amortization period for acquired intangible assets subject to amortization is approximately 15 years. Amortization expense was $0.4 million in 2004 and the estimated amortization expense is $0.4 million for each of the next five years through 2009.

Included in other assets and deferred charges is an intangible asset of approximately $11.1 million which represents the non-current unamortized amount paid to a customer in connection with contract extensions at eight PCC satellite facilities. In addition, a current portion of $1.8 million is included in prepaid expenses and other current assets. Such amounts will be amortized as a reduction of sales over the remaining lives of the customer contracts. Approximately $1.8 million was amortized in 2004. Estimated amortization as a reduction of sales is as follows: 2005 - $1.8 million; 2006 - $1.8 million; 2007 - $1.8 million; 2008 - $1.8 million; 2009 - $1.5 million; with smaller reductions thereafter over the remaining lives of the contracts.

11. ACCOUNTING FOR IMPAIRMENT OF LONG-LIVED ASSETS

The Company accounts for impairment of long-lived assets in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS No. 144 establishes a uniform accounting model for disposition of long-lived assets. This statement also requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If the carrying amount of the asset exceeds its estimated cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. During 2004, there was no charge for impairment. During 2003, the Company recorded a writedown of impaired assets of $3.2 million for the planned closure of a plant and for assets made obsolete by improved technology. During 2002, the Company recorded a writedown of impaired assets of $0.8 million for a PCC plant at a paper mill that had ceased operations.

12. 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 change 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 expired in January 2005. These agreements effectively converted 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 14 open foreign exchange contracts at December 31, 2004.

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 shareholders' 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.

13. SHORT-TERM INVESTMENTS

The composition of the Company's short-term investments are as follows:

Thousands of Dollars	2004	2003
Available for Sale Securities:		
Municipal bonds, with short-term auction pricing	**$7,200**	$ –

There were no unrealized holding gains and losses on available for sale securities held at December 31, 2004 due to the short-term auction rate pricing mechanism.

14. 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, short-term investments, 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 offset losses and gains on the assets, liabilities and transactions being hedged. At December 31, 2004, the Company had open foreign exchange contracts to purchase $5.8 million of foreign currencies. These contracts range in maturity from January 21, 2005 to June 23, 2005. The fair value of these instruments was a liability of $0.6 million at December 31, 2004. The fair value of the open foreign exchange contracts at December 31, 2003 was an asset of $0.1 million.

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, 2004, the Company had 2 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 were under three-year terms which expired 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 $0.1 million and $1.0 million at December 31, 2004 and December 31, 2003, 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 contracts. 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, 2004, 2003 and 2002 was $1.6 million, $5.3 million and $6.2 million, respectively.

15. LONG-TERM DEBT AND COMMITMENTS

The following is a summary of long term debt:

Thousands of Dollars	Dec. 31, 2004	Dec. 31, 2003
7.49% Guaranteed Senior Notes Due July 24, 2006	**$ 50,000**	$ 50,000
Yen-denominated Guaranteed Credit Agreement Due March 31, 2007	**6,316**	8,256
Variable/Fixed Rate Industrial Development Revenue Bonds Due 2009	**4,000**	4,000
Economic Development Authority Refunding Revenue Bonds Series 1999 Due 2010	**4,600**	4,600
Variable/Fixed Rate Industrial Development Revenue Bonds Due August 1, 2012	**8,000**	8,000
Variable/Fixed Rate Industrial Development Revenue Bonds Series 1999 Due November 1, 2014	**8,200**	8,200
Variable/Fixed Rate Industrial Development Revenue Bonds Due March 31, 2020	**5,000**	5,000
Installment obligations	**10,551**	11,368
Other borrowings	**2,061**	1,910
Total	**98,728**	101,334
Less: Current maturities	**3,917**	3,175
Long-term debt	**$ 94,811**	$ 98,159

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 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 1.34% and 1.18% for the years ended December 31, 2004 and 2003, 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 1.34% and 1.16% for the years ended December 31, 2004 and 2003, 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 1.34% and 1.16% for the years ended December 31, 2004 and 2003, 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 1.34% and 1.16% for the years ended December 31, 2004 and 2003, 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 1.81% and 1.65% for the years ended December 31, 2004 and 2003, respectively.

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

The aggregate maturities of long-term debt are as follows: 2005 - $3.9 million; 2006 - $54.2 million; 2007 - $2.1 million; 2008 - $7.0 million; 2009 - $4.3 million; thereafter - $27.2 million.

The Company had available approximately $110 million in uncommitted, short-term bank credit lines, of which $30 million was in use at December 31, 2004.

During 2004, 2003 and 2002, respectively, the Company incurred interest costs of $6.3 million, $6.2 million and $6.4 million including $2.1 million, $0.8 million and $0.6 million, respectively, which were capitalized. Interest paid approximated the incurred interest cost.

16. BENEFIT PLANS

Pension Plans and Other Postretirement Benefit Plans The Company and its subsidiaries have pension plans covering the majority of eligible employees on a contributory or non-contributory basis.

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

The Company provides postretirement health care and life insurance benefits for the majority of 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.

The Medicare Prescription Drug, Improvement and Modernization Act of 2003 became law in December 2003 and introduced both a Medicare prescription-drug benefit and a federal subsidy to sponsors of retiree health care plans that provide a benefit at least "actuarially equivalent" to the Medicare benefit. The Company has preliminarily concluded that the plan's benefits will not be considered actuarially equivalent to the benefits provided by Medicare Part D due to the existence of an annual maximum on combined medical and prescription drug benefits. Therefore, the Company will presently not be eligible for a 28% subsidy on allowable prescription drug costs per covered retiree starting 2006. The Company is currently reviewing the prescription drug coverage offered by the plan. Changes in plan design, if any, will be reflected when they are adopted.

The funded status of the Company's pension plans and other postretirement benefit plans at December 31, 2004 and 2003 is as follows:

Obligations and Funded Status

	Pension Benefits		Other Benefits	
Millions of Dollars	**2004**	2003	**2004**	2003
Change in benefit obligation				
Benefit obligation at beginning of year	**$142.7**	$125.8	**$ 26.9**	$ 24.3
Service Cost	**6.4**	5.7	**1.3**	1.2
Interest Cost	**8.5**	7.9	**1.8**	1.6
Actuarial gain	**9.0**	7.9	**4.3**	2.2
Benefits paid	**(13.7)**	(6.2)	**(2.6)**	(2.4)
Other	**3.5**	1.6	**–**	–
Benefit obligation at end of year	**$156.4**	$142.7	**$ 31.7**	$ 26.9

Millions of Dollars	2004	2003	2004	2003
Change in plan assets				
Fair value of plan assets beginning of year	**$152.7**	$111.4	**$ –**	$ –
Actual return on plan assets	**14.7**	22.8	**–**	–
Employer contributions	**17.6**	20.8	**2.6**	2.4
Plan participants' contributions	**0.3**	0.2	**–**	–
Benefits paid	**(13.7)**	(6.2)	**(2.6)**	(2.4)
Other	**2.3**	3.7	**–**	–
Fair value of plan assets at end of year	**$173.9**	$152.7	**$ –**	$ –
Funded status	**$ 17.5**	$ 10.0	**$(31.7)**	$(26.9)
Unrecognized transition amount	**(0.1)**	(0.1)	**–**	–
Unrecognized net actuarial loss	**36.0**	31.3	**10.3**	6.4
Unrecognized prior service cost	**4.5**	4.6	**–**	–
Prepaid (accrued) benefit cost	**$ 57.9**	$ 45.8	**$(21.4)**	$(20.5)

Amounts recognized in the consolidated balance sheet consist of:

	Pension Benefits		Other Benefits	
Millions of Dollars	2004	2003	2004	2003
Prepaid expenses	**$ –**	$ 4.3	**$ –**	$ –
Prepaid benefit costs	**61.6**	46.3	**–**	–
Accrued benefit liabilities	**(6.9)**	(7.3)	**(21.4)**	(20.5)
Intangible asset	**1.0**	1.1	**–**	–
Accumulated other comprehensive loss	**2.2**	1.4	**–**	–
Net amount recognized	**$ 57.9**	$ 45.8	**$(21.4)**	$(20.5)

Information for pension plans with an accumulated benefit obligation in excess of plan assets:

Millions of Dollars	2004	2003
Projected benefit obligation	**$33.5**	$33.6
Accumulated benefit obligation	**$40.7**	$29.3
Fair value of plan assets	**$22.7**	$23.8

The accumulated benefit obligation for all defined benefit pension plans was $156.4 million and $142.7 million at December 31, 2004 and 2003, respectively.

The components of net periodic benefit costs are as follows:

	Pension Benefits		
Millions of Dollars	2004	2003	2002
Service cost	**$ 6.4**	$ 5.7	$ 5.1
Interest cost	**8.5**	7.9	7.3
Expected return on plan assets	**(12.5)**	(10.1)	(9.0)
Amortization of transition amount	**0.1**	0.1	0.1
Amortization of prior service cost	**0.7**	0.6	0.5
Recognized net actuarial loss	**1.7**	2.3	0.8
SFAS No. 88 settlement	**0.6**	–	–
Net periodic benefit cost	**$ 5.5**	$ 6.5	$ 4.8

	Other Benefits		
Millions of Dollars	2004	2003	2002
Service cost	**$ 1.4**	$ 1.2	$ 1.1
Interest cost	**1.8**	1.6	1.5
Amortization of prior service cost	**–**	0.1	(0.4)
Recognized net actuarial loss	**0.5**	–	–
Net periodic benefit cost	**$ 3.7**	$ 2.9	$ 2.2

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

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 $0.6 million in 2004.

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 conform to local governmental and tax requirements. The plans' assets are invested primarily in stock and bonds.

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

	2004	2003	2002
Discount rate	**6.00%**	6.25%	6.75%
Expected return on plan assets	**8.50%**	8.75%	8.75%
Rate of compensation increase	**3.50%**	3.50%	3.50%

The Company considers a number of factors to determine its expected rate of return on plan assets assumptions, including historical performance of plan assets, asset allocation and other

third-party studies and surveys. The Company reviewed the historical performance of plan assets over a ten-year period (from 1993 to 2003), the results of which exceed the 8.50% rate of return assumption that the Company ultimately selected for domestic plans. The Company also considered the plan portfolio's asset allocations over a variety of time periods and compared them with third-party studies and surveys of annualized returns of similarly balanced portfolio strategies. The historical return of this universe of similar portfolios also exceeded the return assumption that the Company ultimately selected. Finally, the Company reviewed performance of the capital markets in recent years and, upon advice from various third parties, such as the pension plans' advisers, investment managers and actuaries, selected the 8.50% return assumption used for domestic plans.

For measurement purposes, health care cost trend rates of approximately 10% for pre-age-65 and post-age-65 benefits were used in 2004. These trend rates were assumed to decrease gradually to 5.0% for 2010 and remain at that level thereafter.

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

Thousands of Dollars	1-Percentage-Point Increase	1-Percentage-Point Decrease
Effect on total service and interest cost components	$ 10	$ (9)
Effect on postretirement benefit obligation	$ 187	$(162)

Plan Assets The Company's pension plan weighted average asset allocations at December 31, 2004 and 2003 by asset category are as follows:

Asset Category	2004	2003
Equity securities	**67.3%**	68.9%
Fixed income securities	**30.6%**	30.1%
Real estate	**0.5%**	0.4%
Other	**1.6%**	0.6%
Total	**100%**	100%

The following table presents domestic and foreign pension plan assets information at December 31, 2004, 2003 and 2002 (the measurement date of pension plan assets):

	U.S. Plans		
Millions of Dollars	**2004**	2003	2002
Fair value of plan assets	**$139.3**	$123.5	$87.6

	International Plans		
Millions of Dollars	**2004**	2003	2002
Fair value of plan assets	**$ 34.6**	$ 29.2	$23.7

Contributions The Company expects to contribute $10 million to its pension plan and $3 million to its other postretirement benefit plan in 2005.

Estimated Future Benefit Payments The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

Millions of Dollars	Pension Benefits	Other Benefits
2005	$ 6.6	$ 1.8
2006	$ 6.8	$ 1.9
2007	$ 7.9	$ 2.0
2008	$ 8.3	$ 2.1
2009	$10.3	$ 2.2
2010 - 2014	$63.8	$13.6

Investment Strategies The Plan Assets Committee has adopted an investment policy for domestic pension plan assets designed to meet or exceed the expected rate of return on plan assets assumption. To achieve this, the pension plans retain professional investment managers that invest plan assets, primarily in equity and fixed income securities. The Company has targeted an investment mix of 65% in equity securities and 35% in fixed income securities.

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 $3.1 million, $3.0 million and $2.9 million for the years ended December 31, 2004, 2003 and 2002, respectively.

17. LEASES

The Company has several non-cancelable operating leases, primarily for office space and equipment. Rent expense amounted to approximately $4.1 million, $4.0 million and $4.6 million for the years ended December 31, 2004, 2003 and 2002, respectively. Total future minimum rental commitments under all non-cancelable leases for each of the years 2005 through 2009 and in aggregate there-

after are approximately $3.8 million, $2.6 million, $2.3 million, $2.0 million, and $1.8 million respectively and $7.9 million thereafter.

Total future minimum payments to be received under direct financing leases for each of the years 2005 through 2009 and the aggregate thereafter are approximately: $3.4 million, $2.7 million, $2.1 million, $1.6 million, $0.9 million, and $2.4 million thereafter.

18. LITIGATION

On June 15, 2004, the Company filed suit against Switzerland-based Omya AG for patent infringement seeking injunctive relief and damages in the United States District Court for the Southern District of New York. The suit alleges that Omya and its subsidiaries have infringed, are inducing the infringement of, or are contributing to the infringement of two patents held by the Company covering the use of calcium carbonate in the manufacture of acidic paper. The Company's technology is commonly referred to as acid tolerant technology and is commercialized by its wholly-owned subsidiary Specialty Minerals Inc., through its AT® PCC. Minerals Technologies argues that its business has been, and continues to be, damaged by this alleged infringement.

On December 30, 2004 and January 4, 2005, two subsidiaries of OMYA AG filed a lawsuit against the Company in the Specialized Section for Industrial Law of the Court of Turin in Turin, Italy, seeking a declaratory judgment that they have not committed acts of unfair competition against the Company and that two of the Company's European patents are invalid and not infringed by certain OMYA calcium carbonate products. One of the two European patents in this case is the counterpart of the two United States patents at issue in the Company's June 15, 2004 suit described above. This matter currently is in a preliminary stage.

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

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

The following is the present status of the remediation efforts:

- *Building Decontamination*. We have completed the investigation of building contamination and submitted a report characterizing the contamination. We are awaiting review and approval of this report by the regulators. Based on the results of this investigation, we believe that the contamination may be adequately addressed by means of encapsulation through painting of exposed surfaces, pursuant to EPA's regulations and have accrued such liabilities as discussed below. However, this conclusion remains uncertain pending completion of the phased remediation decision process required by the regulations.
- *Groundwater*. We are still conducting investigations of potential groundwater contamination. To date, the results of investigation indicate that there is some oil contamination of the groundwater. We are conducting further investigations of the groundwater.
- *Soil*. We have completed the investigation of soil contamination and submitted a report characterizing contamination to the regulators. Based on the results of this investigation, we believe that the contamination may be left in place and monitored, pursuant to a site-specific risk assessment, which is underway. However, this conclusion is subject to completion of a phased remediation decision process required by applicable regulations.

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

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

The Company is evaluating options for upgrading the wastewater treatment facilities at its Adams, Massachusetts, plant. This work is being undertaken pursuant to an administrative consent order issued by the Massachusetts Department of Environmental Protection on June 18, 2002. The order required payment of a civil fine in the amount of eighteen thousand five hundred dollars ($18,500), the investigation of options for ensuring that the facility's wastewater treatment ponds will not result in discharge to groundwater, and closure of a historic lime solids disposal area. The Company is committed to identifying appropriate improvements to the wastewater treatment system by 2007, and to implementing the improvements by June 1, 2012. Preliminary engineering reviews indicate that the estimated cost of these upgrades to operate this facility beyond 2012 may be between $6 million to $8 million. The

Company estimates that remediation costs would approximate $100,000, which has been accrued as of December 31, 2004.

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

19. STOCKHOLDERS' EQUITY

Capital Stock The Company's authorized capital stock consists of 100 million shares of common stock, par value $0.10 per share, of which 20,561,785 shares and 20,491,499 shares were outstanding at December 31, 2004 and 2003, respectively, and 1,000,000 shares of preferred stock, none of which were issued and outstanding.

Cash Dividends Cash dividends of $4.1 million or $0.20 per common share were paid during 2004. In January 2005, a cash dividend of approximately $1.0 million or $0.05 per share, was declared, payable in the first quarter of 2005.

Preferred Stock Purchase Rights Under the Company's 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 Award 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 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.

The following table summarizes stock option and restricted stock activity for the Plan:

		Under Option	
	Shares Available For Grant	Shares	Weighted Average Exercise Price Per Share ($)
Balance January 1, 2002	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 December 31, 2002	1,277,153	1,908,183	38.54
Granted	(110,290)	82,435	47.74
Exercised	–	(483,978)	32.92
Canceled	23,874	(23,874)	39.17
Balance December 31, 2003	1,190,737	1,482,766	40.85
Granted	(297,650)	270,750	54.09
Exercised	–	(363,300)	39.01
Canceled	23,998	(21,998)	46.25
Balance December 31, 2004	917,085	1,368,218	43.87

	Restricted Stock	
	Shares	Weighted Average Exercise Price Per Share ($)
Balance January 1, 2002	–	–
Granted	–	–
Exercised	–	–
Canceled	–	–
Balance December 31, 2002	–	–
Granted	27,855	49.12
Exercised	–	–
Canceled	–	–
Balance December 31, 2003	27,855	49.12
Granted	26,900	50.59
Exercised	–	–
Canceled	(2,000)	49.12
Balance December 31, 2004	52,755	49.88

The following table summarizes information concerning Plan options at December 31, 2004:

	Options Outstanding		
Range of Exercise Prices	Number Outstanding at 12/31/04	Weighted Average Remaining Contractual Term (Years)	Weighted Average Exercise Price
\$30.625 - \$39.531	766,521	4.3	\$38.39
\$42.070 - \$49.115	238,115	7.4	\$47.23
\$50.720 - \$66.000	363,582	8.4	\$53.21

	Options Exercisable	
Range of Exercise Prices	Number Exercisable at 12/31/04	Weighted Average Exercise Price
\$30.625 - \$39.531	757,688	\$38.39
\$42.070 - \$49.115	138,327	\$46.90
\$50.720 - \$66.000	86,555	\$50.79

Restricted Stock The Company has granted certain corporate officers rights to receive shares of the Company's common stock under the Company's 2001 Stock Award and Incentive Plan (the 2001 Plan). The rights will be deferred for a specified number of years of service, subject to restrictions on transfer and other conditions. Upon issuance of the rights, a deferred compensation expense equivalent to the market value of the underlying shares on the date of the grant was charged to stockholders' equity and is being amortized over the estimated average deferral period of approximately 5 years. The Company granted 27,855 shares in 2003 and 26,900 shares in 2004 and 2,000 shares were forfeited in 2004. The compensation expense amortized with respect to the units was approximately \$0.5 million and \$0.1 million for years ended 2004 and 2003, respectively.

20. 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):

Millions of Dollars	Currency Translation Adjustment	Minimum Pension Liability	Net Gain (Loss) On Cash Flow Hedges	Accumulated Other Comprehensive Income (Loss)
Balance at January 1, 2002	\$(55.0)	\$ (0.5)	\$ 0.2	\$(55.3)
Current year change	22.2	(0.8)	(1.1)	20.3
Balance at December 31, 2002	(32.8)	(1.3)	(0.9)	(35.0)
Current year change	39.7	(1.4)	0.5	38.8
Balance at December 31, 2003	6.9	(2.7)	(0.4)	3.8
Current year change	34.0	(2.2)	0.1	31.8
Balance at December 31, 2004	**\$40.9**	**\$ (4.9)**	**\$ (0.3)**	**\$ 35.6**

The income tax expense (benefit) associated with items included in other comprehensive income (loss) was approximately (\$0.2) million, \$0.8 million and (\$1.1) million for the years ended December 31, 2004, 2003, 2002, respectively.

21. ACCOUNTING FOR ASSET RETIREMENT OBLIGATIONS

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

Upon adoption, the Company recorded a non-cash, after-tax charge to earnings of approximately \$3.4 million for the cumulative effect of this accounting change related to retirement obligations associated with the Company's PCC satellite facilities and its mining properties, both within the Specialty Minerals segment.

The following is a reconciliation of asset retirement obligations as of December 31, 2004:

Thousands of Dollars	
Asset retirement liability, beginning of period	$9,315
Accretion expense	720
Payments made	(122)
Asset retirement liability, end of period	$9,913

The current portion of the liability of approximately $0.3 million is included in other current liabilities. The long-term portion of the liability of approximately $9.6 million is included in other noncurrent liabilities.

22. 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 reportable 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 9.1%, 10.0% and 11.5% of consolidated net sales in 2004, 2003 and 2002, respectively. Intersegment sales and transfers are not significant.

Segment information for the years ended December 31, 2004, 2003 and 2002 was as follows (in millions):

2004	Specialty Minerals	Refractories	Total
Net sales	$623.4	$300.3	$ 923.7
Income from operations	59.7	30.4	90.1
Restructuring charges	0.7	0.4	1.1
Bad debt expenses	1.3	0.3	1.6
Depreciation, depletion and amortization	58.3	12.2	70.5
Segment assets	769.6	297.4	1,067.0
Capital expenditures	83.1	17.8	100.9

2003	Specialty Minerals	Refractories	Total
Net sales	$557.1	$256.6	$813.7
Income from operations	55.4	21.8	77.2
Restructuring charges	1.7	1.6	3.3
Writedown of impaired assets	2.0	1.2	3.2
Bad debt expenses	1.1	4.2	5.3
Depreciation, depletion and amortization	56.9	9.4	66.3
Segment assets	672.3	253.9	926.2
Capital expenditures	37.1	12.4	49.5

2002	Specialty Minerals	Refractories	Total
Net sales	$520.1	$232.6	$752.7
Income from operations	60.0	20.9	80.9
Writedown of impaired assets	0.8	–	0.8
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

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):

Income before provision for taxes on income and minority interests	2004	2003	2002
Income from operations for reportable segments	**$ 90.1**	$ 77.2	$ 80.9
Unallocated corporate expenses	**(1.0)**	–	–
Consolidated income from operations	**89.1**	77.2	80.9
Interest income	**1.6**	0.8	1.1
Interest expense	**(4.1)**	(5.4)	(5.8)
Other deductions	**(2.0)**	(0.3)	(0.5)
Income before provision for taxes on income and minority interests	**$ 84.6**	$ 72.3	$ 75.7

Total Assets	2004	2003	2002
Total segment assets	**$1,067.0**	$ 926.2	$ 851.3
Corporate assets	**87.9**	109.5	48.6
Consolidated total assets	**$1,154.9**	$1,035.7	$ 899.9

Capital expenditures	2004	2003	2002
Total segment capital expenditures	**$100.9**	$ 49.5	$ 37.0
Corporate capital expenditures	**5.5**	3.2	0.1
Consolidated total capital expenditures	**$106.4**	$ 52.7	$ 37.1

The carrying amount of goodwill by reportable segment as of December 31, 2004 and December 31, 2003 was as follows:

Goodwill Thousands of Dollars	2004	2003
Specialty Minerals	**$ 16,407**	$15,682
Refractories	**37,322**	37,039
Total	**$ 53,729**	$52,721

The net change in goodwill since December 31, 2003 was primarily attributable to the effect of foreign exchange.

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

Net sales	2004	2003	2002
United States	**$558.2**	$499.9	$482.2
Canada/Latin America	**81.7**	72.4	68.5
Europe/Africa	**227.4**	192.6	156.0
Asia	**56.4**	48.8	46.0
Total International	**365.5**	313.8	270.5
Consolidated total net sales	**$923.7**	813.7	752.7

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	2004	2003	2002
United States	**$412.4**	$402.4	$400.6
Canada/Latin America	**23.7**	24.5	21.5
Europe/Africa	**194.0**	154.7	141.3
Asia	**43.7**	37.1	31.9
Total International	**261.4**	216.3	194.7
Consolidated total long-lived assets	**$673.8**	618.7	595.3

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

Millions of Dollars	2004	2003	2002
Paper PCC	**$434.0**	$389.6	$376.0
Specialty PCC	**50.7**	46.5	47.0
Talc	**51.6**	43.2	30.3
Other Processed Minerals	**87.1**	77.8	66.8
Refractory Products	**243.0**	209.7	189.8
Metallurgical Products	**57.3**	46.9	42.8
Net Sales	**$923.7**	$813.7	$752.7

23. QUARTERLY FINANCIAL DATA (UNAUDITED)

Millions of Dollars, Except Per Share Amounts

2004 Quarters	First	Second	Third	Fourth
Net Sales by Product Line				
PCC	$112.3	$118.6	$123.6	$130.1
Processed Minerals	31.4	36.5	36.4	34.4
Specialty Minerals Segment	143.7	155.1	160.0	164.5
Refractories Segment	65.8	74.2	76.4	84.0
Consolidated net sales	209.5	229.3	236.4	248.5
Gross profit	49.7	54.3	55.1	55.5
Net income	$ 12.6	$ 15.1	$ 16.2	$ 14.7
Earnings per share:				
Basic	$ 0.61	$ 0.74	$ 0.79	$ 0.71
Diluted	$ 0.61	$ 0.73	$ 0.78	$ 0.70
Market price range per share of common stock:				
High	$60.20	$61.00	$58.00	$67.67
Low	$51.56	$54.59	$53.60	$56.67
Close	$56.18	$57.80	$57.42	$66.70
Dividends paid per common share	$ 0.05	$ 0.05	$ 0.05	$ 0.05

In 2004, the Company recorded additional restructuring costs of $0.6 million, $0.4 million, and $0.1 million in the first, second and fourth quarters, respectively.

In the fourth quarter of 2004, the Company recognized $1.0 million of expense related to acquisition termination costs.

Millions of Dollars, Except Per Share Amounts

2003 Quarters	First	Second	Third	Fourth
Net Sales by Product Line				
PCC	$109.3	$106.6	$108.5	$111.7
Processed Minerals	28.5	30.8	30.6	31.2
Specialty Minerals Segment	137.8	137.4	139.1	142.9
Refractories Segment	63.7	65.0	59.1	68.8
Consolidated net sales	201.5	202.4	198.2	211.7
Gross profit	49.8	50.0	47.5	50.7
Income before cumulative effect of accounting change	14.9	14.3	12.8	9.7
Cumulative effect of accounting change	(3.4)	–	–	–
Net income	$ 11.5	$ 14.3	$ 12.8	$ 9.7
Earnings per share before accounting change:				
Basic	$ 0.74	$ 0.71	$ 0.63	$ 0.47
Diluted	$ 0.74	$ 0.70	$ 0.62	$ 0.47
Earnings per share after accounting change:				
Basic	$ 0.57	$ 0.71	$ 0.63	$ 0.47
Diluted	$ 0.57	$ 0.70	$ 0.62	$ 0.47
Market price range per share of common stock:				
High	$44.25	$50.20	$ 53.15	$60.75
Low	$35.45	$37.57	$ 47.09	$50.90
Close	$37.79	$48.14	$ 51.44	$59.25
Dividends paid per common share	$0.025	$0.025	$ 0.025	$0.025

In the fourth quarter of 2003, the Company recorded a $3.2 million writedown of impaired assets relating to the planned closure of the Company's operations in River Rouge, Michigan and the retirement of certain Synsil® product assets made obsolete by an improved manufacturing process. In addition, the Company recorded restructuring charges of $3.3 million in the fourth quarter of 2003.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders
Minerals Technologies Inc.:

We have audited the accompanying consolidated balance sheets of Minerals Technologies Inc. and subsidiary companies as of December 31, 2004 and 2003, 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, 2004. In connection with our audits of the consolidated financial statements, we also have audited the related financial statement schedule. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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 financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall 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, 2004 and 2003, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2004, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed in the notes to consolidated financial statements, the Company adopted Statement of Financial Accounting Standards No. 143, "Accounting for Asset Retirement Obligations" effective January 1, 2003.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Minerals Technologies Inc. and subsidiary companies' internal control over financial reporting as of December 31, 2004, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 10, 2005 expressed an unqualified opinion on management's assessment of, and the effective operation of, internal control over financial reporting.

KPMG LLP

KPMG LLP

New York, New York
March 10, 2005

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders
Minerals Technologies Inc.:

We have audited management's assessment, included in the accompanying report of Management's Report on Internal Control Over Financial Reporting, that Minerals Technologies Inc. and subsidiary companies maintained effective internal control over financial reporting as of December 31, 2004, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Minerals Technologies Inc. and subsidiary companies' management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that Minerals Technologies Inc. and subsidiary companies maintained effective internal control over financial reporting as of December 31, 2004, is fairly stated, in all material respects, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Also, in our opinion, Minerals Technologies Inc. and subsidiary companies maintained, in all material respects, effective internal control over financial reporting as of December 31, 2004, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Minerals Technologies Inc. and subsidiary companies as of December 31, 2004 and 2003, and the related consolidated statements of income, shareholders' equity, and cash flows and related financial statement schedule for each of the years in the three-year period ended December 31, 2004, and our report dated March 10, 2005 expressed an unqualified opinion on those consolidated financial statements and financial statement schedule.

KPMG LLP

KPMG LLP

New York, New York
March 10, 2005

Management's Report on Financial Statements

Minerals Technologies Inc.'s management is responsible for the integrity and objectivity of the accompanying financial statements and related information. The consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles and include amounts based on judgments and estimates by management.

Management's Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining an adequate system of internal control over financial reporting of the Company. This system of internal accounting controls is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles The design, monitoring and revision of the system of internal accounting controls involves, among other things, management's judgments with respect to the relative cost and expected benefits of specific control measures. The effectiveness of the control system is supported by the selection, retention and training of qualified personnel and an organizational structure that provides an appropriate division of responsibility and formalized procedures. The system of internal accounting controls is periodically reviewed and modified in response to changing conditions. An internal audit staff regularly monitors the adequacy and effectiveness of internal accounting controls for the Company and all of its subsidiaries.

Because of its inherent limitations, a system of internal control over financial reporting can provide only reasonable assurance and may not prevent or detect misstatements. Further, because of changes in conditions, effectiveness of internal controls over financial reporting may vary over time. Our system contains self-monitoring mechanisms, and actions are taken to correct deficiencies as they are identified.

Management conducted an evaluation of the effectiveness of the system of internal control over financial reporting based on the framework in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation, management concluded that as of December 31, 2004, the Company's system of internal control over financial reporting was effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles. Management's assessment of the effectiveness of the Company's internal control over financial reporting has been audited by KPMG LLP, an independent registered public accounting firm, as stated in their report in which they expressed an unqualified opinion, which is included herein.

Paul R. Saueracker
Chairman of the Board, President and Chief Executive Officer

John A. Sorel
Senior Vice President, Finance and Chief Financial Officer

Michael A. Cipolla
Vice President, Corporate Controller and Chief Accounting Officer

March 10, 2005

DIRECTORS, COMMITTEES AND OFFICERS

Board of Directors

Paul R. Saueracker
Chairman of the Board, President and Chief Executive Officer

Paula H. J. Cholmondeley
Business Consultant, former Vice President and
General Manager of Specialty Products
SAPPI Fine Paper, North America

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 and Vice Chairman
Lazard Frères & Co. LLC

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

Joseph C. Muscari
Executive Vice President - Alcoa and
Group President, Rigid Packaging,
Foil & Asia

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. Stivers
Retired Executive Vice President and Chief Financial Officer
Weyerhaeuser Company

Jean-Paul Vallès
Chairman Emeritus

Corporate Officers

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Chairman, President and Chief Executive Officer

Gordon S. Borteck ◆
Vice President, Organization and Human Resources

Alain F. Bouruet-Aubertot ◆
Senior Vice President and Managing Director,
Minteq International

Kirk G. Forrest ◆
Vice President, General Counsel and Secretary

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

Michael A. Cipolla
Vice President, Corporate Controller and
Chief Accounting Officer

William A. Kromberg
Vice President, Taxes

Gregory P. Kelm
Treasurer

Committees of the Board

Corporate Governance Committee
John T. Reid, Chair
Paula H. J. Cholmondeley
Duane R. Dunham
Kristina M. Johnson
Jean-Paul Vallès

Audit
Michael F. Pasquale, Chair
Kristina M. Johnson
John T. Reid
William C. Stivers

Compensation
John B. Curcio, Chair
Duane R. Dunham
Steven J. Golub
Joseph C. Muscari

◆ *Member, Management Committee of the Company*

Stock Listings

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

Registrar and Transfer Agent

Equiserve Trust Company, N. A.
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 Trust Company, N. A.
P.O. Box 43011
Providence, RI 02940-3011
Stockholder Inquiries: 1-800-426-5523
www.equiserve.com

Certifications

The Company's chief executive officer submitted the certification required by Section 303A.12(a) of the NYSE Listed Company Manual certifying without qualification to the NYSE that he is not aware of any violations by the Company of NYSE corporate governance listing standards as of May 26, 2004. The Company also filed as an exhibit to its Annual Report on Form 10-K for the year ended December 31, 2004, the certifications required by Section 302 of the Sarbanes-Oxley Act regarding the quality of the company's public disclosure.

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, 2004, including the financial schedule thereto. The report will be available on or about March 15, 2005. Requests should be directed to:

Secretary
Minerals Technologies Inc.
The Chrysler Building
405 Lexington Avenue
New York, NY 10174-0002

Annual Meeting

The Minerals Technologies Annual Meeting will take place on Wednesday, May 25, 2005 at 2 p.m. in Room A on the 18th floor of the JPMorganChase & Co. Building, 277 Park Avenue (between 47th and 48th streets), New York, NY 10017.

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 28, 2005.

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 10174-0002
212-878-1831
For further information on Minerals Technologies Inc. visit the Company's website at www.mineralstech.com

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