Building for the Future

Minerals Technologies Inc. Annual Report 2005

Millions of dollars, except per share data	December 31, 2005	December 31, 2004
Net sales	$995.8	$923.7
Specialty Minerals Segment	668.0	623.4
PCC Products	521.3	484.7
Processed Minerals Products	146.7	138.7
Refractories Segment	327.8	300.3
Operating income	81.8	89.1
Net income	53.3	58.6
Earnings per share:		
Basic	2.62	2.85
Diluted	2.59	2.82
Research and development expenses	29.1	29.0
Depreciation and Depletion	75.0	70.5
Capital expenditures	111.5	106.4
Net cash provided by operating activities	78.5	129.2
Number of shareholders of record	201	201
Number of employees	2,650	2,484

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.

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*"We will continue to **pursue opportunities for growth** that will permit us to bring both enhanced value to our customers and to maintain our leadership in the markets we serve."*

Dear Shareholders:

Two-thousand five was one of the most difficult years Minerals Technologies has experienced since we went public in 1992. We started strong with good financial performance in the first quarter, and saw continued revenue growth throughout the year; but we ran headlong into a number of issues and events that prevented us from leveraging that growth into improved profitability. Some of these issues and events were external, like high raw material and energy costs and a forest products industry labor dispute in Finland, over which we had little or no control. Some, however, were internal, like higher than planned start-up costs for new facilities in China and Germany, which have been subsequently corrected. Despite these problems, Minerals Technologies' financial foundation remains strong and we have in place sound strategies that will allow us to achieve improved profitability. We have addressed the internal issues, and if the economic factors affecting the paper and steel industries—the two major industries we serve—remain stable, your Company will show improved profitability in 2006.

Paul R. Saueracker
Chairman, President & CEO

Before addressing some of the steps we are taking to improve our financial performance, let's look at our results for 2005.

Worldwide sales for the full year 2005 were $995.8 million, an 8-percent increase over $923.7 million reported in 2004. The Company's operating income for 2005 was $81.8 million compared with $89.1 million, an 8-percent decline from 2004.

Net income decreased 9 percent to $53.3 million from $58.6 million in 2004. Diluted earnings per share were $2.59, an 8-percent decrease from $2.82 in the previous year.

Worldwide sales in the Specialty Minerals Segment, which consists of precipitated calcium carbonate (PCC) and Processed Minerals, increased 7 percent to $668.0 million compared with $623.4 million for 2004. Specialty Minerals' operating income for the full year was $53.5 million, a 10-percent decrease from $59.7 million in 2004.

Precipitated calcium carbonate (PCC) sales increased 8 percent to $521.3 million in 2004 from $484.7 million. Paper PCC sales volume from satellite plants increased 4 percent for the full year despite the Finnish labor dispute and the shutdown of a number of paper machines. Specialty PCC, which is used in non-paper applications, had sales increase 10 percent to $55.6 million in 2005 from $50.7 million.

Sales of Processed Minerals products for 2005 increased 6 percent to $146.7 million from $138.7 million in 2004. This product line, which includes ground calcium carbonate and talc, are used in the building materials, polymers, ceramics, paints and coatings, glass and other manufacturing industries.

Sales for the full year for the Refractories Segment were $327.8 million, a 9-percent increase over $300.3 million in 2004. Refractories' operating income was $28.3 million, down 7 percent from $30.4 million in the previous year. Sales of Refractory products declined 2 percent in 2005 to $239.3 million from $243.0 million. Sales of metallurgical products grew 54 percent in 2005 to $88.5 million from $57.3 million in 2004. The Refractories Segment's products are used primarily in the steel industry.

As I said earlier, we began the year with a strong first quarter, but were then faced with a number of negative factors affecting our profitability. In the second quarter, for example, a labor dispute in Finland reduced sales by $5 million. We also, throughout the year, saw weakness in the steel industry, especially in North America and Europe, which had a direct impact on our Refractories Segment. As with many manufacturing companies, we were hit with higher raw material and energy costs that affected production margins for the last three quarters of 2005. In response to these external factors, we established surcharges and price increases on a number of products. We were able to pass some, but not all, of the increased cost along to customers. Additionally, in the fourth quarter, paper mill and paper machine shutdowns in North America affected our financial results. These shutdowns were due primarily to continuing capacity rationalization in the paper industry.

Internally, we faced higher than expected ramp-up costs at our two new satellite PCC plants in China and the new merchant facility in Germany for production of PCC coating products. These internal issues are now behind us. The satellite plants in China are fully operational and we are experiencing increasing demand for our unique coating products produced at our plant in Germany.

High legal costs for patent litigation were another factor affecting our profitability for much of the year. During the fourth quarter, we announced that we had reached a settlement with Omya AG. As part of the settlement, Omya was granted a non-exclusive license for the term of the patents in exchange for royalty payments.

After such a disappointing year, what are we doing to reverse this trend and return to a higher level of profitability? The answer lies in the strategic advances we have made.

A major strategy has been to move regionally with the markets we serve. Our percentage of total sales by worldwide region has shifted over the past few years, declining in the United States, while increasing in Europe and Asia. We believe this trend will continue, and that there are now three areas of the world critical to our sustained growth—Asia, Latin America and Eastern Europe. The growth of the Chinese paper and steel industries is a point in fact.

In the last two years, we have constructed two large PCC satellite plants in the Shanghai region at paper mills owned by Asia Pulp & Paper Company (China) Pte. Ltd. These satellite plants, which have long-term contracts with the papermaker, are together capable of producing more than 250,000 tons of PCC annually.

China is now the largest steel manufacturer in the world, producing nearly 350 million tons, surpassing the United States and Japan combined. To take advantage of the major growth in steel production there, Minteq International Inc., which operates our Refractories business, is constructing a 100,000-ton per year manufacturing facility for refractory products in Suzhou that will be operational by mid-year 2006. This facility is centered amongst approximately 15 steel mills that produce high quality steel, the kind that can best utilize Minteq's systems approach. That approach provides the most advanced laser-measuring technology, robotic application equipment, durable refractory products and the people with the expertise to operate these systems. These new facilities in China allow us to take advantage of the opportunities presented by the economic expansion now taking place there.

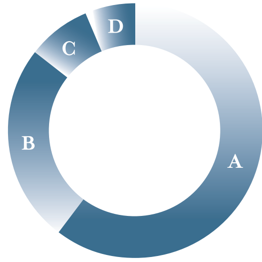
Our *SYNSIL®* Products group made significant progress in 2005. In March, the Company announced it had signed a contract with a glass manufacturer that triggered construction of a 200,000-ton manufacturing facility in Chester, South Carolina. That facility—the first of its kind in the world—was completed in the first quarter of 2006, and we began shipping our composite mineral soon thereafter. With the construction of the Chester plant, we now have the necessary additional capacity to provide material to glassmakers interested in conducting trials with this innovative material. In December 2005, we announced a contract with another glass producer that led to construction of our second 200,000-ton plant, this one in Cleburne, Texas. We expect this facility to be operational by late 2006 or early 2007.

SYNSIL® Products is a prime example of our strategy to create entirely new markets. MTI research scientists invented this new family of products, which are composite minerals that reduce the temperature needed to melt raw materials in glass furnaces. *SYNSIL®* Products adds value for the glassmaker by reducing energy costs, furnace wear and the amount of furnace downtime in glass production. More importantly, *SYNSIL®* Products increases both throughput and yield, the measures of saleable glass produced. Glassmakers are interested in the product because it can improve their profitability. For example, we estimate that *SYNSIL®* Products can save the glassmaker between $2.3 million and $3.3 million a year in a furnace that produces 100,000 tons of glass a year.

It has always been our objective to create what we call "disruptive" technologies that transform an industry, as our PCC products did for the paper industry beginning in the mid-1980s. We believe *SYNSIL®* Products offers the potential, over time, to be a very substantial opportunity for this Company.

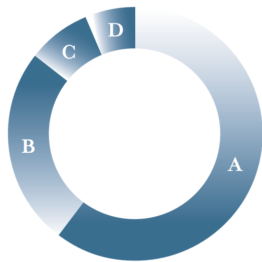
We are also optimistic about our development efforts to produce a filler-fiber composite for the paper industry. This material, part of the strategy to increase demand for our products in existing markets, could potentially double the amount of precipitated calcium carbonate used to fill paper. Increasing pigment filler levels has been a paper industry mission for decades because fillers are less expensive than pulp fiber, and the subsequent savings are substantial. Our research scientists have been working to develop this filler-fiber technology. If we are successful, we will, over time, increase filler levels in paper from about 17 percent to 25 to 30 percent, resulting in increased PCC sales and substantial savings for the papermaker.

PCC for paper coating is another example of broadening opportunities in our markets. We have produced PCC coating material for many years, but it has not been until recently that we launched a major effort to penetrate the approximately 16-million ton market for paper-coating pigments. We are now producing sophisticated PCC coating products in our new 125,000-ton per year manufacturing facility in Walsum, Germany.



2005 Net Sales by Geographic Area
(percentage/in millions of dollars)

A	60.3%	United States $600.1
B	25.5%	Europe/Africa $253.7
C	8.0%	Canada/Latin America $80.0
D	6.2%	Asia $62.0



2005 Net Sales by Product Line
(percentage/in millions of dollars)

A	46.8%	Paper PCC $465.7
B	5.6%	Specialty PCC $55.6
C	5.4%	Talc $54.2
D	9.3%	Other Processed Minerals $92.5
E	24.0%	Refractory Products $239.3
F	8.9%	Metallurgical Products $88.5

The plant today is providing PCC to surrounding paper companies in an area that is central to one of the world's largest concentrations of manufacturing of high-quality publication and graphic art papers.

We are also developing new products and systems in our Refractories Segment for the steel industry. Our new Hotcrete™ refractory material is a unique product that allows a durable shotcrete to be applied while steel vessels, especially ladles, are still hot as opposed to the usual practice of applying the material after the vessels have cooled. We believe this new product will be well received by the worldwide steel industry because it doesn't require the steel maker to take equipment off-line for repair and it eliminates the need to cool the vessels, further reducing vessel wear.

We also continue to seek opportunities in our markets for our Processed Minerals product line. An example of this is our Flextalc® Products, a family of ultrafine, densified talc for use in polypropylene in the automotive industry.

An ongoing strategy is the continuing drive to improve cost competitiveness. We look in all areas of our business for ways to improve efficiency and cut costs. For example, the new satellite PCC plants in China both utilize new, more efficient manufacturing processes. In addition, the new Oracle® Global Enterprise Resource Planning System and our Operations Excellence/Best Practices programs are further examples of our efforts to maintain our competitive edge.

Although our financial performance for 2005 was unsatisfactory, we did see advances in our strategic initiatives. The satellite PCC operations in China are up and running; demand is increasing for our coating PCC products in Germany; we have completed one new *SYNSIL*® Products manufacturing facility in South Carolina and have broken ground for another in Texas; and we are optimistic that our filler-fiber composite technology will move into the commercial phase within the next 12 months. I believe these advances bode well for MTI's future. It is the objective of this management team to improve our profitability and return on investment to enhance the value of this Company for all shareholders.

In closing, I want to thank our shareholders, our customers and our employees for their commitment to MTI. We will continue to pursue opportunities for growth that will permit us to bring both enhanced value to our customers and to maintain our leadership in the markets we serve.

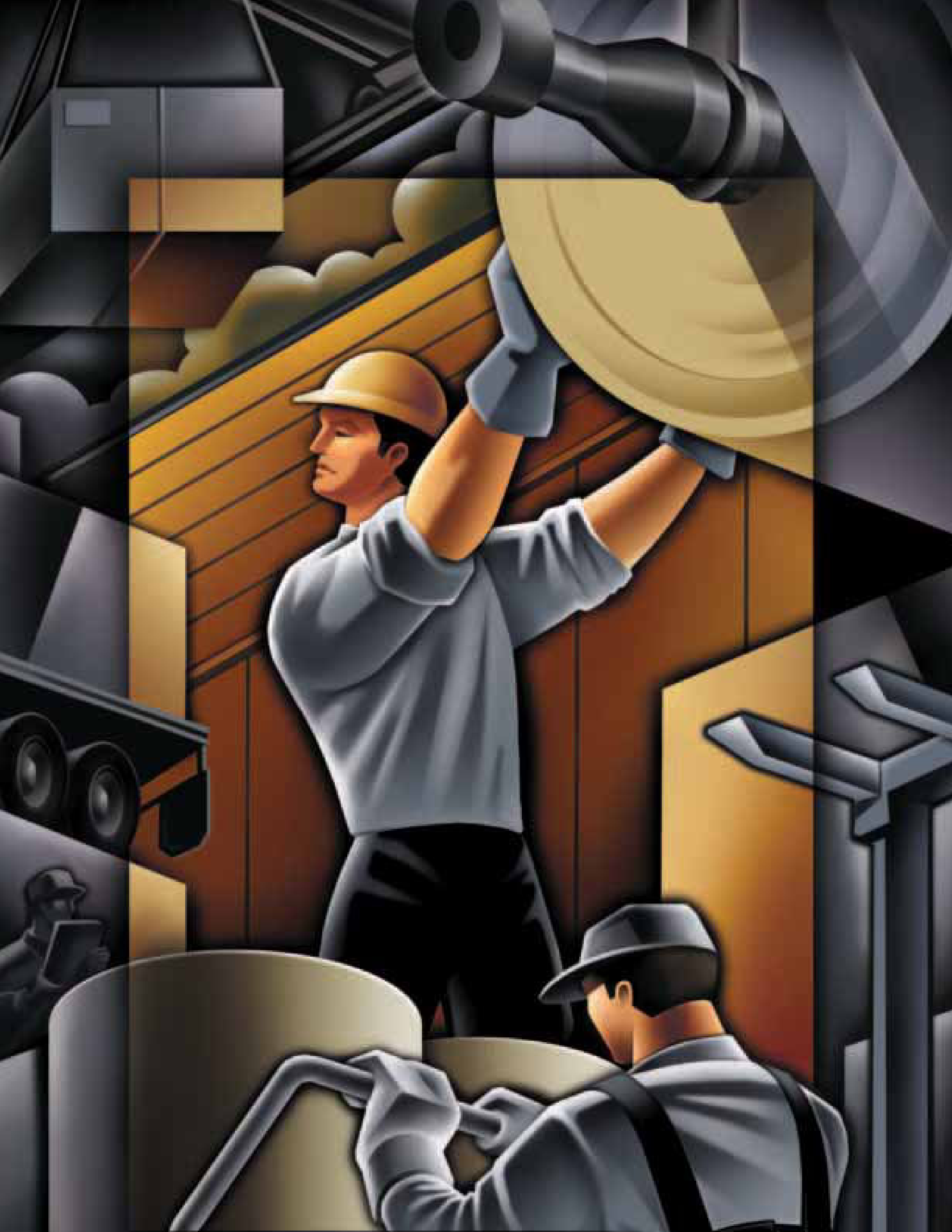
Paul R. Saueracker
Chairman, President and Chief Executive Officer

After emerging from such a difficult year in 2005, what will Minerals Technologies do to reverse the downward trend in our financial performance?

Several imperatives will play a key role in the Company's success in years to come. As the marketplace shifts—from nation to nation, from continent to continent—we must shift with it. We must find new ways to increase demand for our products among present customers, but we must also be adept at creating new customers and entirely new markets. Throughout, we must keep an unerring eye on costs, to guarantee our ability to offer superior products with compelling value to our customers.

What has always distinguished our Company is its facility for introducing the game-changing product or a new way of approaching the game itself. Our innovations, grounded in research, have resulted in disruptive technologies that alter the way customers in the industries we serve manufacture their products. We have been instrumental in changing the way paper is made, how steel-making vessels are protected and, most recently, we are commercializing our *SYNSIL®* Products, a new raw material for glassmaking. We continue our work on a filler-fiber composite material for the paper industry that would, once again, revolutionize the way paper is made. And, our Refractories Segment is now introducing a new shotcrete product that for the first time can be applied to hot steel vessels.

In achieving all this, we rely on two elements that have been the strengths of this Company since day one: vision and research. MTI consistently has been able to provide its shareholders a glimpse into a R&D pipeline that promises ongoing enhancements to our competitive posture, in good years and bad.



During 2005, MTI's Paper PCC business built for the future, literally and figuratively, both in the development of innovative technology and in the construction of new facilities.

When it comes to technology, little bespeaks the future of papermaking better than filler-fiber composites. If economics alone governed the decision making, filling levels of precipitated calcium carbonate in uncoated freesheet paper would increase dramatically based on filler for fiber savings alone. Using North America as a benchmark, a typical world-class paper mill could save multi-million dollars a year if filler levels could increase from an average 17 percent to close to 30 percent. But with current technology, as fill rates of PCC increase, undesirable performance traits begin to offset any economic gains such as a loss in sheet stiffness.

"Papermakers would not tolerate those tradeoffs," says Kenneth L. Massimine, Senior Vice President and Managing Director, Paper PCC.

Therein lies the premise, and promise, of filler-fiber composites—a means of increasing the filler loading levels to upwards of 30 percent by creating a synergy between PCC and individual pulp fibers before introducing the PCC/fiber material into the papermaking process. The ultimate interaction of the filler-fiber material with pulp creates the economic advantage of being able to use high filler levels without exacting the usual tolls in sheet "limpness" and other drawbacks.

"Filler-fiber composites are, and have been, a major development program within this Company," says Massimine. "More work is planned, but to date this program continues to show promise." The hope is that this promising technology can be commercialized in the not too distant future. Solid results in uncoated freesheet, which is currently under test, would lead to investigation of the technology's efficacy in other paper grades: for example, coated base stock.

To no small degree, the rest of 2005 was a tale of three plants, all of which suffered delays of one form or another but are now on line and making important contributions to the Company.

Two of those are satellite plants located in Suzhou and Zhenjiang, People's Republic of China, and are at paper mills owned by Asia Pulp & Paper China. Operated by a joint venture known as APP China Specialty Minerals Pte. Ltd., the two plants produce approximately eight units of PCC annually, with a unit representing between 25,000 and 35,000 tons. The satellite plant at the Suzhou location produces filling-grade PCC while the one at the Zhenjiang paper mill manufactures both filling- and coating-grade PCC.

Both plants benefit from the unveiling of a revolutionary filling-PCC manufacturing technology platform for enhanced, lower-cost processing. "With something as ambitious as this, our scale-up experience was not as we had anticipated," concedes Massimine. "But ultimately this platform allows for greater efficiency for producing filler-grade PCC products, while also serving as the building block for a new array of products and future process upgrades."

With the Chinese plants, too, comes the Asian introduction of OPACARB® A40 PCC—the gold standard for coating calcium carbonates thanks to its sub-micron particle size and narrow particle-size distribution. "OPACARB® will allow APP to better differentiate itself in the marketplace," says Massimine. "We're also hoping this facility will become a regional steppingstone for additional facilities once OPACARB® A40's unique performance becomes well recognized."

Serving another critical regional market—the lucrative European market for high-quality publication and graphic-arts papers—is SMI's merchant plant at Walsum, Germany. Walsum is a key staging area in the Company's global coating strategy. Its initial annual production capacity of 125,000 tons is expandable to as much as a half-million tons. With this facility on line, SMI's total European presence is 14 PCC plants producing close to 900,000 tons of PCC of both filling and coating products.

"We're now in an accelerated ramp-up phase," says Massimine. "At Walsum, as in our Chinese satellite plants, we're bullish that we'll meet our expectations."

Though the name may be generic and the concept dates back decades, Minteq International Inc. has put its own stamp on shotcrete.

"We're determined to bring shotcrete to the next level through the added value that it can provide to our customers and to the Company," says John Damiano, Vice President of Research and Development, Minteq.

Damiano explains that shotcrete refractory materials would—to the layman—look similar to poured concrete, except shotcrete is applied without the use of labor intensive forms. The exceptional durability of the material allows it to be used to protect the inside of vessels and furnaces used to manufacture ferrous and non-ferrous metals. However, shotcrete products have traditionally been applied at room temperature. "What we've done is apply the Minteq high-performance, hot-maintenance business model to shotcrete technology," he says.

The result is a family of hot shotcrete products—Hotcrete™ refractory castable mix—that combines brand-new technology with the proven chemical stability and working characteristics common to all Minteq refractories. Hotcrete™ refractory castable mix's evolution was a logical response to customer needs. Minteq's cold shotcrete products remain a growing business for the Company, but if such traditional products have a shortcoming, it's that they typically force customers to alter production schedules or take equipment off-line for maintenance or repairs. "What differentiates Hotcrete,™" says Damiano, "is that you don't have to take the equipment down to allow it to cool."

Commercial trials of this hot-application method that began at the end of 2005 had already produced on-going business by January. "We've got four trials ongoing in North America, but the one we had at a steel maker in Western Europe went so well that the steel company gave us its whole fleet of ladles to maintain." The unusual acceleration in the timetable from trial to rollout is testament to the fact that "if the customer has a problem and you can solve it immediately, they jump right on it," says Damiano.

The upside to Hotcrete™ refractory castable mix appears very promising. "For most customers," says Damiano, "the problem with trying to extend ladle life is that accelerated wear of the slagline refractory is what takes the ladle out of production." Applying Hotcrete™ refractory castable mix primarily to the slagline has enabled Minteq to cut wear rates in half in trials.

Also in field trials is Minteq's magnesia-carbon shotcrete, which Damiano characterizes as "a breakthrough the industry has sought for a while." Two potential applications that stand out: as protection for the slagline of steel ladles, and as maintenance or construction material, replacing gunnables, inside electric arc furnaces. Complementary Minteq application equipment is in development as well. "The ultimate goal," says Damiano, "is for some generation of these materials to become brick replacements, serving as the actual working linings."

The magnesia-carbon program is an extension of an ambitious magnesia initiative that has yielded such success stories as Duracrete™-MG refractory mix. "We're using Duracrete™-MG a lot in basic oxygen furnaces," explains Dom Colavito, Technical Director R&D, Minteq, who has piloted the magnesia program since the beginning in the late 1990s. "We've been selling it for over a year in some key markets including China."

The reference to the Chinese market is no mere afterthought, for the global steel industry's migration to China may be the industrial story of the half-decade. In 2005, China's total steel production increased 25 percent to 349 million tons—besting the United States and Japan combined.

Hence Minteq's new $14 million, 100,000-ton per year refractory materials plant at Suzhou, Jiangsu Province. The new plant is surrounded by more than a dozen steel mills, and just 50 miles west of where two major Chinese economic-development belts meet in the thriving city of Shanghai. "If you're going to supply there, you realistically have to manufacture there," says Alain F. Bouruet-Aubertot, Senior Vice President and Managing Director, Minteq International Inc.

In giving Minteq the capacity to do that, the Suzhou plant embodies MTI's commitment to move regionally with the markets it serves.

SYNSIL® Products: Creating an Entirely New Market

Even among companies with long traditions of R&D excellence, rare is the innovation that is genuinely industry-transforming.

MTI's family of *SYNSIL®* Products belongs in that category. These products promote faster melting and integration of raw materials at low furnace temperatures without changing the chemistry and thereby the physical properties of the finished glass. These unique abilities allow higher yields, faster throughputs, lower energy consumption and lower emissions simultaneously, resulting in a paradigm shift in glassmaking operations. "With *SYNSIL®* Products, the glassmaker enters a newfound realm of control capability, without chemical additives or costly capital investments," says Gerald Mehner, Vice President and Managing Director of Synsil Products Inc. (SPI), a wholly-owned subsidiary of MTI and an emerging product line in the Company's Specialty Minerals Segment.

Moreover, 2005 will be remembered as a pivotal year in *SYNSIL®* Products' commercialization. The Company announced two new commercial-capacity plants in 2005, the first of which, in Chester, South Carolina, came on line in early 2006. In December 2005, MTI released plans for a second such facility in Cleburne, Texas, expected to be operational by fourth quarter 2006. Each plant can produce 200,000 tons of *SYNSIL®* Products annually. MTI already operates a customer sampling plant, producing approximately 50,000 tons per year, in Woodville, Ohio.

"We believe that *SYNSIL®* Products provide a value-added alternative to the conventional glass manufacturing process," says Paul R. Saueracker, Chairman, President and Chief Executive Officer of MTI.

As Mehner explains, "The three key parameters in operating a glass furnace are the temperature of the melt, the rate of removing glass from the furnace, and the quality of the glass produced. Before *SYNSIL®* Products, a glassmaker had to make more tradeoffs: improving one parameter meant settling for less in another parameter. This is a true disruptive technology. It changes the game."

It can also add years to the useful life of a very costly piece of equipment—a glass furnace. "By allowing them to run at lower temperatures, we can extend the life span of the furnace beyond its normal 17 to 20 years," says John Hockman, *SYNSIL®* Products' inventor and chief developer.

The facilities in Chester and Cleburne initially will supply a pair of glass manufacturers that have signed multi-year purchase agreements. The Company has additional short- and long-term agreements in place with other major and niche manufacturers in various segments of the glass-making market. Says Guy DelFranco, Sales and Marketing Director for SPI, "We're pleased to have the enhanced availability and logistics that enables us to serve markets that are so rich in glass manufacturing."

Adds Mehner, "The commercial-capacity facilities in South Carolina and Texas enable us not only to accelerate trials but to approach whole new market segments." He notes that meaningful penetration of any of the glass industry's four major business lines—container glass, float glass, and two types of standard fiberglass—could lead to significant worldwide business.

Since the first associated brainstorming sessions in 1997, the *SYNSIL®* Products program has undergone tireless refinement and testing, garnering numerous domestic and foreign patents along the way. "Synsil epitomizes MTI's commitment to R&D," says Robert Moskaitis, Vice President of Research and Development, Specialty Minerals.

Income and Expense Items as a Percentage of Net Sales

Year Ended December 31,	2005	2004	2003
Net sales	100.0%	100.0%	100.0%
Cost of goods sold	78.8	76.8	75.7
Marketing and administrative expenses	10.1	10.1	10.3
Research and development expenses	2.9	3.1	3.1
Bad debt expenses	—	0.2	0.6
Restructuring charges	—	0.1	0.4
Acquisition termination costs	—	0.1	—
Write-down of impaired assets	—	—	0.4
Income from operations	8.2	9.6	9.5
Income before provision for taxes on income and minority interests	7.8	9.1	8.9
Provision for taxes on income	2.3	2.6	2.4
Minority interests	0.2	0.2	0.2
Income before cumulative effect of accounting change	5.3	6.3	6.3
Cumulative effect of accounting change	—	—	0.4
Net income	5.3%	6.3%	5.9%

EXECUTIVE SUMMARY

Overall, the Company had a very difficult year. We had very strong growth in the first quarter followed by three quarters of declining operating income. The Company was affected by start-up and ramp-up issues at three new major facilities in Germany and China; significantly higher raw material and energy costs; consolidation in the paper industry; and weakness in our largest steel markets. Worldwide net sales for 2005 grew 8% over the prior year from $923.7 million to $995.8 million. Foreign exchange had a favorable impact on sales of approximately 1 percentage point of growth. Operating income for the full year 2005, however, declined 8% to $81.8 million from $89.1 million in the prior year. Operating income represented 8.2% of sales in 2005 and was 9.6% of sales in 2004. Net income for the full year 2005 declined 9% to $53.3 million from $58.6 million in 2004.

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

- 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 pre-tax 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.
- In 2005, we recorded an impairment charge of $0.3 million relating to the expected closure of our satellite PCC facility in Cornwall, Canada, in the first quarter of 2006. In addition, our customer in Pasadena, Texas, announced its plan to cease operations. As a result, our fully depreciated one-unit PCC facility at this location has terminated its operations.

We face some significant risks and challenges in the future:

- Our success depends in part on the performance of the industries we serve, particularly papermaking and steel making. Some of our customers may continue to face a difficult business environment, and may experience further shutdowns;
- Consolidations in the paper and steel industries concentrates purchasing power in the hands of fewer customers, increasing pricing pressure on suppliers such as Minerals Technologies;
- Most of our Paper PCC sales are under long-term contracts. The contracts may be terminated pursuant to their terms, or may be renewed on terms less favorable to us;
- We are subject to cost fluctuations on magnesia and talc imported from China, including higher shipping costs and higher cost of other raw material in both segments;
- We are experiencing increased energy costs in both of our business segments;
- Although the *SYNSIL*® Products family has received favorable reactions from potential customers and we have entered into several multi-year supply contracts and are constructing two manufacturing facilities, this product line is not yet profitable and its commercial viability cannot be assured;
- The cost of employee benefits, particularly health insurance, has risen significantly in recent years and continues to do so; 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 risks and challenges, 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 freesheet 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, including potential commercialization of a filler-fiber composite technology for the paper industry;
- 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 ramp-up of two four-unit satellite PCC plants through our joint venture with Asia Pulp & Paper (China) Pte. Ltd., and our new manufacturing facility for the Refractories segment, which is projected to commence operations in the second quarter of 2006; and
- Increasing 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.

On July 19, 2005, the Company's largest customer, International Paper Company, announced a general plan to restructure certain elements of its businesses. There has been no further release of public information related to this plan. Therefore, we have not been able to assess the potential impact of this restructuring on our Paper PCC product line and assets.

Results of Operations

Sales

Net Sales Dollars in millions	2005	% of Total Sales	Growth	2004	% of Total Sales	Growth	2003	% of Total Sales
U.S.	$ 600.1	60.3%	8%	$ 558.2	60.4%	12%	$ 499.9	61.4%
International	395.7	39.7%	8%	365.5	39.6%	16%	313.8	38.6%
Net sales	$ 995.8	100.0%	8%	$ 923.7	100.0%	14%	$ 813.7	100.0%
Paper PCC	$ 465.7	46.8%	7%	$ 434.0	47.0%	11%	$ 389.6	47.9%
Specialty PCC	55.6	5.6%	10%	50.7	5.5%	9%	46.5	5.7%
PCC Products	$ 521.3	52.3%	8%	$ 484.7	52.5%	11%	$ 436.1	53.6%
Talc	$ 54.2	5.4%	5%	$51.6	5.6%	19%	$ 43.2	5.3%
Other Processed Minerals	92.5	9.3%	6%	87.1	9.4%	12%	77.8	9.6%
Processed Minerals Products	$ 146.7	14.7%	6%	$ 138.7	15.0%	15%	$ 121.0	14.9%
Specialty Minerals Segment	$ 668.0	67.1%	7%	$ 623.4	67.5%	12%	$ 557.1	68.5%
Refractory Products	$ 239.3	24.0%	(2)%	$ 243.0	26.3%	16%	$ 209.7	25.8%
Metallurgical Products	88.5	8.9%	54%	57.3	6.2%	22%	46.9	5.8%
Refractories Segment	$ 327.8	32.9%	9%	$ 300.3	32.5%	17%	$ 256.6	31.5%
Net Sales	$ 995.8	100.0%	8%	$ 923.7	100.0%	14%	$ 813.7	100.0%

Worldwide net sales in 2005 increased 8% from the previous year to $995.8 million. Foreign exchange had a favorable impact on sales of approximately $10.3 million or 1 percentage point of growth. Sales in the Specialty Minerals segment, which includes the PCC and Processed Minerals product lines, increased 7% to $668.0 million compared with $623.4 million for the same period in 2004. Sales in the Refractories segment grew 9% over the previous year to $327.8 million. In 2004, worldwide net sales increased 14% to $923.7 million from $813.7 million in the prior year. Specialty Minerals segment sales increased approximately 12% and Refractories segment sales increased approximately 17% in 2004.

Worldwide net sales of PCC, which is primarily used in the manufacturing process of the paper industry, increased 8% to $521.3 million from $484.7 million in the prior year. Worldwide net sales of Paper PCC increased 7% to $465.7 million from $434.0 million in the prior year. Paper PCC volumes grew 4% for the full year with volumes in excess of 3.8 million tons. In 2005, worldwide printing and writing paper production totaled approximately 112.1 tons and increased 1.1% over 2004, and demand for uncoated freesheet, our largest market for PCC, increased slightly in 2005. Sales growth was achieved in all regions, except Latin America, with the largest growth occurring in Europe and Asia where sales volumes grew 7% and 20%, respectively. The growth in Europe was primarily attributable to our new facility in Germany and expansions of PCC capacity at certain locations. This growth was partially mitigated by the Finnish paper mill labor dispute in the second quarter of 2005. The sales growth in Asia was primarily attributable to the two new facilities in China. North American Paper PCC sales grew 5% as incremental sales from the restart in May 2004 of our Millinocket, Maine, facility more than offset the effect of paper machine and plant closures. Sales of Specialty PCC grew 10% to $55.6 million from $50.7 million in 2004. This growth was primarily attributable to improved volumes, especially in automotive and consumer applications. PCC sales in 2004 increased 11% to $484.7 million from $436.1 million in the prior year. Paper PCC volumes grew 7% in 2004 as sales growth was achieved in all regions. Foreign exchange had a favorable impact on sales in 2004 of approximately 4 percentage points of growth.

Net sales of Processed Minerals products in 2005 increased 6% to $146.7 million from $138.7 million in 2004. The growth in this product line was attributable to the continued strength of the residential construction market and from polymer and health care applications for our talc products. Processed Minerals net sales in 2004 increased 15% to $138.7 million from $121.0 million in 2003. This increase was primarily attributable to strong demand from the residential construction markets.

Net sales in the Refractories segment in 2005 increased 9% to $327.8 million from $300.3 million in the prior year. Foreign exchange represented approximately 1 percentage point of the sales growth. The sales growth was driven globally by the metallurgical product line in which sales grew 54% to $88.5 million from $57.3 million. This increase was attributable to a combination of price increases, due to the substantial escalation in the cost of raw materials for this product line, as well as volume growth. Sales of refractory products and systems to steel and other industrial applications decreased 2% to $239.3 million from $243.0 million. The weakness in the steel industry, particularly in the United States and Europe, had an adverse affect on our sales growth. Net sales in the Refractories segment in 2004 increased 17% to $300.3 million from $256.6 million in the prior year. The increase in sales for the Refractories segment in 2004 was primarily attributable to improved performance and better steel industry conditions in North America. In 2004, sales growth of 22% was attained in the metallurgical product line and 16% in the refractory products and systems product line, respectively.

Net sales in the United States were $600.1 million in 2005, approximately 8% higher than in the prior year. International sales in 2005 also increased 8%. Foreign exchange had a 3% impact on international sales growth. In 2004, domestic net sales were 12% 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

Dollars in millions	2005	Growth	2004	Growth	2003
Cost of goods sold	$784.8	11%	$ 709.0	15%	$615.7
Marketing and administrative	$100.4	8%	$ 92.8	11%	$ 83.8
Research and development	$ 29.1	—%	$ 29.0	16%	$ 25.1
Bad debt expenses	$ (0.5)	*%	$ 1.6	(70%)	$ 5.3
Acquisition termination costs	$ —	*%	$ 1.0	*	$ —
Restructuring charges	$ —	*%	$ 1.1	(67%)	$ 3.3
Write-down of impaired assets	$ 0.3	*%	$ —	*	$ 3.2

* *Percentage not meaningful*

Cost of goods sold in 2005 was 78.8% of sales compared with 76.8% in the prior year. Our cost of goods sold grew 11% which had an unfavorable leveraging impact on our sales growth resulting in a 2% decrease in production margin. This unfavorable leveraging occurred in both reporting segments. In the Specialty Minerals segment, production margins declined 4% as compared with 7% sales growth. Margins in this segment were affected by several factors:

- start-up and ramp-up costs related to the European coating development program;
- the effects of continuing paper industry capacity rationalization, which lowered demand at several satellite plants;
- unrecovered raw material and energy costs; and
- start-up and ramp-up costs at our two new facilities in China.

Collectively, these factors had an adverse impact on production margin and operating income of approximately $13 million.

In the Refractories segment, production margin increased 1% over the prior year as compared with 9% sales growth. The unfavorable leveraging was due to weakness in the steel industry, particularly in North America and Europe, and to higher raw material costs.

In 2004, cost of goods sold was 76.8% of sales compared with 75.7% in 2003. Cost of goods sold grew 15%, which had an unfavorable leveraging impact on our sales growth resulting in an 8% increase in the production margin. The unfavorable leveraging occurred in both reporting segments as they were affected by higher raw material and energy costs. Our Specialty Minerals segment was also affected by increased startup costs for our new plant in Walsum, Germany.

Marketing and administrative costs increased 8% in 2005 to $100.4 million and represented 10.1% of net sales. Both segments increased marketing expenses to support worldwide business development efforts. The Company also experienced higher litigation costs to protect our intellectual property. The Company reached a settlement of pending commercial and patent litigation in the fourth quarter of 2005. This litigation settlement resulted in non-operating income of $2.1 million, while the costs to defend such litigation were included in marketing and administrative expenses. In 2004, marketing and administrative costs increased 10.7% to $92.8 million and increased to 10.1% of net sales from 10.3% of net sales in 2003.

Research and development expenses remained flat at $29.1 million and represented 2.9% of net sales. In 2004, research and development expenses increased 16% over the prior year and represented 3.1% of sales due to increased product development activities in both segments, but particularly in the PCC product line relating to the filler-fibre composite mineral program and coating trial activities.

We recorded bad debt expenses (recoveries) of $(0.5) million and $1.6 million in 2005 and 2004, respectively. In 2005, the reduction in bad debt charges was primarily related to recoveries of bad debt in excess of provisions. 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.

During the fourth quarter of 2005, we recorded a write-down of impaired assets of $0.3 million. The impairment relates to the expected closure in the first quarter of our satellite facility in Cornwall, Ontario, resulting from the expected paper mill shutdown.

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. There were no restructuring costs in 2005.

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

Dollars in millions	2005	Growth	2004	Growth	2003
Income from operations	$81.8	(8)%	$89.1	15%	$77.2

Income from operations in 2005 decreased 8% to $81.8 million from $89.1 million in 2004. Income from operations was 8.2% of sales as compared with 9.6% of sales in 2004. Income from operations in 2004 increased 15% to $89.1 million from $77.2 million in 2003. Income from operations increased to 9.6% of sales as compared with 9.5% of sales in 2003.

Income from operations for the Specialty Minerals segment decreased 10% to $53.6 million and was 8.0% of its net sales. Unfavorable leveraging to operating income for this segment was primarily due to the aforementioned factors affecting production margin. Operating income for the Refractories segment decreased 7% to $28.3 million and was 8.6% of its net sales. This segment was affected by higher raw material and energy costs and weakness in the steel industry.

In 2004, income from operations for the Specialty Minerals segment increased 8% to $59.7 million and was 9.6% of its net sales. Operating income for the Refractories segment increased 39% to $30.4 million and was 10.1% of its net sales.

Non-Operating Deductions

Dollars in millions	2005	Growth	2004	Growth	2003
Non-operating deductions, net	$3.5	(22)%	$4.5	(8)%	$4.9

Non-operating deductions decreased 22% from the prior year. This decrease was primarily due to a litigation settlement gain of $2.1 million. This was partially offset by higher interest expense due to increased borrowings.

Provision for Taxes on Income

Dollars in millions	2005	Growth	2004	Growth	2003
Provision for taxes on income	$23.3	(4)%	$24.3	27%	$19.1

The effective tax rate increased to 29.7% in 2005 compared with 28.7% in 2004. This increase is due to a change in the mix of earnings and higher level of repatriation of foreign earnings.

Minority Interests

Dollars in millions	2005	Growth	2004	Growth	2003
Minority interests	$1.7	—%	$1.7	6%	$1.6

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

Net Income

Dollars in millions	2005	Growth	2004	Growth	2003
Net income	$53.3	(9)%	$58.6	22%	$48.2

Net income decreased 9% in 2005 to $53.3 million. Earnings per common share, on a diluted basis, decreased 8% to $2.59 in 2005 as compared with $2.82 in the prior year.

In 2004, net income increased 22% 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.

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.

OUTLOOK

2005 was a difficult year for the Company. The global economic environment, while slower than 2004, was still supportive in 2005 despite high energy and commodity prices. The U.S. economy also continued to expand despite hurricanes, higher interest rates and increased energy costs. Construction housing starts were at a 10-year high in 2005. Although the strong construction market benefited our Processed Minerals product line, we experienced a tightening in the two main markets we serve, paper and steel. Domestic demand for printing and writing paper was down 1.3% and domestic steel production was down 5.8%. We were able to achieve sales growth in 2005. However, a delay in some key programs, rapidly increasing raw materials and energy costs, a decline in North America and European steel production, the adverse effect of plant shutdowns and production interruptions, and start-up and ramp-up costs related to the European coating development program and our two new facilities in China caused a substantial decline in operating income. The outlook for these industries is for resumed growth in 2006.

In 2006, we plan to focus on the following growth strategies:

- Expand regionally into emerging markets where we have a limited presence.
- Increase market penetration of PCC in paper filling at both freesheet 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*® Products' family of composite minerals.
- Continue to improve our cost competitiveness.
- Continue selective acquisitions to complement our existing businesses.
- Continuing research and development activities for new products, including commercialization of a filler-fiber composite technology for the paper industry.

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

The following are notable events that may impact our 2006 performance:

In 2004, we began the construction of two new PCC plants at two APP China Paper Mills in the People's Republic of China. They are located at APP paper mills in Zhenjiang and Suzhou. We added a total capacity of 8 units, or approximately 250,000 tons of coating and filling PCC pigments and we expect an accelerated ramp-up of volume at these facilities in 2006.

In 2004, we completed construction and began commissioning of our merchant Paper Coating PCC facility in Walsum, Germany. In 2005, we continued to experience delays in the start-up of this facility. In 2006 we expect an acceleration of the coating program, with improved volumes at Walsum.

In 2005, the Company began construction of two new plants for production of its *SYNSIL*® products. The year 2006 will represent the first commercial sales from our new facility in Chester, South Carolina.

In 2004, the Refractories segment began construction of a 100,000-ton capacity refractory manufacturing facility in China. We expect a volume ramp-up at this facility in 2006 which will allow this segment to effectively serve China the largest and fastest growing steel market 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 predominantly pursuant to long-term evergreen contracts, initially about ten years in length, with paper companies at whose mills we operate satellite PCC plants. The terms of many of these agreements generally 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 if not renewed could also result in impairment of the assets associated with the PCC plant.

At December 31, 2005, the Company also continues to supply PCC at one location where the PCC contract has expired and one location, representing one unit of PCC production, at which the host mill has provided notice to the Company of its plans to cancel the PCC supply contract upon its expiration in 2006. Failure of a PCC customer to renew an agreement or continue to purchase PCC from one of our facilities could result in an impairment of assets charge or accelerated depreciation at such facility.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows in 2005 were provided from operations and short-term financing and were used principally to fund $111.5 million of capital expenditures and $47.6 million for purchases of common shares for treasury. Cash provided from operating activities amounted to $78.5 million in 2005 as compared with $129.2 million in 2004. The reduction in cash from operating activities was primarily due to an increase in working capital, primarily due to increased volumes and the higher costs of energy and raw materials which affected our inventories and accounts receivable levels. Included in cash flow from operations was pension plan funding of approximately $12.9 million, $17.6 million and $20.8 million for the years ended December 31, 2005, 2004 and 2003, respectively.

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

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, 2005, the Company had purchased 1,084,100 shares under this program at an average price of $59 per share.

On October 26, 2005, the Company's Board of Directors authorized the Company's Management Committee, at its discretion, to repurchase up to $75 million in additional shares over the next three-year period. As of December 31, 2005, there were no shares repurchased under this program.

On January 26, 2006, our Board of Directors declared a regular quarterly dividend on our common stock of $0.05 per share. No dividend will be payable unless declared by the Board and unless funds are legally available for payment.

We have $50 million in Guaranteed Senior Notes due on July 24, 2006, which we expect to refinance, in whole or in part, through a combination of bank loans and/or private placements. Such amount is included in current maturities of long-term debt.

We have $138 million in uncommitted short-term bank credit lines, of which $43.0 million was in use at December 31, 2005. In addition, we have a $23 million committed short-term bank credit line of which $20 million was in use at December 31, 2005. We anticipate that capital expenditures for 2006 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 other long-term financing requirements from internally generated funds, uncommitted bank credit lines and, where appropriate, project financing of certain satellite plants. The aggregate maturities of long-term debt are as follows: 2006 - $53.7 million; 2007 - $1.9 million; 2008 - $6.8 million; 2009 - $4.4 million; 2010 - $4.6 million; thereafter - $22.6 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. We have consignment arrangements with certain customers in our Refractories segment. Revenues for these transactions are recorded when the consigned products are consumed by the customer. 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 (recoveries) of $(0.5) million, $1.6 million and $5.3 million in 2005, 2004 and 2003, 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 2004 and 2003 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 evergreen

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. At December 31, 2005, we also continue to supply PCC at one location 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.

- Valuation of long-lived assets, goodwill and other intangible assets: We assess the possible impairment of long-lived assets and identifiable amortizable 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 principally 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 $689.5 million as of December 31, 2005.

- 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 current tax expense together with assessing temporary differences resulting from differing treatments of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included in the consolidated balance sheet. 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 Consolidated Statement of Income.
- Pension Benefits: We sponsor pension and other retirement plans in various forms covering the majority of employees who meet eligibility requirements. Several statistical and actuarial models which attempt to estimate future events are used in calculating the expense and liability related to the plans. These models 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 assumptions. 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 SEC 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 the accuracy of 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 in Item 1A, "Risk Factors" in the Company's Annual Report on Form 10-K.

INFLATION

Historically, inflation has not had a material adverse effect on us. However, recently both business segments have been affected by rapidly rising raw material and energy costs. The Company and its customers will typically negotiate reasonable price adjustments in order to recover a portion of these rapidly escalating costs. The contracts pursuant to which we construct and operate our satellite PCC plants generally adjust pricing to reflect increases in costs resulting from inflation, there is a time lag before such price adjustments can be implemented.

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 May 2005, the Financial Accounting Standards Board ("FASB") issued Statement No. 154, "Accounting Changes and Error Corrections - a replacement of APB Opinion No. 20 and FASB Statement No. 3." This statement applies to all voluntary changes in accounting principles as well as those changes required by an accounting pronouncement where the pronouncement does not include specific transition provisions. This statement requires retrospective application to prior periods' financial statements of changes in accounting principles as opposed to including in net income, in the period of the change, the cumulative effect of changes in accounting principles. However, when an accounting pronouncement includes specific transition provisions, those provisions should be followed. This statement is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005.

In March 2005, the Emerging Issues Task Force ("EITF") reached a consensus on EITF Issue No. 04-06, "Accounting for Stripping Costs Incurred During Production in the Mining Industry." This consensus states that stripping costs incurred during the production phase of a mine are variable production costs that should be included in the costs of the inventory produced during the period that the stripping costs are incurred. This guidance applies to all mining entities and is effective for fiscal years beginning after December 15, 2005. Stripping costs are costs incurred for the removal of overburden, or waste materials, for the purpose of obtaining access to an ore body that will be produced commercially. Since the Company defers stripping costs in excess of the average life of mine stripping ratio and amortizes such costs on a unit of production method, the cumulative effect of this accounting adjustment will have a significant impact on the Company's financial statements upon adoption. In the first quarter of 2006, the Company will record an approximate $7.0 million charge to retained earnings in accordance with this consensus. In addition, the Company expects this consensus will reduce 2006 earnings by approximately $0.02 per share.

In December 2004, the 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.

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 Company will adopt SFAS 123R effective January 1, 2006. We expect to use the Black-Scholes option pricing model to determine the fair value of our stock-based awards. As permitted under SFAS 123R, we intend to use the modified-prospective transition method. Under this method, compensation cost is recognized for all awards

granted, modified or settled after the adoption date as well as for any awards that were granted prior to the adoption date for which the requisite service has not yet been rendered. We expect that the adoption of SFAS 123R will have a significant impact on our reported results of operations, but will not impact our overall financial position. The impact of adoption of SFAS 123R cannot be predicted at this time because it will depend on levels of share-based payments granted in the future. For information about what our reported results of operations and earnings per share would have been had we applied SFAS 123 to account for share-based payments, please see the discussion under the heading, "Accounting for Stock Based Compensation," in Note 2 to our Consolidated Financial Statements.

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 re-handling 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. The effects of this new pronouncement will not have a significant impact on the Company's 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. On October 22, 2004, the American Jobs Act 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 repatriated $18.5 million in 2005 under this Act which resulted in a tax liability of approximately $1.2 million and increased the effective tax rate by 1.5%.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk represents the risk of loss that may impact our financial position, results of operations or cash flows due to adverse changes in market prices and foreign currency and interest rates. We are exposed to market risk because of changes in foreign currency exchange rates as measured against the U.S. dollar. We do not anticipate that near-term changes in exchange rates will have a material impact on our future earnings or cash flows. However, there can be no assurance that a sudden and significant change in the value of foreign currencies would not have a material adverse effect on our financial condition and results of operations. Approximately 40% of our bank debt bears interest at variable rates; therefore our results of operations would only be affected by interest rate changes to such 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 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 had open forward exchange contracts to purchase approximately $4.2 million and $5.8 million of foreign currencies as of December 31, 2005 and 2004, respectively. These contracts mature between January and June of 2006. The fair value of these instruments at December 31, 2005 and December 31, 2004 was a liability of $0.2 million and $0.6 million, respectively. 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.

Selected Financial Data

Minerals Technologies Inc. and Subsidiary Companies 2005 Annual Report

Thousands, Except Per Share Data	2005	2004	2003	2002	2001
Income Statement Data					
Net sales	$ 995,838	$ 923,667	$ 813,743	$ 752,680	$ 684,419
Cost of goods sold	784,807	709,032	615,749	567,985	502,525
Marketing and administrative expenses	100,392	92,844	83,809	74,160	70,495
Research and development expenses	29,062	28,996	25,149	22,697	23,509
Bad debt expenses (recoveries)	(518)	1,576	5,307	6,214	3,930
Restructuring charges	–	1,145	3,323	–	3,403
Acquisition termination costs	–	997	–	–	–
Write-down of impaired assets	265	–	3,202	750	–
Income from operations	81,830	89,077	77,204	80,874	80,557
Income before provision for taxes on income and minority interests	78,285	84,572	72,344	75,734	72,670
Provision for taxes on income	23,289	24,299	19,116	20,220	21,148
Minority interests	1,732	1,710	1,575	1,762	1,729
Income before cumulative effect of accounting change	53,264	58,563	51,653	53,752	49,793
Cumulative effect of accounting change	–	–	3,433	–	–
Net income	$ 53,264	$ 58,563	$ 48,220	$ 53,752	$ 49,793
Earnings Per Share					
Basic:					
Before cumulative effect of accounting change	$ 2.62	$ 2.85	$ 2.56	$ 2.66	$ 2.54
Cumulative effect of accounting change	–	–	(0.17)	–	–
Basic earnings per share	$ 2.62	$ 2.85	$ 2.39	$ 2.66	$ 2.54
Diluted:					
Before cumulative effect of accounting change	$ 2.59	$ 2.82	$ 2.53	$ 2.61	$ 2.48
Cumulative effect of accounting change	–	–	(0.17)	–	–
Diluted earnings per share	$ 2.59	$ 2.82	$ 2.36	$ 2.61	$ 2.48
Weighted average number of common shares outstanding:					
Basic	20,345	20,530	20,208	20,199	19,630
Diluted	20,567	20,769	20,431	20,569	20,063
Dividends declared per common share	$ 0.20	$ 0.20	$ 0.10	$ 0.10	$ 0.10
Balance Sheet Data					
Working capital	$ 145,948	$ 242,818	$ 216,795	$ 167,028	$ 86,261
Total assets	1,156,303	1,154,902	1,035,690	899,877	847,810
Long-term debt	40,306	94,811	98,159	89,020	88,097
Total debt	156,851	128,728	131,681	120,351	160,031
Total shareholders' equity	771,162	799,313	707,381	594,157	507,819

Consolidated Balance Sheet

Minerals Technologies Inc. and Subsidiary Companies 2005 Annual Report

Thousands of Dollars	December 31, 2005	December 31, 2004
Assets		
Current assets:		
Cash and cash equivalents	$ 51,100	$ 105,767
Short-term investments, at cost which approximates market	2,350	7,200
Accounts receivable, less allowance for doubtful accounts:		
2005 - $5,818; 2004 - $7,143	184,272	156,276
Inventories	118,895	106,125
Prepaid expenses and other current assets	20,583	20,303
Total current assets	377,200	395,671
Property, plant and equipment, less accumulated depreciation and depletion	628,745	614,285
Goodwill	53,612	53,729
Prepaid benefit costs	67,795	61,617
Other assets and deferred charges	28,951	29,600
Total assets	$1,156,303	$1,154,902
Liabilities & Shareholders' Equity		
Current liabilities:		
Short-term debt	$ 62,847	$ 30,000
Current maturities of long-term debt	53,698	3,917
Accounts payable	61,323	56,381
Income taxes payable	6,409	12,521
Accrued compensation and related items	14,956	17,072
Other current liabilities	32,019	32,962
Total current liabilities	231,252	152,853
Long-term debt	40,306	94,811
Accrued postretirement benefits	23,214	21,426
Deferred taxes on income	49,374	45,238
Other noncurrent liabilities	40,995	41,261
Total liabilities	385,141	355,589
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 28,001,874 shares in 2005 and 27,785,858 shares in 2004	2,800	2,778
Additional paid-in capital	261,159	248,230
Deferred compensation	(3,263)	(2,088)
Retained earnings	828,591	779,397
Accumulated other comprehensive income (loss)	(5,879)	35,624
Less common stock held in treasury, at cost; 8,015,073 shares in 2005 and 7,224,073 shares in 2004	(312,246)	(264,628)
Total shareholders' equity	771,162	799,313
Total liabilities and shareholders' equity	$1,156,303	$1,154,902

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

Consolidated Statements of Income

Minerals Technologies Inc. and Subsidiary Companies 2005 Annual Report

	Year Ended December 31,		
Thousands of Dollars, Except Per Share Data	**2005**	**2004**	**2003**
Net sales	$995,838	$923,667	$813,743
Operating costs and expenses:			
Cost of goods sold	784,807	709,032	615,749
Marketing and administrative expenses	100,392	92,844	83,809
Research and development expenses	29,062	28,996	25,149
Bad debt expenses (recoveries)	(518)	1,576	5,307
Restructuring charges	—	1,145	3,323
Acquisition termination costs	—	997	—
Write-down of impaired assets	265	—	3,202
Income from operations	81,830	89,077	77,204
Interest income	1,420	1,608	836
Interest expense	(5,847)	(4,147)	(5,423)
Foreign exchange gains (losses)	(395)	(567)	476
Other income (deductions)	1,277	(1,399)	(749)
Non-operating deductions, net	(3,545)	(4,505)	(4,860)
Income before provision for taxes on income and minority interests	78,285	84,572	72,344
Provision for taxes on income	23,289	24,299	19,116
Minority interests	1,732	1,710	1,575
Income before cumulative effect of accounting change	53,264	58,563	51,653
Cumulative effect of accounting change, net of tax benefit of $2,072	—	—	3,433
Net income	$ 53,264	$ 58,563	$ 48,220
Earnings Per Share:			
Basic:			
Before cumulative effect of accounting change	$ 2.62	$ 2.85	$ 2.56
Cumulative effect of accounting change	—	—	(0.17)
Basic earnings per share	$ 2.62	$ 2.85	$ 2.39
Diluted:			
Before cumulative effect of accounting change	$ 2.59	$ 2.82	$ 2.53
Cumulative effect of accounting change	—	—	(0.17)
Diluted earnings per share	$ 2.59	$ 2.82	$ 2.36

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

Consolidated Statements of Cash Flow

Minerals Technologies Inc. and Subsidiary Companies 2005 Annual Report

	Year Ended December 31,		
Thousands of Dollars	**2005**	**2004**	**2003**
Operating Activities			
Net income	$ 53,264	$ 58,563	$ 48,220
Adjustments to reconcile net income to net cash provided by operating activities:			
Cumulative effect of accounting change	—	—	3,433
Depreciation, depletion and amortization	74,960	70,467	66,340
Write-down of impaired assets	265	—	3,202
Loss on disposal of property, plant and equipment	1,217	1,269	1,472
Deferred income taxes	5,914	(8,070)	5,085
Provisions for bad debts	(518)	3,876	5,307
Other	2,124	1,495	1,270
Changes in operating assets and liabilities, net of effects of acquisitions:			
Accounts receivable	(34,778)	(3,141)	(7,946)
Inventories	(16,817)	(17,483)	767
Prepaid expenses and other current assets	280	(2,077)	(13,549)
Pension plan funding	(12,874)	(17,579)	(20,784)
Accounts payable	7,972	10,596	4,706
Income taxes payable	(6,112)	8,771	(5,767)
Tax benefits related to stock incentive programs	2,138	7,220	3,176
Other	1,482	15,316	5,156
Net cash provided by operating activities	78,517	129,223	100,088
Investing Activities			
Purchases of property, plant and equipment	(111,539)	(106,423)	(52,665)
Purchases of short-term investments	(2,350)	(12,875)	—
Proceeds from sales of short-term investments	7,200	5,675	—
Proceeds from disposal of property, plant and equipment	311	1,655	1,874
Acquisition of businesses, net of cash acquired	(3,170)	—	(1,958)
Net cash used in investing activities	(109,548)	(111,968)	(52,749)
Financing Activities			
Proceeds from issuance of short-term and long-term debt	322,094	7,809	5,659
Repayment of short-term and long-term debt	(293,072)	(11,397)	(6,019)
Purchase of common shares for treasury	(47,618)	(16,225)	(6,016)
Cash dividends paid	(4,070)	(4,102)	(2,024)
Proceeds from issuance of stock under option plan	8,747	14,173	15,884
Net cash provided by (used in) financing activities	(13,919)	(9,742)	7,484
Effect of exchange rate changes on cash and cash equivalents	(9,717)	7,739	3,930
Net increase (decrease) in cash and cash equivalents	(54,667)	15,252	58,753
Cash and cash equivalents at beginning of year	105,767	90,515	31,762
Cash and cash equivalents at end of year	$ 51,100	$105,767	$ 90,515
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	$ 839	$ —	$ 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 2005 Annual Report

In Thousands	Common Stock Shares	Common Stock Par Value	Additional Paid-in Capital	Deferred Compensation	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock Shares	Treasury Stock Cost	Total
Balance as of January 1, 2003	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
Comprehensive income:									
Net income	—	—	—	—	53,264	—	—	—	53,264
Currency translation adjustment	—	—	—	—	—	(43,648)	—	—	(43,648)
Minimum pension liability adjustment	—	—	—	—	—	1,901	—	—	1,901
Cash flow hedges:									
Net derivative losses arising during the year	—	—	—	—	—	(118)	—	—	(118)
Reclassification adjustment	—	—	—	—	—	362	—	—	362
Total comprehensive income	—	—	—	—	53,264	(41,503)	—	—	11,761
Dividends declared	—	—	—	—	(4,070)	—	—	—	(4,070)
Employee benefit transactions	216	22	8,725	—	—	—	—	—	8,747
Income tax benefit arising from employee stock option plans	—	—	2,138	—	—	—	—	—	2,138
Issuance of restricted stock	—	—	2,066	(2,066)	—	—	—	—	—
Amortization of restricted stock	—	—	—	891	—	—	—	—	891
Purchase of common stock for treasury	—	—	—	—	—	—	(791)	(47,618)	(47,618)
Balance as of December 31, 2005	28,001	$ 2,800	$261,159	$(3,263)	$ 828,591	$ (5,879)	(8,015)	$ (312,246)	$771,162

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

NOTE 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 at December 31, 2004. Short-term investments consist of financial instruments with original maturities beyond three months. Short-term investments amounted to $2.4 million and $7.2 million at December 31, 2005 and 2004, respectively.

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. The Company reviews its allowance for doubtful accounts monthly. Past due balances over 90 days are reviewed individually for collectibility. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The Company does not have any off-balance-sheet credit exposure related to its customers.

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. The estimated useful lives of our PCC production facilities and machinery and equipment pertaining to our natural stone mining and processing plants and our chemical plants are 15 years.

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 predominantly pursuant to long-term evergreen 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. At December 31, 2005, the Company also continues to supply PCC at one location 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.

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. The Company accounts for goodwill and other intangible assets under 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 The Company accounts for asset retirement obligations in accordance with 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. In 2005, FASB Interpretation No. 47 was issued to include legal obligations to perform asset retirement activities where timing or method of settlement are conditional on future events.

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. We have consignment arrangements with certain customers in our Refractories segment. Revenues for these transactions are recorded when the consigned products are consumed by the customer.

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 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 (loss) in shareholders' equity. Income statement items are generally translated at monthly 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. At December 31, 2005, the Company had no international subsidiaries operating in highly inflationary economies.

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 Company operates in multiple taxing jurisdictions, both within the U.S. and outside the U.S. In certain situations, a taxing authority may challenge positions that the Company has adopted in its income tax filings. The Company regularly assesses its tax position for such transactions and includes reserves for those differences in position. The reserves are utilized or reversed once the statute of limitations has expired or the matter is otherwise resolved.

The accompanying financial statements generally do not include a provision for U.S. income taxes on international subsidiaries' unremitted earnings, which are expected to be permanently 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. Effective January 1, 2006, the Company has adopted SFAS No. 123R, "Share-Based Payment," and began recognizing share-based payments as compensation costs on its financial statements.

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 modified 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.

NOTE 2. STOCK-BASED COMPENSATION

In December 2004, the FASB issued SFAS No. 123R, "Share-Based Payment." This statement is a revision of SFAS No. 123 and supersedes APB Opinion No. 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 requires companies to recognize the compensation costs relating to share-based payments to their employees in their financial statements. The Company will adopt SFAS No. 123R effective January 1, 2006.

At December 31, 2005, the Company continues to recognize compensation costs based on the intrinsic value of the equity award and disclose the pro forma effect of the fair value method on net income and earnings per share.

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:

	2005	2004	2003
Expected life (years)	7	7	7
Interest rate	4.36%	3.94%	3.74%
Volatility	28.72%	29.58%	30.61%
Expected dividend yield	0.32%	0.37%	0.21%

As required by SFAS No. 123, the Company has determined that the weighted average estimated fair values of options granted in 2005, 2004 and 2003 were $24.13, $20.73 and $18.86 per share, respectively. Pro forma net income for the fair value of stock options awarded in 2005, 2004 and 2003 were as follows:

Millions of Dollars, except per share amounts	2005	2004	2003
Income before cumulative effect of accounting change, as reported	$ 53.3	$58.6	$51.7
Add: Stock-based employee compensation included in reported income before accounting change, net of tax effects	0.6	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	(2.1)	(2.7)	(2.2)
Pro forma income before cumulative effect of accounting change	51.8	56.2	49.6
Cumulative effect of accounting change	—	—	(3.4)
Pro forma net income	$ 51.8	$56.2	$46.2
Net income, as reported	$ 53.3	$58.6	$48.2
Basic EPS			
Income before cumulative effect of accounting change, as reported	$ 2.62	$2.85	$2.56
Pro forma income before cumulative effect of accounting change	2.54	2.73	2.45
Pro forma net income	2.54	2.73	2.29
Net income, as reported	2.62	2.85	2.39
Diluted EPS			
Income before cumulative effect of accounting change, as reported	$ 2.59	$2.82	$2.53
Pro forma income before cumulative effect of accounting change	2.52	2.72	2.43
Pro forma net income	2.52	2.72	2.26
Net income, as reported	2.59	2.82	2.36

NOTE 3. EARNINGS PER SHARE (EPS)

Thousand of Dollars, except per share amounts	2005	2004	2003
Income before cumulative effect of accounting change	$ 53,264	$ 58,563	$ 51,653
Cumulative effect of accounting change	—	—	(3,433)
Net income	$ 53,264	$ 58,563	$ 48,220
Weighted average shares outstanding	20,345	20,530	20,208
Basic earnings per share before cumulative effect of accounting change	$ 2.62	$ 2.85	$ 2.56
Cumulative effect of accounting change	—	—	(0.17)
Basic earnings per share	$ 2.62	$ 2.85	$ 2.39

Diluted EPS	2005	2004	2003
Income before cumulative effect of accounting change	$ 53,264	$ 58,563	$ 51,653
Cumulative effect of accounting change	—	—	(3,433)
Net income	$ 53,264	$ 58,563	$ 48,220
Weighted average shares outstanding	20,345	20,530	20,208
Dilutive effect of stock options	222	239	223
Weighted average shares outstanding, adjusted	20,567	20,769	20,431
Diluted earnings per share before cumulative effect of accounting change	$ 2.59	$ 2.82	$ 2.53
Cumulative effect of accounting change	—	—	(0.17)
Diluted earnings per share	$ 2.59	$ 2.82	$ 2.36

The weighted average diluted common shares outstanding for the year ending December 31, 2005 excludes the dilutive effect of 56,700 options since such options had an exercise price in excess of the average market value of the Company's common stock during such year.

NOTE 4. INCOME TAXES

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

Thousands of Dollars	2005	2004	2003
Domestic	$ 40,468	$ 42,070	$ 32,853
Foreign	37,817	42,502	39,491
Total income before provision for income taxes	$ 78,285	$ 84,572	$ 72,344

The provision for taxes on income consists of the following:

Thousands of Dollars	2005	2004	2003
Domestic			
Taxes currently payable			
Federal	$ 5,561	$ 13,406	$ 2,326
State and local	876	3,483	1,281
Deferred income taxes	7,144	(3,890)	4,036
Domestic tax provision	$ 13,581	$ 12,999	$ 7,643

Thousands of Dollars	2005	2004	2003
Foreign			
Taxes currently payable	$10,938	$15,480	$ 10,424
Deferred income taxes	(1,230)	(4,180)	1,049
Foreign tax provision	9,708	11,300	11,473
Total tax provision	$23,289	$ 24,299	$ 19,116

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	2005	2004	2003
U.S. statutory tax rate	35.0%	35.0%	35.0%
Depletion	(4.9)	(4.1)	(5.5)
Difference between tax provided on foreign earnings and the U.S. statutory rate	(4.5)	(3.5)	(3.3)
State and local taxes, net of Federal tax benefit	1.9	1.0	0.8
Tax credits and foreign dividends	2.3	(0.1)	2.3
Contribution of technology	—	—	(2.5)
Other	(0.1)	0.4	(0.4)
Consolidated effective tax rate	29.7%	28.7%	26.4%

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	2005	2004
Deferred tax assets:		
State and local taxes	$ 4,324	$ 4,115
Accrued expenses	10,214	8,052
Deferred expenses	3,037	5,247
Net operating loss carry forwards	15,204	16,452
Other	6,852	6,284
Total deferred tax assets	39,631	40,150
Deferred tax liabilities:		
Plant and equipment, principally due to differences in depreciation	62,803	62,628
Pension and post-retirement benefits cost deducted for tax purposes in excess of amounts reported for financial statements	14,673	12,486
Other	6,563	4,564
Total deferred tax liabilities	84,039	79,678
Net deferred tax liabilities	$ 44,408	$39,528

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

Thousands of Dollars	2005	2004
Net deferred tax assets, current	$ (4,966)	$ (5,710)
Net deferred tax liabilities, long-term	49,374	45,238
	$44,408	$39,528

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 expects to generate taxable income.

The Company recorded $15.2 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 $12.5 million can be utilized over an indefinite period.

The Company operates in multiple taxing jurisdictions, both within the U.S. and outside the U.S. In certain situations, a taxing authority may challenge positions that the Company has adopted in its income tax filings. The Company regularly assesses its tax position for such transactions and includes reserves for those differences in position. The reserves are utilized or reversed once the statute of limitations has expired or the matter is otherwise resolved.

Net cash paid for income taxes were $21.2 million, $15.3 million and $15.6 million for the years ended December 31, 2005, 2004 and 2003, respectively.

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. On October 22, 2004, the American Jobs Act 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 repatriated $18.5 million in 2005 under this Act which resulted in a tax liability of approximately $1.2 million and increased the effective tax rate by 1.5%.

NOTE 5. FOREIGN OPERATIONS

The Company has not provided for U.S. federal and foreign withholding taxes on $114.5 million of foreign subsidiaries' undistributed earnings as of December 31, 2005 because such earnings are intended to be permanently 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. However, in the event that the entire $114.5 million of foreign earnings were to be repatriated, incremental taxes may be incurred. We do not believe this amount would be greater than $9.0 million.

Net foreign currency exchange (losses) gains, included in non-operating deductions in the Consolidated Statements of Income, were $(395,000), $(567,000) and $476,000 for the years ended December 31, 2005, 2004 and 2003, respectively.

NOTE 6. INVENTORIES

The following is a summary of inventories by major category:

Thousands of Dollars	2005	2004
Raw materials	$ 54,471	$ 45,333
Work in process	7,727	7,078
Finished goods	36,264	33,733
Packaging and supplies	20,433	19,981
Total inventories	$118,895	$106,125

NOTE 7. PROPERTY, PLANT AND EQUIPMENT

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

Thousands of Dollars	2005	2004
Land	$ 19,433	$ 20,942
Quarries/mining properties	50,543	50,126
Buildings	157,038	160,719
Machinery and equipment	969,537	887,596
Construction in progress	75,852	108,385
Furniture and fixtures and other	107,895	102,408
	1,380,298	1,330,176
Less: Accumulated depreciation and depletion	(751,553)	(715,891)
Property, plant and equipment, net	$ 628,745	$ 614,285

Approximately 57% of the balance in construction in progress as of December 31, 2005 relates to the construction of a facility in China, the construction of a new facility for the *SYNSIL*® product line, and various PCC satellite expansions at our facilities worldwide.

Depreciation and amortization expense for the years ended December 31, 2005, 2004 and 2003 was $72.6 million, $70.0 million and $65.6 million, respectively.

NOTE 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 Company recorded a pre-tax restructuring charge of $3.3 million in the fourth quarter of 2003 to reflect these actions, consisting 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, 2005, all employees identified in the workforce reduction were terminated and no liability remains to be paid.

NOTE 9. ACQUISITIONS

In the fourth quarter of 2005, the Company made a cash acquisition of the metallurgical measurement technology/digital electrode control system product line of ET Electrotechnology GmbH for approximately $3.2 million. This acquisition and related technology offers a system power consumption in electric steelmaking and ladle furnaces. The Company recorded tax-deductible goodwill of approximately $1.3 million in connection with this acquisition.

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.

NOTE 10. GOODWILL AND OTHER INTANGIBLE ASSETS

The carrying amount of goodwill was $53.6 million and $53.7 million as of December 31, 2005 and December 31, 2004, respectively. The net change in goodwill since December 31, 2004 was primarily attributable to the acquisition of ET Electrotechnology GmbH and the effect of foreign exchange.

Acquired intangible assets included other assets and deferred charges subject to amortization as of December 31, 2005 and December 31, 2004 were as follows:

Millions of Dollars	December 31, 2005		December 31, 2004	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Patents and trademarks	$6.0	$1.4	$5.8	$1.2
Customer lists	2.9	0.4	1.4	0.3
Other	—	—	0.2	0.1
	$8.9	$1.8	$7.4	$1.6

The weighted average amortization period for acquired intangible assets subject to amortization is approximately 15 years. Amortization expense was $0.3 million in 2005 and the estimated amortization expense is $0.6 million for each of the next five years through 2010.

Included in other assets and deferred charges is an intangible asset of approximately $9.1 million which represents the non-current unamortized amount paid to a customer in connection with contract extensions at eight satellite PCC 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 2005. Estimated amortization as a reduction of sales is as follows: 2006 - $1.8 million; 2007 - $1.8 million; 2008 - $1.8 million; 2009 - $1.5 million; 2010 - $1.2 million; with smaller reductions thereafter over the remaining lives of the contracts.

NOTE 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 2005, the Company recorded a writedown of impaired assets of $0.3 million for the expected closure of our satellite facility at Cornwall, Canada in the first quarter of 2006. In addition, the Company has also accelerated depreciation of approximately $0.2 million on such facility in 2005. The assets of this facility will be fully depreciated the first quarter of 2006 after recording additional accelerated depreciation of approximately $0.6 million. 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.

NOTE 12. DERIVATIVE FINANCIAL 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 its risk management strategy, the Company uses interest-rate related derivative instruments to manage its exposure on its debt instruments, as well as forward exchange contracts (FEC) to manage its exposure to foreign currency risk on certain raw material purchases. The Company's objective is to offset gains and losses resulting from these exposures with gains and losses on the derivative contracts used to hedge them. The Company has not entered into derivative instruments for any purpose other than to hedge certain expected cash flows. The Company does not speculate using derivative instruments.

By using derivative financial instruments to hedge exposures to changes in interest rates and foreign currencies, 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 hedges. 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 12 open foreign exchange contracts as of December 31, 2005.

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 (loss) 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.

NOTE 13. SHORT-TERM INVESTMENTS

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

Thousands of Dollars	2005	2004
Short-term Investments		
Available for Sale Securities:		
Short-term bank deposits	$ 2,350	$ —
Municipal bonds, with short-term auction rate pricing	$ —	$ 7,200

There were no unrealized holding gains and losses on the short-term bank deposits held at December 31, 2005 since the carrying amount approximates fair market value.

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

NOTE 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: 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 approximates the carrying amount due to the short maturity of the $50 million Senior Notes and the variable interest rates associated with the majority of the other instruments.

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, 2005, the Company had open foreign exchange contracts to purchase $4.2 million of foreign currencies. These contracts range in maturity from January 6, 2006 to June 29, 2006. The fair value of these instruments was a liability of $0.2 million at December 31, 2005. The fair value of the open foreign exchange contracts at December 31, 2004 was a liability of $0.6 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 two interest rate swaps with major

financial institutions that effectively converted variable-rate debt to a fixed rate. One swap had a notional amount of $20 million and the other swap had 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 at December 31, 2004.

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 (recoveries) for the years ended December 31, 2005, 2004 and 2003 was $(0.5) million, $1.6 million and $5.3 million, respectively.

NOTE 15. LONG-TERM DEBT AND COMMITMENTS

The following is a summary of long term debt:

Thousands of Dollars	Dec. 31, 2005	Dec. 31, 2004
7.49% Guaranteed Senior Notes Due July 24, 2006	$50,000	$50,000
Yen-denominated Guaranteed Credit Agreement Due March 31, 2007	3,062	6,316
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	9,700	10,551
Other borrowings	1,442	2,061
Total	94,004	98,728
Less: Current maturities	53,698	3,917
Long-term debt	$40,306	$94,811

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. The principal payment is due on 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 2.51% and 1.34% for the years ended December 31, 2005 and 2004, 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 2.51% and 1.34% for the years ended December 31, 2005 and 2004, 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 2.51% and 1.34% for the years ended December 31, 2005 and 2004, 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 2.51% and 1.34% for the years ended December 31, 2005 and 2004, 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 Brookhaven, Mississippi. The Company has selected the variable rate option for this borrowing and the average interest rate was approximately 3.82% and 1.81% for the years ended December 31, 2005 and 2004, 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 interest rate on this obligation is approximately 4.25%. For the year ending December 31, 2005, $0.9 million of principal was paid on this debt. Principal payments are as follows: 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: 2006 - $53.7 million; 2007 - $1.9 million; 2008 - $6.8 million; 2009 - $4.4 million; 2010 - $4.6 million; thereafter - $22.6 million.

The Company had available approximately $138 million in uncommitted, short-term bank credit lines, of which $43 million was in use at December 31, 2005. The Company also has available a $23 million committed, short-term bank credit line, of which $20 million was in use at December 31, 2005.

During 2005, 2004 and 2003, respectively, the Company incurred interest costs of $7.2 million, $6.3 million and $6.2 million including $1.3 million, $2.1 million and $0.8 million, respectively, which were capitalized. Interest paid approximated the incurred interest cost.

NOTE 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 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 funded status of the Company's pension plans and other postretirement benefit plans at December 31, 2005 and 2004 is as follows:

Obligations and Funded Status

	Pension Benefits		Other Benefits	
Millions of Dollars	**2005**	**2004**	**2005**	**2004**
Change in benefit obligation				
Benefit obligation at beginning of year	$156.4	$142.7	$ 31.7	$ 26.9
Service cost	7.2	6.4	1.7	1.3
Interest cost	8.9	8.5	2.0	1.8
Actuarial loss	17.6	9.0	3.5	4.3
Benefits paid	(9.5)	(13.7)	(3.1)	(2.6)
Other	(3.0)	3.5	0.3	—
Benefit obligation at end of year	$177.6	$156.4	$ 36.1	$ 31.7

	Pension Benefits		Other Benefits	
Millions of Dollars	**2005**	**2004**	**2005**	**2004**
Change in plan assets				
Fair value of plan assets beginning of year	$173.9	$152.7	$ —	$ —
Actual return on plan assets	12.1	14.7	—	—
Employer contributions	12.9	17.6	3.1	2.6
Plan participants' contributions	0.2	0.3	—	—
Benefits paid	(9.5)	(13.7)	(3.1)	(2.6)
Other	(3.3)	2.3	—	—
Fair value of plan assets at end of year	$186.3	$173.9	$ —	$ —
Funded status	$ 8.7	$ 17.5	$(36.1)	$(31.7)
Unrecognized transition amount	—	(0.1)	0.1	—
Unrecognized net actuarial loss	51.8	36.0	12.8	10.3
Unrecognized prior service cost	3.4	4.5	—	—
Prepaid (accrued) benefit cost	$ 63.9	$ 57.9	$(23.2)	$(21.4)

Amounts recognized in the consolidated balance sheet consist of:

	Pension Benefits		Other Benefits	
Millions of Dollars	**2005**	**2004**	**2005**	**2004**
Prepaid expenses	$ —	$ —	$ —	$ —
Prepaid benefit costs	67.8	61.6	—	—
Accrued benefit liabilities	(9.0)	(6.9)	(23.2)	(21.4)
Intangible asset	0.8	1.0	—	—
Accumulated other comprehensive loss	4.3	2.2	—	—
Net amount recognized	$ 63.9	$ 57.9	$(23.2)	$(21.4)

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

Millions of Dollars	**2005**	**2004**
Projected benefit obligation	$ 42.4	$ 33.5
Accumulated benefit obligation	$ 28.8	$ 40.7
Fair value of plan assets	$ 28.3	$ 22.7

The accumulated benefit obligation for all defined benefit pension plans was $161.6 million and $142.7 million at December 31, 2005 and 2004, respectively.

The components of net periodic benefit costs are as follows:

	Pension Benefits			Other Benefits		
Millions of Dollars	**2005**	**2004**	**2003**	**2005**	**2004**	**2003**
Service cost	$7.2	$6.4	$5.7	$1.7	$1.4	$1.2
Interest cost	8.9	8.5	7.9	2.0	1.8	1.6
Expected return on plan assets	(13.9)	(12.5)	(10.1)	—	—	—
Amortization of transition amount	—	0.1	0.1	—	—	—
Amortization of prior service cost	1.1	0.7	0.6	0.8	—	0.1
Recognized net actuarial loss	1.8	1.7	2.3	—	0.5	—
SFAS No. 88 settlement	0.3	0.6	—	—	—	—
Net periodic benefit cost	$5.4	$5.5	$6.5	$4.5	$3.7	$2.9

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 $0.3 million and $0.6 million in 2005 and 2004, respectively.

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 policies for the international plans conform to local governmental and tax requirements. The plans' assets are invested primarily in stocks and bonds.

Additional Information The weighted average assumptions used to determine net periodic benefit cost in the accounting for the pension benefit plans and other benefit plans for the years ended December 31, 2005, 2004 and 2003 are as follows:

	2005	**2004**	**2003**
Discount rate	6.00%	6.25%	6.75%
Expected return on plan assets	8.50%	8.50%	8.75%
Rate of compensation increase	3.50%	3.50%	3.50%

The weighted average assumptions used to determine benefit obligations for the pension benefit plans and other benefit plans at December 31, 2005, 2004 and 2003 are as follows:

	2005	**2004**	**2003**
Discount rate	5.75%	6.00%	6.25%
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 1994 to 2004), the results of which exceed the 8.50% rate of return assumption that the Company ultimately selected for domestic plans. The Company also considered plan portfolio 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 2005. 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	$ 5	$ (4)
Effect on postretirement benefit obligations	$86	$(76)

Plan Assets The Company's pension plan weighted average asset allocations at December 31, 2005 and 2004 by asset category are as follows:

Asset Category	2005	2004
Equity securities	66.2%	67.3%
Fixed income securities	31.4%	30.6%
Real estate	0.4%	0.5%
Other	2.0%	1.6%
Total	100%	100%

The following table presents domestic and foreign pension plan assets information at December 31, 2005, 2004 and 2003 (the measurement date of pension plan assets):

	U.S. Plans			International Plans		
Millions of Dollars	2005	2004	2003	2005	2004	2003
Fair value of plan assets	$149.7	$139.3	$123.5	$36.6	$34.6	$29.2

Contributions The Company expects to contribute $10 million to its pension plans and $3 million to its other postretirement benefit plan in 2006.

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
2006	$ 5.9	$ 2.0
2007	$ 7.3	$ 2.1
2008	$ 8.3	$ 2.2
2009	$10.3	$ 2.4
2010	$11.8	$ 2.6
2011 - 2015	$69.2	$16.0

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 $3.0 million, $3.1 million and $3.0 million for the years ended December 31, 2005, 2004 and 2003, respectively.

NOTES 17. LEASES

The Company has several non-cancelable operating leases, primarily for office space and equipment. Rent expense amounted to approximately $4.6 million, $4.1 million and $4.0 million for the years ended December 31, 2005, 2004 and 2003, respectively. Total future minimum rental commitments under all non-cancelable leases for each of the years 2006 through 2010 and in aggregate thereafter are approximately $4.1 million, $3.9 million, $3.4 million, $3.1 million, $1.6 million respectively, and $4.4 million thereafter. Total future minimum rentals to be received under non-cancelable subleases were approximately $3.8 million at December 31, 2005.

Total future minimum payments to be received under direct financing leases for each of the years 2006 through 2010 and the aggregate thereafter are approximately: $6.6 million, $5.1 million, $3.9 million, $2.7 million, $1.6 million, and $0.6 million thereafter.

NOTE 18. LITIGATION

On November 28, 2005, the Company announced that it had reached a settlement with Omya AG of pending commercial and patent litigation. The settlement was on a worldwide basis, hence the litigation in both the United States and Italy has been dismissed. The settlement provides for the recognition of the Company's intellectual property and patent rights. The litigation settlement resulted in non-operating income to the Company of approximately $2.1 million. As part of the settlement, the Company granted Omya a non-exclusive license for the terms of the patents in exchange for royalty payments.

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 to the regulators characterizing the contamination. 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 $200,000, which has been accrued as of December 31, 2005.

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

NOTE 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 19,986,801 shares and 20,561,785 shares were outstanding at December 31, 2005 and 2004, 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 2005. In January 2006, a cash dividend of approximately $1.0 million or $0.05 per share, was declared, payable in the first quarter of 2006.

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		Restricted Stock	
	Shares Available for Grant	Shares	Weighted Average Exercised Price Per Share ($)	Shares	Weighted Average Exercise Price Per Share ($)
Balance January 1, 2003	1,277,153	1,908,183	38.54	—	—
Granted	(110,290)	82,435	47.74	27,855	49.12
Exercised	—	(483,978)	32.92	—	—
Canceled	23,874	(23,874)	39.17	—	—
Balance December 31, 2003	1,190,737	1,482,766	40.85	27,855	49.12
Granted	(297,650)	270,750	54.09	26,900	50.59
Exercised	—	(363,300)	39.01	—	—
Canceled	23,998	(21,998)	46.25	(2,000)	49.12
Balance December 31, 2004	917,085	1,368,218	43.87	52,755	49.88
Granted	(86,800)	50,700	61.97	36,100	60.59
Exercised	—	(218,431)	40.69	—	—
Canceled	18,822	(14,722)	51.51	(4,100)	51.56
Balance December 31, 2005	849,107	1,185,765	45.15	84,755	54.20

The following table summarizes information concerning Plan options at December 31, 2005:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding at 12/31/05	Weighted Average Remaining Contractual Term (Years)	Weighted Average Exercise Price	Number Exercisable at 12/31/05	Weighted Average Exercise Price
$ 30.625 - $ 39.513	601,898	3.3	38.44	597,732	38.43
$ 42.070 - $ 49.115	191,486	6.5	47.37	171,490	47.16
$ 50.720 - $ 66.000	392,381	7.6	54.35	155,697	52.20

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 36,100 shares in 2005 and 26,900 shares in 2004. The compensation expense amortized with respect to the units was approximately $0.9 million and $0.5 million for years ended 2005 and 2004, respectively.

NOTE 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, 2003	$(32.8)	$(1.3)	$(0.9)	$(35.0)
Current year net change	39.7	(1.4)	0.5	38.8
Balance at December 31, 2003	6.9	(2.7)	(0.4)	3.8
Current year net change	34.0	(2.2)	0.1	31.8
Balance at December 31, 2004	40.9	(4.9)	(0.3)	35.6
Current year net change	(43.7)	1.9	0.2	(41.5)
Balance at December 31, 2005	$ (2.8)	$(3.0)	$(0.1)	$ (5.9)

The income tax expense (benefit) associated with items included in other comprehensive income (loss) was approximately $(1.3) million, $(0.2) million and $0.8 million for the years ended December 31, 2005, 2004 and 2003, respectively.

NOTE 21. ACCOUNTING FOR ASSET RETIREMENT OBLIGATIONS

SFAS No. 143, "Accounting for Asset Retirement Obligations," establishes the financial accounting and reporting for obligations associated with the retirement of long-lived assets and the associated asset retirement costs. The Company primarily has asset retirement obligations related to its PCC satellite facilities and its mining properties, both within the Specialty Minerals segment. 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. In 2005, we recorded an additional $0.1 million in asset retirement obligations in accordance with FASB Interpretation No. 47. These obligations relate to conditional asset retirement activities primarily related to asbestos removal.

The following is a reconciliation of asset retirement obligations as of December 31, 2005:

Thousands of Dollars	
Asset retirement liability, beginning of period	$ 9,913
Accretion expense	405
Additions to obligation	944
Payments made	(166)
Foreign currency translation	(128)
Asset retirement liability, end of period	$ 10,968

The current portion of the liability of approximately $0.1 million is included in other current liabilities. The long-term portion of the liability of approximately $10.8 million is included in other noncurrent liabilities.

Accretion expense is included in cost of goods sold in the Company's Consolidated Statement of Income.

NOTE 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 products and systems used primarily by the steel, cement and glass industries as well as metallurgical products used primarily in the steel industry.

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 less than 10% of consolidated net sales in 2005 and 2004, and 10.0% of consolidated net sales in 2003. Intersegment sales and transfers are not significant.

Segment information for the years ended December 31, 2005, 2004 and 2003 was as follows (in millions):

2005	Specialty Minerals	Refractories	Total
Net sales	$668.0	$327.8	$ 995.8
Income from operations	53.5	28.3	81.8
Impairment of assets	0.3	—	0.3
Bad debt expenses	0.3	(0.8)	(0.5)
Depreciation, depletion and amortization	62.9	12.1	75.0
Segment assets	768.1	293.4	1,061.5
Capital expenditures	85.3	21.8	107.1

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

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	2005	2004	2003
Income from operations for reportable segments	$81.8	$90.1	$ 77.2
Unallocated corporate expenses	—	(1.0)	—
Consolidated income from operations	81.8	89.1	77.2
Interest income	1.4	1.6	0.8
Interest expense	(5.8)	(4.1)	(5.4)
Other deductions	0.9	(2.0)	(0.3)
Income before provision for taxes on income and minority interests	$78.3	$84.6	$ 72.3

Total assets	2005	2004	2003
Total segment assets	$1,061.5	$1,067.0	$ 926.2
Corporate assets	94.8	87.9	109.5
Consolidated total assets	$1,156.3	$1,154.9	$1,035.7

Capital expenditures	2005	2004	2003
Total segment capital expenditures	$107.1	$100.9	$49.5
Corporate capital expenditures	4.4	5.5	3.2
Consolidated total capital expenditures	$111.5	$106.4	$52.7

The carrying amount of goodwill by reportable segment as of December 31, 2005 and December 31, 2004 was as follows:

Goodwill Thousands of Dollars	2005	2004
Specialty Minerals	$15,371	$16,407
Refractories	38,241	37,322
Total	$53,612	$53,729

The net change in goodwill since December 31, 2004 was primarily attributable to the acquisition of ET Electrotechnology GmbH and the effect of foreign exchange.

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

Net Sales	**2005**	**2004**	**2003**
United States	$ 600.1	$558.2	$499.9
Canada/Latin America	80.0	81.7	72.4
Europe/Africa	253.7	227.4	192.6
Asia	62.0	56.4	48.8
Total International	395.7	365.5	313.8
Consolidated total net sales	$995.8	$923.7	$813.7

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	**2005**	**2004**	**2003**
United States	$ 424.0	$412.4	$402.4
Canada/Latin America	21.1	23.7	24.5
Europe/Africa	176.8	194.0	154.7
Asia	67.6	43.7	37.1
Total International	265.5	261.4	216.3
Consolidated total long-lived assets	$689.5	$673.8	$618.7

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

Millions of Dollars	**2005**	**2004**	**2003**
Paper PCC	$465.7	$434.0	$389.6
Specialty PCC	55.6	50.7	46.5
Talc	54.2	51.6	43.2
Other Processed Minerals	92.5	87.1	77.8
Refractory Products	239.3	243.0	209.7
Metallurgical Products	88.5	57.3	46.9
Net Sales	$995.8	$923.7	$813.7

NOTE 23. SUBSEQUENT EVENT

Under the terms of certain agreements entered into in connection with the Company's initial public offering in 1992, Pfizer Inc ("Pfizer") agreed to indemnify the Company against any liability arising from claims for remediation, as defined in the agreements, of on-site environmental conditions relating to activities prior to the closing of the initial public offerings. The Company had asserted to Pfizer a number of indemnification claims pursuant to those agreements during the ten-year period following the closing of the initial public offering. On January 20, 2006, Pfizer and the Company agreed to settle those claims, along with certain other potential environmental liabilities of Pfizer, in consideration of a payment by Pfizer of $4.5 million. Since the initial public offering, the Company has incurred and expensed approximately $6 million of environmental claims under these agreements. In addition, as disclosed in Note 18 to these financial statements, the Company has contingent environmental liabilities at its Canaan, Connecticut and Adams, Massachusetts plants that relate to activities in place prior to the initial public offering. Other than the $0.4 million environmental liabilities accrued at those plants, additional contingent environmental liabilities have not been accrued since the remaining risks are not reasonably estimable at this time.

NOTE 24. QUARTERLY FINANCIAL DATA (UNAUDITED)

Millions of Dollars, Except Per Share Data

2005 Quarters	**First**	**Second**	**Third**	**Fourth**
Net Sales by Major Product Line				
PCC	$ 134.0	$ 122.9	$ 130.6	$133.8
Processed Minerals	35.8	37.8	36.7	36.5
Specialty Minerals Segment	169.8	160.7	167.3	170.3
Refractories Segment	81.0	84.0	79.5	83.2
Consolidated net sales	250.8	244.7	246.8	253.5
Gross profit	57.8	51.4	51.1	50.7
Net income	$ 15.2	$ 13.1	$ 12.2	$ 12.6
Earnings per share:				
Basic	$ 0.74	$ 0.64	$ 0.61	$ 0.63
Diluted	$ 0.73	$ 0.63	$ 0.60	$ 0.63
Market price range per share of common stock:				
High	$ 66.80	$ 68.83	$ 64.11	$ 58.32
Low	$ 60.52	$ 60.02	$ 57.21	$ 51.59
Close	$ 65.78	$ 61.60	$ 57.21	$ 55.89
Dividends paid per common share	$ 0.05	$ 0.05	$ 0.05	$ 0.05

In the fourth quarter of 2005, the Company recorded a $0.3 million writedown of impaired assets relating to the planned closure of the Company's operations in Cornwall, Canada.

Millions of Dollars, Except Per Share Data

2004 Quarters	**First**	**Second**	**Third**	**Fourth**
Net Sales by Major 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 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 expenses related to acquisition termination costs.

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, 2005 and 2004, 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, 2005. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with 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, 2005 and 2004, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2005, in conformity with U.S. generally accepted accounting principles.

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, 2005, 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 2, 2006 expressed an unqualified opinion on management's assessment of, and the effective operation of, internal control over financial reporting.

KPMG LLP

New York, New York
March 2, 2006

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, 2005, 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, 2005, 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, 2005, 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, 2005 and 2004, 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, 2005, and our report dated March 2, 2006 expressed an unqualified opinion on those consolidated financial statements.

KPMG LLP

New York, New York
March 2, 2006

Management's Statement of Responsibility

Management's Responsibility for Financial Statements and Internal Control Over Financial Reporting

We are responsible for the preparation of the financial statements included in the Annual Report. The financial statements were prepared in accordance with accounting principles generally accepted in the United States of America and include amounts that are based on the best estimates and judgements of management. The other financial information contained in this Annual Report is consistent with the financial statements.

We are also responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control system is designed to provide reasonable assurance concerning the reliability of the financial data used in the preparation of Minerals Technologies Inc.'s financial statements, as well as to safeguard the Company's assets from unauthorized use or disposition.

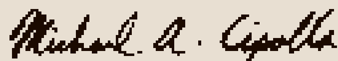
All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement presentation.

We conducted an evaluation of the effectiveness of the Company's internal control over financial reporting as of December 31, 2005. In making this evaluation, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control - Integrated Framework. Our evaluation included reviewing the documentation of our controls, evaluating the design effectiveness of our controls and testing their operating effectiveness. Based on this evaluation we believe that, as of December 31, 2005, the Company's internal controls over financial reporting were effective and provide reasonable assurance that the accompanying financial statements do not contain any material misstatement.

KPMG LLP, an independent registered public accounting firm, has audited our financial statements that are included in this Annual Report and expressed an unqualified opinion thereon. KPMG LLP has also expressed an unqualified opinion on management's assessment of, and the effective operation of, our internal control over financial reporting as of December 31, 2005.

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 2, 2006

Directors, Committees and Officers

Minerals Technologies Inc. and Subsidiary Companies 2005 Annual Report

Board of Directors

Paul R. Saueracker
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Chief Executive Officer

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General Manager of Specialty Products
SAPPI Fine Paper, North America

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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
Vice Chairman, Chairman of the Financial
Advisory Group and Managing Director
Lazard Frères & Co. LLC

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

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Executive Vice President and
Chief Financial Officer, Alcoa Inc.

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

John T. Reid
Adjunct Professor, Stern Business School
New York University

William C. 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 and Nominating Committee
John T. Reid, Chair
Paula H. J. Cholmondeley
John B. Curcio
Duane R. Dunham
Kristina M. Johnson
Jean-Paul Vallès

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

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

◆ *Member, Management Committee of the Company*

Investor Information

Minerals Technologies Inc. and Subsidiary Companies 2005 Annual Report

Stock Listings

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

Registrar and Transfer Agent

Computershare Trust Company, N. A.
P.O. Box 43010
Providence, RI 02940-3010

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

Computershare Trust Company, N. A.
P.O. Box 43010
Providence, RI 02940-3010
Stockholder Inquiries: 1-800-426-5523
www.computershare/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 25, 2005. The Company also filed as an exhibit to its Annual Report on Form 10-K for the year ended December 31, 2005, 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, 2005, including the financial schedule thereto. The report will be available on or about March 15, 2006. 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 24, 2006 at 2 p.m., at One Highland Avenue, Bethlehem, PA 18017.

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 27, 2006.

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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