

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2007

Commission file number 1-3295

MINERALS TECHNOLOGIES INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

25-1190717
(I.R.S. Employer
Identification Number)

The Chrysler Building
405 Lexington Avenue
New York, New York
(Address of principal executive office)

10174-0002
(Zip Code)

(212) 878-1800

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Name of each exchange on which registered |
|-------------------------------|---|
| Common Stock, \$.10 par value | New York Stock Exchange |

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes [X] No []

Indicate by check mark if Registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act.

Yes [] No [X]

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

Yes [X] No []

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. []

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

Large Accelerated Filer [X] Accelerated Filer [] Non-accelerated Filer [] Smaller Reporting Company []
(Do not check if smaller reporting company)

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

Yes [] No [X]

The aggregate market value of the voting stock held by non-affiliates of the Registrant, based upon the closing price at which the stock was sold as of July 1, 2007, was approximately \$906 million. Solely for the purposes of this calculation, shares of common stock held by officers, directors and beneficial owners of 10% or more of the outstanding common stock have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

As of February 5, 2008, the Registrant had outstanding 19,097,457 shares of common stock, all of one class.

DOCUMENTS INCORPORATED BY REFERENCE

Proxy Statement dated April 8, 2008

Part III

MINERALS TECHNOLOGIES INC. 2007 FORM 10-K ANNUAL REPORT Table of Contents

| | <u>Page</u> |
|--|-------------|
| PART I | |
| Item 1. Business | 1 |
| Item 1A. Risk Factors | 6 |
| Item 1B. Unresolved Staff Comments | 8 |
| Item 2. Properties | 8 |
| Item 3. Legal Proceedings | 10 |
| Item 4. Submission of Matters to a Vote of Security Holders | 11 |
| PART II | |
| Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities | 11 |
| Item 6. Selected Financial Data | 14 |
| Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations | 15 |
| Item 7A. Quantitative and Qualitative Disclosures About Market Risk | 26 |
| Item 8. Financial Statements and Supplementary Data | 26 |
| Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure | 26 |
| Item 9A. Controls and Procedures | 26 |
| Item 9B. Other Information | 27 |
| PART III | |
| Item 10. Directors, Executive Officers and Corporate Governance | 27 |
| Item 11. Executive Compensation | 28 |
| Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters | 28 |

| | | |
|----------------|---|----|
| Item 13. | Certain Relationships and Related Transactions, and Director Independence | 28 |
| Item 14. | Principal Accountant Fees and Services | 28 |
| PART IV | | |
| Item 15. | Exhibits and Financial Statement Schedules | 29 |
| Signatures | | 31 |

PART I

Item 1. Business

Minerals Technologies Inc. (the "Company") 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 supporting 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 processed mineral product quicklime ("lime"), and mines mineral ores then processes and sells 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, automotive and pharmaceutical industries. The Refractories segment produces and markets monolithic and shaped refractory materials and specialty products, services and application and measurement equipment, and calcium metal and metallurgical wire products. Refractories segment products are primarily used in high-temperature applications in the steel, non-ferrous metal and glass industries.

The Company maintains a research and development focus. The Company's research and development capability for 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.

Specialty Minerals Segment

PCC Products and Markets

The Company's PCC product line net sales were \$602.6 million, \$557.0 million and \$516.3 million for the years ended December 31, 2007, 2006 and 2005, respectively. The Company's sales of PCC have been, and are expected to continue to be, made primarily to the printing and writing papers segment of the paper industry. The Company also produces PCC for sale to companies in the polymer, food and pharmaceutical industries. See Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations."

PCC Products - Paper

In the paper industry, the Company's PCC is used:

- As a filler in the production of coated and uncoated wood-free printing and writing papers, such as office papers;
- As a filler for coated and uncoated groundwood (wood-containing) paper such as magazine and catalog papers;
and
- As a coating pigment for both wood-free and groundwood papers.

The Company's Paper PCC product line net sales were \$542.0 million, \$500.6 million and \$460.7 million for the years ended December 31, 2007, 2006 and 2005, respectively.

Approximately 45% of the Company's sales consists of PCC sold to papermakers at "satellite" PCC plants. A satellite PCC plant is a PCC manufacturing facility located at a paper mill, thereby eliminating costs of transporting PCC from remote production sites to the paper mill. The Company believes the competitive advantages offered by improved economics and superior optical characteristics of paper produced with PCC manufactured by the Company's satellite PCC plants resulted in substantial growth in the number of the Company's satellite PCC plants since the first such plant was built in 1986. For information with respect to the locations of the Company's PCC plants at December 31, 2007, see Item 2, "Properties," below.

The Company currently manufactures several customized PCC product forms using proprietary processes. Each product form is designed to provide optimum balance of paper properties including brightness, opacity, bulk, strength and improved printability. The Company's research and development and technical service staffs focus on expanding sales from its existing satellite PCC plants as well as developing new technologies for new applications. These technologies include, among others, acid-tolerant ("AT[®]") PCC, which allows PCC to be introduced to the large wood-containing segment of the printing and writing paper market, and OPACARB[®] PCC, a family of products for paper coating.

The Company owns, staffs, operates and maintains all of its PCC facilities, and owns or licenses the related technology. Generally, the Company and its paper mill customers enter into long-term evergreen agreements, initially ten years in length, pursuant to which the Company supplies substantially all of the customer's precipitated calcium carbonate filler requirements.

The Company also sells a range of PCC products to paper manufacturers from production sites not associated with paper mills from merchant facilities at Adams, Massachusetts; Lifford, England; and Walsum, Germany.

PCC Markets - Paper

Uncoated Wood-Free Printing and Writing Papers - North America. Beginning in the mid-1980's, as a result of a concentrated research and development effort, the Company's satellite PCC plants facilitated the conversion of a substantial percentage of North American uncoated wood-free printing and writing paper producers to lower-cost alkaline papermaking technology. The Company estimates that during 2007, more than 90% of North American uncoated wood-free paper was produced employing alkaline technology. Presently, the Company owns and operates 20 commercial satellite PCC plants located at paper mills that produce uncoated wood-free printing and writing papers in North America.

Uncoated Wood-Free Printing and Writing Papers - Outside North America. The Company estimates the amount of uncoated wood-free printing and writing papers produced outside of North America at facilities that can be served by satellite and merchant PCC plants is more than twice as large (measured in tons of paper produced) as the North American uncoated wood-free paper market currently served by the Company. The Company believes that the superior brightness, opacity and bulking characteristics offered by its PCC products allow it to compete with suppliers of ground limestone and other filler products outside of North America. Presently, the Company owns and operates 24 commercial satellite PCC plants located at paper mills that produce uncoated wood-free printing and writing papers outside of North America.

Uncoated Groundwood Paper. The uncoated groundwood paper market, including newsprint, represents approximately 35% of worldwide paper production. Paper mills producing wood-containing paper still generally employ acid papermaking technology. The conversion to alkaline technology by these mills has been hampered by the tendency of wood-containing papers to darken in an alkaline environment. In an attempt to introduce PCC to the wood-containing segments of the paper industry, the Company has developed and patented a system for the manufacture of high-quality groundwood paper in an acidic environment using PCC (AT[®] PCC). Furthermore, as groundwood or wood-containing paper mills use larger quantities of recycled fiber, there is a trend toward the use of neutral papermaking technology in this segment for which the Company presently supplies traditional PCC chemistries. The Company now supplies PCC to approximately 29 paper machines at about 15 groundwood paper mills around the world and licenses its technology to a ground calcium carbonate producer to help accelerate the conversion from acid to alkaline papermaking.

Coated Paper. The Company is also placing emphasis on the use of PCC to coat paper, and expects that its research and development in coating pigment technology will open up a large market for PCC that will build slowly as more paper companies include PCC in their proprietary coating formulations. PCC may be used to increase gloss, opacity, brightness and printability of the paper or to reduce costs while maintaining comparable quality. The coated paper market is large, and the Company believes this market will continue to grow at a higher average growth rate than the uncoated paper market and therefore provides a substantial market opportunity for the Company. PCC coating products are produced at 10 of the Company's PCC plants worldwide.

Specialty PCC Products and Markets

The Company also produces and sells a full range of dry PCC products on a merchant basis for non-paper applications. The Company's Specialty PCC product line net sales were \$60.6 million, \$56.4 million and \$55.6 million for the years ended December 31, 2007, 2006 and 2005, respectively. The Company sells surface-treated and untreated grades of PCC to the polymer industry for use in automotive and construction applications, and to the adhesives and printing inks industries. The Company's PCC is also used by the food and pharmaceutical industries as a source of bio-available calcium in tablets and foodstuffs, as a buffering agent in tablets, and as a mild abrasive in toothpaste. The Company produces PCC for specialty applications from production sites at Adams, Massachusetts; and Lifford, England.

Processed Minerals - Products and Markets

The Company mines and processes natural mineral products, primarily limestone and talc. The Company also manufactures lime, a limestone-based product. The Company's net sales of processed mineral products were \$114.0 million, \$118.6 million and \$112.7 million for the years ended December 31, 2007, 2006 and 2005, respectively. Net sales of talc products were \$37.3 million, \$38.9 million and \$35.5 million for the years ended December 31, 2007, 2006 and 2005, respectively. Net sales of ground calcium carbonate ("GCC") products, which are principally lime and limestone, were \$76.7 million, \$79.7 million and \$77.2 million for the years ended December 31, 2007, 2006 and 2005, respectively. See Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Lime produced at the Company's Adams, Massachusetts, and Lifford, United Kingdom, facilities is used primarily as a raw material for the manufacture of PCC at these sites and at some satellite PCC plants, and is sold commercially to various chemical and other industries.

The Company mines, beneficiates and processes talc at its Barretts site, located near Dillon, Montana. Talc is sold worldwide in finely ground form for ceramic applications and in North America for paint and coatings and polymer applications. Because of the exceptional chemical purity of the Barretts ore, a significant portion of worldwide automotive catalytic converter ceramic substrates contain the Company's Barretts talc.

The Company's natural mineral products are supported by the Company's limestone reserves located in the western and eastern parts of the United States, and talc reserves located in Montana. The Company estimates these reserves, at current usage levels, to be in excess of 30 years at its limestone production facilities and in excess of 20 years at its talc production facility.

Refractories Segment

Refractory Products and Markets

Refractories Products

The Company offers a broad range of monolithic and pre-cast refractory products and related systems and services. The Company's Refractory segment net sales were \$361.1 million, \$347.9 million and \$327.8 million for the years ended December 31, 2007, 2006 and 2005, respectively. See Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Refractory product sales are often supported by Company-supplied proprietary application equipment and on-site technical service support. The Company's proprietary application equipment is used to apply refractory materials to the walls of steel-making furnaces and other high temperature vessels to maintain and extend their lives. Net sales of refractory products, including those for non-ferrous applications, were \$290.5 million, \$264.6 million and \$239.3 million for the years ended December 31, 2007, 2006 and 2005. The Company's proprietary SCANTROL™ application system, and other robotic application equipment systems such as its MINSCAN™ system, allow for remote-controlled application of the Company's refractory products in steel-making furnaces, as well as in steel ladles and blast furnaces. Since the steel-making industry is characterized by intense price competition, which results in a continuing emphasis on increased productivity, the SCANTROL™ application system, the MINSCAN™ system, and the technologically advanced refractory materials developed in the Company's research laboratories have been well accepted by the Company's customers. These products allow steel makers to improve their performance through, among other things, the application of monolithic refractories to furnace linings while the furnace is at operating temperature, thereby eliminating the need for furnace cool-down periods and steel-production interruption. The result is a lower overall cost for steel produced by steel makers.

The Company's experienced technical service staff and advanced application equipment provide customers assurance that they will achieve their desired productivity objectives. The Company's technicians are also able to conduct laser measurement of refractory wear, sometimes in conjunction with robotic application tools, to improve refractory performance at many customer locations. The Company believes that these services, together with its refractory product offerings, provide it with a strategic marketing advantage.

Over the past several years the Refractories segment has continued to increase its growth due to its ability to reformulate its products and application technology to maintain its competitive advantage in the market place. Some of the new products the Company has introduced in the past few years include:

- HOTCRETE™, high durability shotcrete products that can be applied hot through customized equipment;
- LACAM® laser-based refractory measurement systems; and
- SCANTROL™, a fully integrated application system combining the LACAM® and MINSCAN™ technologies.

The Company has also expanded its refractories business through selective acquisitions over the past several years. In 2000, the Company acquired Ferrotron Elektronik GmbH, a manufacturer of advanced laser scanning devices, sensors and other measuring equipment designed for the steel industry. In 2001, the Company acquired the refractories business of Martin Marietta Magnesia Specialties Inc. and purchased Rijnstaal B.V., a Netherlands-based producer of cored metal wire products used mainly in the steel and foundry industries. These acquisitions have increased both the breadth of the product lines and markets served by the Refractories segment. In 2002, the Company acquired VisionTech a Finland-based company that

develops and manufactures a refractory lining measuring system. In 2003, the Company acquired the assets of ISA Manufacturing, Inc., a U.S.-based company that develops and manufactures pre-cast refractory shapes. In 2005, the Company acquired the metallurgical measurement technology/digital electrode control system product line of ET Electrotechnology GmbH. This technology offers a system that maintains steady state conditions and optimizes power consumption in electric steel making and ladle furnaces. In October 2006, the Company acquired ASMAS, an Istanbul-based Turkish producer of refractories to increase its ability to service the growing steel industries in Eastern Europe and the Middle East.

Refractories Markets

The principal market for the Company's refractory products is the steel industry. Management believes that certain trends in the steel industry will continue to provide growth opportunities for the Company. These trends include rapid growth and quality improvements in select geographic regions (e.g., China, Eastern Europe and India) the development of improved manufacturing processes such as thin-slab casting, the trend in North America to shift production from integrated mills to electric arc furnaces (mini-mills) and the ever-increasing need for improved productivity and longer lasting refractories.

The Company sells its refractory products in the following markets:

Steel Furnace. The Company sells gunnable monolithic refractory products and application systems to users of basic oxygen furnaces and electric furnaces for application on furnace walls to prolong the life of furnace linings.

Other Iron and Steel. The Company sells monolithic refractory materials and pre-cast refractory shapes for iron and steel ladles, vacuum degassers, continuous casting tundishes, blast furnaces and reheating furnaces. The Company offers a full line of materials to satisfy most continuous casting refractory applications. This full line consists of gunnable materials, refractory shapes and permanent linings.

Industrial Refractory Systems. The Company sells refractory shapes and linings to non-steel refractories consuming industries including glass, cement, aluminum and petrochemicals, power generation and other non-steel industries. The Company also produces a specialized line of carbon composites and pyrolytic graphite primarily sold under the PYROID® trademark, primarily to the aerospace and electronics industries.

Metallurgical Products and Markets

The Company produces a number of other technologically advanced products for the steel industry, including calcium metal, metallurgical wire products and a number of metal treatment specialty products. Net sales of metallurgical products were \$70.6 million, \$83.3 million and \$88.5 million for the years ended December 31, 2007, 2006 and 2005. The Company manufactures calcium metal at its Canaan, Connecticut, facility and purchases calcium in international markets. Calcium metal is used in the manufacture of the Company's PFERROCAL® solid-core calcium wire, and is also sold for use in the manufacture of batteries and magnets. The Company sells metallurgical wire products and associated wire-injection equipment for use in the production of high-quality steel. These metallurgical wire products are injected into molten steel to improve castability and reduce imperfections. The steel produced is used for high-pressure pipeline and other premium-grade steel applications.

Marketing and Sales

The Company relies principally on its worldwide direct sales force to market its products. The direct sales force is augmented by technical service teams that are familiar with the industries to which the Company markets its products, and by several regional distributors. The Company's sales force works closely with the Company's technical service staff to solve technical and other issues faced by the Company's customers. The Company's technical service staff assists paper producers in ongoing evaluations of the use of PCC for paper coating and filling applications. In the Refractory segment, the Company's technical service

personnel advise on the use of refractory materials, and, in many cases pursuant to service agreements, apply the refractory materials to the customers' furnaces and other vessels. Continued use of skilled technical service teams is an important component of the Company's business strategy.

The Company works closely with its customers to ensure that their requirements are satisfied, and it often trains and supports customer personnel in the use of the Company's products. The Company conducts domestic marketing and sales from Bethlehem, Pennsylvania, and from regional sales offices in the eastern and western United States. The Company's international marketing efforts are directed from regional centers located in Brussels, Belgium; Sao Jose Dos Campos, Brazil; and Shanghai, China. The Company believes its processed minerals are at regional locations that satisfy the stringent delivery requirements of the industries they serve. The Company also believes that its worldwide network of sales personnel and manufacturing sites facilitates the continued international expansion.

Raw Materials

The Company's ability to achieve anticipated results depends in part on having an adequate supply of raw materials for its manufacturing operations, particularly lime and carbon dioxide for the PCC product line, magnesia and alumina for its Refractory operations, and on having adequate access to ore reserves at its mining operations.

The Company uses lime in the production of PCC and is a significant purchaser of lime worldwide. Generally, lime is purchased under long-term supply contracts from unaffiliated suppliers located in close geographic proximity to the Company's PCC plants.

The principal raw materials used in the Company's monolithic refractory products are refractory-grade magnesia and various forms of aluminasilicates. The Company also purchases calcium metal, calcium silicide, graphite, calcium carbide and various alloys for use in the production of metallurgical wire products and uses lime and aluminum in the production of calcium metal. The Company purchases a significant portion of its magnesia requirements from sources in China. High demand for bulk raw materials from China has caused price increases of some key raw materials which ultimately could affect the Company's sales to its customers. In addition, higher transportation costs have also increased the delivered cost of raw materials imported from China to North America and Europe. The Company believes that in the event of supply interruptions of its refractory raw material requirements it could obtain adequate supplies from alternate sources in China and elsewhere at reasonable costs.

Competition

The Company is continually engaged in efforts to develop new products and technologies and refine existing products and technologies in order to remain competitive and to position itself as a market leader.

With respect to its PCC products, the Company competes for sales to the paper industry with other minerals, such as GCC and kaolin, based in large part upon technological know-how, patents and processes that allow the Company to deliver PCC that it believes imparts gloss, brightness, opacity and other properties to paper on an economical basis. The Company is the leading manufacturer and supplier of PCC to the paper industry.

The Company competes in sales of its limestone and talc based primarily upon quality, price, and geographic location.

With respect to the Company's refractory products, competitive conditions vary by geographic region. Competition is based upon the performance characteristics of the product (including strength, consistency and ease of application), price, and the availability of technical support.

Research and Development

Many of the Company's product lines are technologically advanced. Our expertise in inorganic chemistry, crystallography and structural analysis, fine particle technology and other aspects of materials science apply to and support all of our product lines, the Company's business strategy for continued growth in sales and profitability depends, to a large extent, on the continued success of its research and development activities. Among the significant achievements of the Company's research and development efforts have been: the satellite PCC plant concept; PCC crystal morphologies for paper coating; the development of HOTCRETE™ and OPTISHOT™ shotcrete refractory products; LACAM® laser-based refractory measurement systems; and the MINSCAN™ and SCANTROL™ application systems.

Going forward, the Company will continue to develop its filler-fiber composite material, which would increase filler levels in uncoated freesheet paper to upwards of 30%. This product remains in development and is now in large-scale trials with customers. The Company will also continue to reformulate its refractory materials to be more competitive, and will also continue development of unique calcium carbonates for use in novel biopolymers.

For the years ended December 31, 2007, 2006 and 2005, the Company spent approximately \$26.3 million, \$27.8 million and \$27.0 million, respectively, on research and development. The Company's research and development spending for 2007 was approximately 2.4% of net sales.

The Company maintains its primary research facilities in Bethlehem and Easton, Pennsylvania. It also has research and development facilities in China, Finland, Germany, Ireland, Japan and Turkey. Approximately 102 employees worldwide are engaged in research and development. In addition, the Company has access to some of the world's most advanced papermaking and paper coating pilot facilities.

Patents and Trademarks

The Company owns or has the right to use approximately 397 patents and approximately 741 trademarks related to its business. The Company believes that its rights under its existing patents, patent applications and trademarks are of value to its operations, but no one patent, application or trademark is material to the conduct of the Company's business as a whole.

Insurance

The Company maintains liability and property insurance and insurance for business interruption in the event of damage to its production facilities and certain other insurance covering risks associated with its business. The Company believes such insurance is adequate for the operation of its business. There is no assurance that in the future the Company will be able to maintain the coverage currently in place or that the premiums will not increase substantially.

Employees

At December 31, 2007, the Company employed 2,706 persons, of whom 1,209 were employed outside of the United States.

Environmental, Health and Safety Matters

The Company's operations are subject to federal, state, local and foreign laws and regulations relating to the environment and health and safety. Certain of the Company's operations involve and have involved the use and release of substances that have been and are classified as toxic or hazardous within the meaning of these laws and regulations. Environmental operating permits are, or may be, required for certain of the Company's operations and such permits are subject to modification, renewal and revocation. The Company regularly monitors and reviews its operations, procedures and policies for compliance with these laws and regulations. The Company believes its operations are in substantial compliance with these laws and regulations and that there are no violations that would have a material effect on the Company. Despite these compliance efforts, some risk of environmental and other damage is inherent in the Company's operations, as it is with other companies engaged in similar businesses, and there can be no assurance that material violations will not occur in the future. The cost of compliance with these laws and regulations is not expected to have a material adverse effect on the Company. The Company obtained indemnification for certain potential environmental, health and safety liabilities under agreements entered into between the Company and Pfizer Inc ("Pfizer") or Quigley Company, Inc., a wholly-owned subsidiary of Pfizer, in connection with the initial public offering of the Company in 1992. See "Certain Relationships and Related Transactions" in Item 13.

Available Information

The Company maintains an internet website located at <http://www.mineralstech.com>. It makes its reports on Forms 10-K, 10-Q and 8-K, and amendments to those reports, as well as its Proxy Statement and filings under Section 16 of the Securities Exchange Act of 1934, available free of charge through the Investor Relations page of its website, as soon as reasonably practicable after they are filed with the Securities and Exchange Commission ("SEC"). Investors may access these reports through the Company's website by navigating to "Investor Relations" and then to "SEC Filings."

Item 1A. Risk Factors

The disclosure and analysis set forth in this report contains certain forward-looking statements, particularly statements relating to future actions, future performance or results of current and anticipated products, sales efforts, expenditures, and financial results. From time to time, the Company also provides forward-looking statements in other publicly-released materials, both written and oral. Forward-looking statements provide current expectations and forecasts of future events such as new products, revenues and financial performance, and are not limited to describing historical or current facts. They can be identified by the use of words such as "expects," "plans," "anticipates," and other words and phrases of similar meaning.

Forward-looking statements are necessarily based on assumptions, estimates and limited information available at the time they are made. A broad variety of risks and uncertainties, both known and unknown, as well as the inaccuracy of assumptions and estimates, can affect the realization of the expectations or forecasts in these statements. Consequently, no forward-looking statement can be guaranteed. Actual future results may vary materially.

The Company undertakes no obligation to update any forward-looking statements. Investors should refer to the Company's subsequent filings under the Securities Exchange Act of 1934 for further disclosures.

As permitted by the Private Securities Litigation Reform Act of 1995, the Company is providing the following cautionary statements which identify factors that could cause the Company's actual results to differ materially from historical and expected

results. It is not possible to foresee or identify all such factors. Investors should not consider this list an exhaustive statement of all risks, uncertainties and potentially inaccurate assumptions.

- **Growth Rate**

Sales and income growth of the Company depends upon a number of uncertain events, including the outcome of the Company's strategies of increasing its penetration into geographic markets such as Asia and Europe; increasing its penetration into product markets such as the market for paper coating pigments and the market for groundwood paper pigments; increasing sales to existing PCC customers by increasing the amount of PCC used per ton of paper produced; developing, introducing and selling new products such as filler-fiber composite materials for the paper industry; and acquisitions. Difficulties, delays or failure of any of these strategies could affect the future growth rate of the Company.

- **Contract Renewals**

Generally, the Company's sales of PCC are pursuant to long-term evergreen agreements, initially ten years in length, with paper mills where the Company operates satellite PCC plants. The terms of many of these agreements have been extended, often in connection with an expansion of the satellite plant. However, failure of a number of the Company's customers to renew or extend existing agreements on terms as favorable to the Company as those currently in effect could have a substantial adverse effect on the Company's results of operations, and could also result in impairment of the assets associated with the PCC plant.

- **Consolidation in Customer Industries, Principally Paper and Steel**

Several consolidations in the paper industry have taken place in recent years. These consolidations could result in partial or total closure of some paper mills where the Company operates PCC satellites. Such closures would reduce the Company's sales of PCC, except to the extent that they resulted in shifting paper production and associated purchases of PCC to another location served by the Company. Similarly, following a string of bankruptcies, consolidations have occurred in the steel industry. Such consolidations in the two major industries we serve concentrate purchasing power in the hands of a smaller number of papermakers and steel manufacturers, enabling them to increase pressure on suppliers, such as the Company. This increased pressure could have an adverse effect on the Company's results of operations in the future.

- **Litigation; Environmental Exposures**

The Company's operations are subject to international, federal, state and local governmental, tax and other laws and regulations, and potentially to claims for

various legal, environmental and tax matters. The Company is currently a party in various litigation matters. While the Company carries liability insurance, which it believes to be appropriate to its businesses, and has provided reserves for such matters, which it believes to be adequate, an unanticipated liability, arising out of such a litigation matter or a tax or environmental proceeding could have a material adverse effect on the Company's financial condition or results of operations.

In addition, future events, such as changes in or modifications or interpretations of existing laws and regulations, or enforcement polices, or further investigation or evaluation of the potential health hazards of certain products, may give rise to additional compliance and other costs that could have a material adverse effect on the Company.

• **New Products**

The Company is engaged in a continuous effort to develop new products and processes in all of its product lines. Difficulties, delays or failures in the development, testing, production, marketing or sale of such new products could cause actual results of operations to differ materially from our expected results.

• **Competition; Protection of Intellectual Property**

The Company's ability to compete is based in part upon proprietary knowledge, both patented and unpatented. The Company's ability to achieve anticipated results depends in part on its ability to defend its intellectual property against inappropriate disclosure as well as against infringement. In addition, development by the Company's competitors of new products or technologies that are more effective or less expensive than those the Company offers could have a material adverse effect on the Company's financial condition or results of operations.

• **Risks of Doing Business Abroad**

As the Company expands its operations overseas, it faces increased risks of doing business abroad, including inflation, fluctuation in interest rates and currency exchange rates, changes in applicable laws and regulatory requirements, export and import restrictions, tariffs, nationalization, expropriation, limits on repatriation of funds, civil unrest, terrorism, unstable governments and legal systems, and other factors. Adverse developments in any of these areas could cause actual results to differ materially from historical and expected results.

• **Availability of Raw Materials**

The Company's ability to achieve anticipated results depends in part on having an adequate supply of raw materials for its manufacturing operations, particularly lime and carbon dioxide for the PCC product line, and magnesia and alumina for Refractory operations and on having adequate access to ore reserves of appropriate quality at its mining operations. Unanticipated changes in the costs or availability of such raw materials, or in the Company's ability to have access to its ore reserves, could adversely affect the Company's results of operations.

• **Cyclical Nature of Customers' Businesses**

The majority of the Company's sales are to customers in two industries, paper manufacturing and steel manufacturing, which have historically been cyclical. The Company's exposure to variations in its customers' businesses has been reduced by the diversification of its portfolio of products and services; and by its geographic expansion. Also, the Company has structured some of its long-term satellite PCC contracts to provide a degree of protection against declines in the quantity of product purchased, since the price per ton of PCC generally rises as the number of tons purchased declines. In addition, many of the Company's product lines lower its customers' costs of production or increase their productivity, which should encourage them to use its products. In addition, our Processed Minerals and Specialty PCC product lines are impacted by the domestic building and construction markets. The residential component of this market is experiencing a significant slowdown which could adversely impact growth. However, a sustained economic downturn in one or more of the industries or geographic regions that the Company serves, or in the worldwide economy, could cause actual results of operations to differ materially from historical and expected results.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Set forth below is the location of, and the main customer served by, each of the Company's 53 satellite PCC plants as of December 31, 2007. Generally, the land on which each satellite PCC plant is located is leased at a nominal amount by the Company from the host paper mill pursuant to a lease, the term of which generally runs concurrently with the term of the PCC production and sale agreement between the Company and the host paper mill.

| <u>Location</u> | <u>Principal Customer</u> |
|--------------------------------|-------------------------------|
| United States | |
| Alabama, Courtland | International Paper Company |
| Alabama, Jackson | Boise Cascade LLC |
| Alabama, Selma | International Paper Company |
| Arkansas, Ashdown | Domtar Inc. |
| Florida, Pensacola | Smurfit-Stone Container Corp. |
| Kentucky, Wickliffe | NewPage Corporation |
| Louisiana, Port Hudson | Georgia-Pacific Corporation |
| Maine, Jay | Verso Paper Holdings LLC |
| Maine, Madison | Madison Paper Industries |
| Maine, Millinocket | Katahdin Paper Company LLC |
| Michigan, Quinnesec | Verso Paper Holdings LLC |
| Minnesota, Cloquet | Sappi Ltd. |
| Minnesota, International Falls | Boise Cascade Corporation |
| New York, Ticonderoga | International Paper Company |
| North Carolina, Plymouth | Domtar Inc. |
| Ohio, Chillicothe | D.H. Claffalter Co. |

Ohio, West Carrollton

South Carolina, Eastover

Virginia, Franklin

Washington, Camas

Washington, Longview

Washington, Wallula

Wisconsin, Kimberly

Wisconsin, Park Falls

Wisconsin, Wisconsin Rapids

Appleton Papers Inc.

International Paper Company

International Paper Company

Georgia-Pacific Corporation

Weyerhaeuser Company

Boise Cascade Corporation LLC

Stora Enso North America Corp.

Flambeau River Papers LLC

Stora Enso North America Corp.

International

| | |
|--|---|
| Brazil, Guaiba | Aracruz Celulose S.A. |
| Brazil, Jacarei | Ahlstrom-VCP Industria de Papeis Especialis Ltda. |
| Brazil, Luiz Antonio | International Paper do Brasil Ltda. |
| Brazil, Mucuri | Suzano Papel e Celulose S. A. |
| Brazil, Suzano | Suzano Papel e Celulose S. A. |
| Canada, Dryden, Ontario | Domtar Inc. |
| Canada, St. Jerome, Quebec | Cascades Fine Papers Group Inc. |
| Canada, Windsor, Quebec | Domtar Inc. |
| China, Dagang ¹ | Gold East Paper (Jiangsu) Company Ltd. |
| China, Zhenjiang ¹ | Gold East Paper (Jiangsu) Company Ltd. |
| China, Suzhou ¹ | Gold HuaSheng Paper Company Ltd. |
| Finland, Äänekoski | M-real Corporation |
| Finland, Anjalankoski | Myllykoski Paper Oy |
| Finland, Tervakoski | Trierenberg Holding |
| France, Alizay | M-real Corporation |
| France, Docelles | UPM Corporation |
| France, Saillat Sur Vienne | International Paper Company |
| Germany, Schongau | UPM Corporation |
| Indonesia, Perawang ¹ | PT Indah Kiat Pulp and Paper Corporation |
| Japan, Shiraoi ¹ | Nippon Paper Group Inc. |
| Malaysia, Sipitang | Sabah Forest Industries Sdn. Bhd. |
| Mexico, Chihuahua | Copamex, S.A. de C.V. |
| Poland, Kwidzyn | International Paper - Kwidzyn, S.A. |
| Portugal, Figueira da Foz ¹ | Soporcel - Sociedade Portuguesa de Papel, S.A. |
| Slovakia, Ruzomberok | Mondi Business Paper SCP |
| South Africa, Merebank ¹ | Mondi Paper Company Ltd. |
| Thailand, Namphong | Phoenix Pulp & Paper Public Co. Ltd. |
| Thailand, Tha Toom ¹ | Advance Agro Public Co. Ltd. |

¹These plants are owned through joint ventures.

The Company also owned at December 31, 2007, 10 plants engaged in the mining, processing and/or production of lime, limestone, precipitated calcium carbonate and talc, and owned or leased approximately 20 refractory manufacturing facilities worldwide. The Company's corporate headquarters, sales offices, research laboratories, plants and other facilities are owned by the Company except as otherwise noted. Set forth below is certain information relating to the Company's plants and office and research facilities:

| <u>Location</u> | <u>Facility</u> | <u>Product Line</u> |
|----------------------------|----------------------------|---------------------------------------|
| United States | | |
| Arizona, Pima County | Plant; Quarry ¹ | Limestone |
| California, Lucerne Valley | Plant; Quarry | Limestone |
| Connecticut, Canaan | Plant; Quarry | Limestone, Metallurgical Wire/Calcium |
| Indiana, Mt. Vernon | Plant ⁴ | Talc/Limestone |
| Indiana, Portage | Plant | Refractories/Shapes |
| Louisiana, Baton Rouge | Plant | Monolithic Refractories |

| | | |
|-----------------------------|---|--------------------------------|
| Massachusetts, Adams | Plant; Quarry | Limestone, Lime, PCC |
| Montana, Dillon | Plant; Quarry | Talc |
| New Jersey, Old Bridge | Plant | Monolithic Refractories |
| New York, New York | Headquarters ² | All Company Products |
| Ohio, Bryan | Plant | Monolithic Refractories |
| Ohio, Dover | Plant | Monolithic Refractories/Shapes |
| Ohio, Wellsville | Plant ⁴ | Talc/Limestone |
| Ohio, Woodville | Plant ⁴ | Synsil [®] Products |
| Pennsylvania, Bethlehem | Administrative Office; Research laboratories; Sales Offices | PCC, Lime, Limestone, Talc |
| Pennsylvania, Easton | Administrative Office; Research laboratories; Plant; Sales Offices | All Company Products |
| Pennsylvania, Slippery Rock | Plant; Sales Offices | Monolithic Refractories/Shapes |
| South Carolina, Chester | Plant ⁴ | Synsil [®] Products |

| <u>Location</u> | <u>Facility</u> | <u>Product Line</u> |
|--------------------------------|---|---|
| Texas, Bay City | Plant | Talc |
| Texas, Cleburne | Plant ⁴ | Synsil [®] Products |
| International | | |
| Australia, Carlingford | Sales Office ² | Monolithic Refractories |
| Belgium, Brussels | Sales Office ² /Administrative Office | Monolithic Refractories/PCC |
| Brazil, Sao Jose dos Campos | Sales Office ² | PCC/Monolithic Refractories |
| China, Shanghai | Administrative Office/Sales Office | PCC/Monolithic Refractories |
| China, Suzhou | Plant/Sales Office/Research laboratories | Monolithic Refractories/PCC |
| Finland, Kaarina | Research Laboratory ² | PCC |
| Germany, Moers | Plant/Sales Office/Research laboratories | Laser Scanning Instrumentation/ Probes/Monolithic Refractories |
| Germany, Walsum | Plant | PCC |
| Holland, Hengelo | Plant/Sales Office | Metallurgical Wire |
| Ireland, Cork | Plant; Administrative Office ² /Research laboratories | Monolithic Refractories |
| Italy, Brescia | Sales Office; Plant | Monolithic Refractories/Shapes |
| Japan, Gamagori | Plant/Research laboratories | Monolithic Refractories/Shapes, Calcium |
| Japan, Tokyo | Sales Office | Monolithic Refractories |
| Mexico, Gomez Palacio | Plant ² /Sales Office | Monolithic Refractories |
| Singapore | Sales Office ² | PCC |
| Spain, Santander | Plant/Sales Office ² | Monolithic Refractories |
| South Africa, Pietermaritzburg | Plant/Sales Office | Monolithic Refractories |
| South Korea, Seoul | Sales Office ² | Monolithic Refractories |
| South Korea, Yangsan | Plant ³ | Monolithic Refractories |
| Turkey, Gebze a | Plant/Research Laboratories | Monolithic Refractories/Shapes/ Application Equipment |
| Turkey, Istanbul | Administrative Office/Sales Office | Monolithic Refractories |
| Turkey, Kutahya | Plant | Monolithic Refractories/Shapes |
| United Kingdom, Lifford | Plant | PCC, Lime |
| United Kingdom, Rotherham | Plant/Sales Office | Monolithic Refractories/Shapes |

¹ This plant is leased to another company.

² Leased by the Company. The facilities in Cork, Ireland, are operated pursuant to a 99-year lease, the term of which commenced in 1963. The Company's headquarters in New York, New York, are held under a lease which expires in 2010.

³ This plant is owned through a joint venture.

⁴ These plants are held for sale and are included in discontinued operations.

The Company believes that its facilities, which are of varying ages and are of different construction types, have been satisfactorily maintained, are in good condition, are suitable for the Company's operations and generally provide sufficient capacity to meet the Company's production requirements. Based on past loss experience, the Company believes it is adequately insured with respect to these assets and for liabilities which are likely to arise from its operations.

Item 3. Legal Proceedings

Certain of the Company's subsidiaries are among numerous defendants in a number of cases seeking damages for exposure to silica or to asbestos containing materials. The Company currently has 310 pending silica cases and 26 pending asbestos cases. To date, 1155 silica cases and 1 asbestos case have been dismissed. Most of these claims do not provide adequate information to assess their merits, the likelihood that the Company will be found liable, or the magnitude of such liability, if any. Additional claims of this nature may be made against the Company or its subsidiaries. At this time management anticipates that the amount of the Company's liability, if any, and the cost of defending such claims, will not have a material effect on its financial position or results of operations.

The Company has not settled any silica or asbestos lawsuits to date. We are unable to state an amount or range of amounts claimed in any of the lawsuits because state court pleading practices do not require identifying the amount of the claimed damage. The aggregate cost to the Company for the legal defense of these cases in 2006 was \$0.1 million. Costs for the legal defense of these cases in 2007 were \$78,500. Our experience has been that MTI is not liable to plaintiffs in any of these lawsuits and MTI does not expect to pay any settlements or jury verdicts in these lawsuits.

10

Environmental Matters

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

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

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

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

The Company is evaluating options for upgrading the wastewater treatment facilities at its Adams, Massachusetts, plant. This work is being undertaken pursuant to an administrative Consent Order issued by the Massachusetts Department of Environmental Protection on June 18, 2002. The Order required payment of a civil fine in the amount of \$18,500, the investigation of options for ensuring that the facility's wastewater treatment ponds will not result in discharge to groundwater, and closure of a historic lime solids disposal area. The Company informed the Massachusetts Department of Environmental Protection of proposed improvements to the wastewater treatment system on June 29, 2007, and is committed to implementing the improvements by June 1, 2012. Preliminary engineering reviews indicate that the estimated cost of these upgrades to operate this facility beyond 2012 may be between \$6 million and \$8 million. The Company estimates that remediation costs would approximate \$500,000, which has been accrued as of December 31, 2007.

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

Item 4. Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of security holders during the fourth quarter of 2007.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Securities

The Company's common stock is traded on the New York Stock Exchange under the symbol "MTX."

Information on market prices and dividends is set forth below:

| 2007 Quarters | First | Second | Third | Fourth |
|--|--------------|---------------|--------------|---------------|
| Market Price Range Per Share of Common Stock | | | | |
| High | \$ 64.00 | \$ 68.39 | \$ 70.64 | \$ 70.91 |
| Low | 56.80 | 62.58 | 63.07 | 63.62 |
| Close | 62.16 | 66.95 | 67.00 | 66.95 |
| Dividends paid per common share | \$ 0.05 | \$ 0.05 | \$ 0.05 | \$ 0.05 |

2006 Quarters

| | <u>First</u> | <u>Second</u> | <u>Third</u> | <u>Fourth</u> |
|--|--------------|---------------|--------------|---------------|
| Market Price Range Per Share of Common Stock | | | | |
| High | \$ 58.93 | \$ 61.27 | \$ 53.40 | \$ 59.31 |
| Low | 52.97 | 51.61 | 48.01 | 51.71 |
| Close | 58.40 | 52.00 | 53.40 | 58.79 |
| Dividends paid per common share | \$ 0.05 | \$ 0.05 | \$ 0.05 | \$ 0.05 |

Equity Compensation Plan Information

| <u>Plan Category</u> | <u>Number of securities to be issued upon exercise of outstanding options</u> | <u>Weighted average exercise price of outstanding options</u> | <u>Number of securities remaining available for future issuance</u> |
|--|---|---|---|
| Equity compensation plans approved by security holders | 839,715 | \$ 50.51 | 575,404 |
| Equity compensation plans not approved by security holders | -- | -- | -- |
| Total | <u>839,715</u> | <u>\$ 50.51</u> | <u>575,404</u> |

Issuer Purchases of Equity Securities

| <u>Period</u> | <u>Total Number of Shares Purchased</u> | <u>Average Price Paid Per Share</u> | <u>Total Number of Shares Purchased as Part of the Publicly Announced Program</u> | <u>Dollar Value of Shares That May Yet be Purchased Under the Program</u> |
|---------------------------|---|-------------------------------------|---|---|
| October 1 - October 28 | -- | \$ -- | 930,472 | \$ 25,145,698 |
| October 29 - November 25 | 108,900 | \$ 67.67 | 1,039,372 | \$ 17,776,803 |
| November 26 - December 31 | 192,500 | \$ 66.92 | 1,231,872 | \$ 4,894,545 |
| Total | <u>301,400</u> | <u>\$ 67.19</u> | | |

On October 26, 2005, the Company's Board of Directors authorized the Company's management, at its discretion, to repurchase up to \$75 million in additional shares over the next three-year period. As of December 31, 2007, the Company repurchased 1,231,872 shares under this program at an average price of approximately \$56.91 per share.

On October 24, 2007, the Company's Board of Directors authorized the Company's management to repurchase, at its discretion, up to \$75 million of additional shares over the next two-year period. As of December 31, 2007, no shares have been purchased under this program.

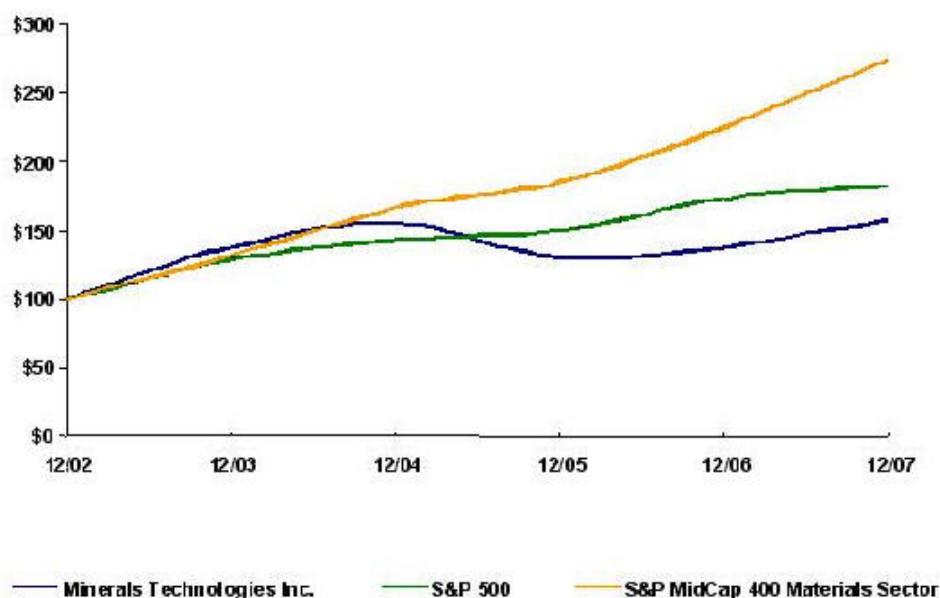
On January 31, 2008, the Company's Board of Directors declared a regular quarterly dividend on its common stock of \$0.05 per share. No dividend will be payable unless declared by the Board and unless funds are legally available for payment thereof.

On February 5, 2008, the last reported sales price on the NYSE was \$60.42 per share. As of February 5, 2008, there were approximately 191 holders of record of the common stock.

The following graph compares the cumulative 5-year total return provided shareholders on Minerals Technologies Inc.'s common stock relative to the cumulative total returns of the S&P 500 index and the S&P MidCap 400 Materials Sector index. An investment of \$100 (with reinvestment of all dividends) is assumed to have been made in our common stock and in each of the indexes on 12/31/2002 and its relative performance is tracked through 12/31/2007.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL

Among Minerals Technologies Inc., The S&P 500 Index
And The S&P MidCap 400 Materials Sector



* \$100 invested on 12/31/02 in stock or index-including reinvestment of dividends. Fiscal year ending December 31.

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www.researchdatagroup.com/S&P.htm

| | 12/02 | 12/03 | 12/04 | 12/05 | 12/06 | 12/07 |
|---------------------------------|--------|--------|--------|--------|--------|--------|
| Minerals Technologies Inc. | 100.00 | 137.61 | 155.45 | 130.68 | 137.97 | 157.60 |
| S&P 500 | 100.00 | 128.68 | 142.69 | 149.70 | 173.34 | 182.87 |
| S&P MidCap 400 Materials Sector | 100.00 | 131.04 | 166.35 | 185.17 | 225.15 | 275.45 |

The stock price performance included in this graph is not necessarily indicative of future stock price performance.

Item 6. Selected Financial Data

Dollars in Millions, Except Per Share Data

| Income Statement Data: | 2007 | 2006 | 2005 | 2004 | 2003 |
|--|------------|------------|----------|----------|----------|
| Net sales | \$ 1,077.7 | \$ 1,023.5 | \$ 956.8 | \$ 889.7 | \$ 785.5 |
| Cost of goods sold | 845.1 | 798.7 | 744.0 | 676.3 | 588.5 |
| Production margin | 232.6 | 224.8 | 212.8 | 213.4 | 197.0 |
| Marketing and administrative expenses | 104.6 | 104.6 | 98.1 | 93.0 | 87.5 |
| Research and development expenses | 26.3 | 27.8 | 27.0 | 26.9 | 22.8 |
| Impairment of assets | 94.1 | -- | 0.3 | -- | 1.1 |
| Restructuring and other costs | 16.0 | -- | -- | 1.1 | 3.3 |
| Acquisition termination costs | -- | -- | -- | 1.0 | -- |
| Income (loss) from operations | (8.5) | 92.4 | 87.4 | 91.4 | 82.3 |
| Non-operating deductions, net | (3.0) | (5.9) | (3.9) | (4.5) | (4.9) |
| Income (loss) before provision for taxes | (11.5) | 86.5 | 83.5 | 86.9 | 77.4 |

| | | | | | |
|---|------------------|----------------|----------------|----------------|----------------|
| on income, minority interests and discontinued operations | | | | | |
| Provision for taxes on income | 11.3 | 27.0 | 25.1 | 25.1 | 20.8 |
| Minority interests | <u>2.9</u> | <u>3.4</u> | <u>1.7</u> | <u>1.7</u> | <u>1.6</u> |
| Income (loss) from continuing operations | (25.7) | 56.1 | 56.7 | 60.1 | 55.0 |
| Loss from discontinued operations, net of tax | (37.8) | (6.1) | (3.4) | (1.5) | (3.4) |
| Cumulative effect of accounting change | <u>--</u> | <u>--</u> | <u>--</u> | <u>--</u> | <u>(3.4)</u> |
| Net income (loss) | <u>\$ (63.5)</u> | <u>\$ 50.0</u> | <u>\$ 53.3</u> | <u>\$ 58.6</u> | <u>\$ 48.2</u> |

Earnings Per Share

| | <u>2007</u> | <u>2006</u> | <u>2005</u> | <u>2004</u> | <u>2003</u> |
|--|------------------|----------------|----------------|----------------|----------------|
| Basic: | | | | | |
| Earnings (loss) per share from continuing operations | \$ (1.34) | \$ 2.86 | \$ 2.78 | \$ 2.93 | \$ 2.73 |
| Loss per share from discontinued operations | (1.97) | (0.31) | (0.16) | (0.08) | (0.17) |
| Cumulative effect of accounting change | <u>--</u> | <u>--</u> | <u>--</u> | <u>--</u> | <u>(0.17)</u> |
| Basic earnings (loss) per share | <u>\$ (3.31)</u> | <u>\$ 2.55</u> | <u>\$ 2.62</u> | <u>\$ 2.85</u> | <u>\$ 2.39</u> |

| | | | | | |
|--|------------------|----------------|----------------|----------------|----------------|
| Diluted: | | | | | |
| Earnings (loss) per share from continuing operations | \$ (1.34) | \$ 2.84 | \$ 2.75 | \$ 2.89 | \$ 2.70 |
| Loss per share from discontinued operations | (1.97) | (0.31) | (0.16) | (0.07) | (0.17) |
| Cumulative effect of accounting change | <u>--</u> | <u>--</u> | <u>--</u> | <u>--</u> | <u>(0.17)</u> |
| Diluted earnings (loss) per share | <u>\$ (3.31)</u> | <u>\$ 2.53</u> | <u>\$ 2.59</u> | <u>\$ 2.82</u> | <u>\$ 2.36</u> |

| | | | | | |
|---|---------|---------|---------|---------|---------|
| Weighted average number of common shares outstanding: | | | | | |
| Basic | 19,190 | 19,600 | 20,345 | 20,530 | 20,208 |
| Diluted | 19,190 | 19,738 | 20,567 | 20,769 | 20,431 |
| Dividends declared per common share | \$ 0.20 | \$ 0.20 | \$ 0.20 | \$ 0.20 | \$ 0.10 |

Balance Sheet Data:

| | | | | | |
|----------------------------|----------|----------|----------|----------|----------|
| Working capital | \$ 306.2 | \$ 199.7 | \$ 145.9 | \$ 242.8 | \$ 216.8 |
| Total assets | 1,128.9 | 1,193.1 | 1,156.3 | 1,154.9 | 1,035.7 |
| Long-term debt | 111.0 | 113.4 | 40.3 | 94.8 | 98.2 |
| Total debt | 127.7 | 203.1 | 156.9 | 128.7 | 131.7 |
| Total shareholders' equity | 751.2 | 752.6 | 771.2 | 799.3 | 707.4 |

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Income and Expense Items as a Percentage of Net Sales

| Year Ended December 31, | <u>2007</u> | <u>2006</u> | <u>2005</u> |
|--|--------------|-------------|-------------|
| Net sales | 100.0 % | 100.0 % | 100.0 % |
| Cost of goods sold | <u>78.4</u> | <u>78.1</u> | <u>77.8</u> |
| Production margin | 21.6 | 21.9 | 22.2 |
| Marketing and administrative expenses | 9.7 | 10.2 | 10.3 |
| Research and development expenses | 2.4 | 2.7 | 2.8 |
| Impairment of assets | 8.8 | -- | -- |
| Restructuring charges | <u>1.5</u> | <u>--</u> | <u>--</u> |
| Income (loss) from operations | <u>(0.8)</u> | <u>9.0</u> | <u>9.1</u> |
| Income (loss) before provision for taxes on income, minority interests and discontinued operations | (1.1) | 8.5 | 8.7 |
| Provision for taxes on income | 1.0 | 2.7 | 2.6 |
| Minority interests | <u>0.3</u> | <u>0.3</u> | <u>0.2</u> |
| Income (loss) from continuing operations | (2.4) | 5.5 | 5.9 |

| | | | |
|-----------------------------------|-------------------|-------------------|-------------------|
| Loss from discontinued operations | (3.5) | (0.6) | (0.5) |
| | <u> </u> | <u> </u> | <u> </u> |
| Net income (loss) | <u>(5.9)%</u> | <u>4.9 %</u> | <u>5.6 %</u> |

Executive Summary

During the third quarter of 2007, the Company completed an in-depth strategic review of all its operations to determine the Company's future direction, structure, business portfolios and technologies for improved financial performance. As a result of this review, the Company realigned its operations by exiting certain businesses, and consolidating some product lines. As a result, the Company recorded an impairment of assets charge of \$140.9 million, of which \$46.8 million was reclassified to discontinued operations. In addition, in 2007 the Company recorded restructuring and other costs of \$18.3 million related to these exit activities, of which \$2.3 million was reclassified to discontinued operations. These restructuring costs were primarily related to a workforce reduction of approximately 200 employees, or about seven percent of the Company's global workforce. The major components of the realignment were as follows:

Synsil® Products

- The Company has exited its Synsil® Products product line and will sell its Synsil® Products manufacturing facilities in Chester, South Carolina, Cleburne, Texas, and the customer sampling facility in Woodville, Ohio. This resulted in an impairment of assets charge of approximately \$42.2 million, which is included in discontinued operations.
- We have concluded that Synsil®, in its current product form, is not suitable to penetrate a significant portion of the market previously envisioned. The initial success achieved in certain market segments proved unsustainable at higher operating/fill rates for major glass market segments.

Processed Minerals and Specialty PCC

- The company will realign these product lines, which consists of four mines and processing facilities in the United States; two plants in the Midwest that process imported ores; and the Specialty PCC product line.
- The two Midwest plants in Mt. Vernon, Indiana, and Wellsville, Ohio, acquired in 2002, which primarily process Chinese talc ores, will be held for sale and are included in discontinued operations. This realignment will result in a change of direction from diversified product lines that included processing imported ore to an integrated "mine to market" strategy. The Company recorded impairment of assets charges of approximately \$5.9 million related to the realignment of the Processed Minerals product line, of which \$4.6 million was included in discontinued operations.
- Going forward, four fully integrated operations will be the focus of the "mine to market" strategy, three of which produce ground calcium carbonate, primarily for the construction and automotive sectors. These are in Adams, Massachusetts; Canaan, Connecticut; and Lucerne Valley, California. The fourth facility mines and produces talc in Barretts, Montana.

15

- The company also will consolidate its Specialty PCC operation in the United States. The majority of Specialty PCC customers serviced from the Brookhaven, Mississippi, facility will be transferred to the Company's Adams, Massachusetts, plant and the assets at Brookhaven will be held for sale. This resulted in an impairment of assets charge of approximately \$12.7 million related to the closing of the Brookhaven, Mississippi facility. The Company will continue to operate its Specialty PCC facility in Lifford, England.

European Coating PCC

- The company will modify the marketing strategy for its coating PCC products and will convert from a merchant business model to a satellite business model for coating PCC, one that has proven successful in the past. This has resulted in consolidation of the coating PCC operations in Europe with the closure of our PCC merchant facility in Hermalle, Belgium.
- Current commercial customers have been transferred to our coating PCC merchant facility in Walsum, Germany, which will also focus on supporting market development activities for the satellite PCC program. The Company recorded an impairment of assets charge related to the coating development program of approximately \$58.7 million.

Refractories Segment

- Due to slower than anticipated rate of market penetration, the Company has adjusted its strategy for its refractories business in China. The Company will continue to develop new business there but will modify the infrastructure to support a more focused marketing effort. The Company recorded an impairment of assets charge in this segment of approximately \$14.8 million.

Additional Impairments

- The Pensacola, Florida facility will be dismantled after final customer commitments have been met in 2008. This resulted in an impairment of assets charge of \$3.7 million. Additional impairment of assets charges of \$2.9 million were also included in the Paper PCC product line.

As a result of the aforementioned impairment and restructuring charges, the Company recorded a loss from continuing operations of \$25.7 million or \$1.34 per share and a loss from discontinued operations of \$37.8 million or \$1.97 per share.

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

- Increasing our sales of PCC for paper by further penetration of the markets for paper filling at both freesheet and groundwood mills;
- Development of the filler-fiber composite program, to increase the fill-rate for uncoated freesheet paper, which continues to undergo large-scale paper machine trials.
- Further development of the Company's PCC products, filling and coating, for use in the satellite model.
- Development of unique calcium carbonates used in the manufacture of novel biopolymers, an emerging market opportunity.
- Rapid deployment of value-added formulations of refractory materials that not only reduce costs but improve performance.

Leverage the Company's expertise in crystal engineering, especially in helping nonemaker customize PCC morphologies for specific paper applications

- Leverage the Company's expertise in crystal engineering, especially in helping papermakers customize PCC morphologies for specific paper applications.
- Continuing our penetration in emerging markets through our manufacturing facility in China and our recent acquisition in Turkey, both within the Refractories segment.
- Further increasing market penetration in the Refractories segment through development of high-performance products and equipment systems.

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

We face some significant risks and challenges in the future:

- Our success depends in part on the performance of the industries we serve, particularly papermaking and steel making. Some of our customers may continue to experience consolidations and shutdowns;

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

Results of Operations

Sales

(Dollars in millions)

| Net Sales | 2007 | % of Total Sales | Growth | 2006 | % of Total Sales | Growth | 2005 | % of Total Sales |
|-----------------------------|-------------------|------------------|-------------|-------------------|------------------|------------|-----------------|------------------|
| U.S. | \$ 581.9 | 54.0% | (2)% | \$ 592.6 | 57.9% | 5 % | \$ 566.1 | 59.2% |
| International | 495.8 | 46.0% | 15 % | 430.9 | 42.1% | 10 % | 390.7 | 40.8% |
| Net sales | <u>\$ 1,077.7</u> | <u>100.0%</u> | <u>5 %</u> | <u>\$ 1,023.5</u> | <u>100.0%</u> | <u>7 %</u> | <u>\$ 956.8</u> | <u>100.0%</u> |
| Paper PCC | \$ 542.0 | 50.3% | 8 % | \$ 500.6 | 48.9% | 9 % | \$ 460.7 | 48.1% |
| Specialty PCC | 60.6 | 5.6% | 7 % | 56.4 | 5.5% | 1 % | 55.6 | 5.8% |
| PCC Products | <u>\$ 602.6</u> | <u>55.9%</u> | <u>8 %</u> | <u>\$ 557.0</u> | <u>54.4%</u> | <u>8 %</u> | <u>\$ 516.3</u> | <u>53.9%</u> |
| Talc | \$ 37.3 | 3.5% | (4)% | \$ 38.9 | 3.8% | 10 % | \$ 35.5 | 3.7% |
| GCC | 76.7 | 7.1% | (4)% | 79.7 | 7.8% | 3 % | 77.2 | 8.1% |
| Processed Minerals Products | <u>\$ 114.0</u> | <u>10.6%</u> | <u>(4)%</u> | <u>\$ 118.6</u> | <u>11.6%</u> | <u>5 %</u> | <u>\$ 112.7</u> | <u>11.8%</u> |
| Specialty Minerals Segment | <u>\$ 716.6</u> | <u>66.5%</u> | <u>6 %</u> | <u>\$ 675.6</u> | <u>66.0%</u> | <u>7 %</u> | <u>\$ 629.0</u> | <u>65.7%</u> |
| Refractory Products | \$ 290.5 | 27.0% | 10 % | \$ 264.6 | 25.9% | 11 % | \$ 239.3 | 25.0% |
| Metallurgical Products | 70.6 | 6.5% | (15)% | 83.3 | 8.1% | (6)% | 88.5 | 9.3% |
| Refractories Segment | <u>\$ 361.1</u> | <u>33.5%</u> | <u>4 %</u> | <u>\$ 347.9</u> | <u>34.0%</u> | <u>6 %</u> | <u>\$ 327.8</u> | <u>34.3%</u> |
| Net sales | <u>\$ 1,077.7</u> | <u>100.0%</u> | <u>5 %</u> | <u>\$ 1,023.5</u> | <u>100.0%</u> | <u>7 %</u> | <u>\$ 956.8</u> | <u>100.0%</u> |

Worldwide net sales in 2007 increased 5% from the previous year to \$1.078 billion. Foreign exchange had a favorable impact on sales of \$31.4 million or 3 percentage points of growth. Sales in the Specialty Minerals segment, which includes the PCC and Processed Minerals product lines, increased 6% to \$716.6 million compared with \$675.6 million for the same period in 2006. Sales in the Refractories segment grew 4% over the previous year to \$361.1 million. In 2006, worldwide net sales increased 7% to \$1.024 billion from \$956.8 million in the prior year. Specialty Minerals segment sales increased approximately 7% and Refractories segment sales increased approximately 6% in 2006.

Worldwide net sales of PCC, which is primarily used in the manufacturing process of the paper industry, increased 8% to \$602.6 million from \$557.0 million in the prior year. Foreign exchange had a favorable impact on sales of approximately \$19.5 million or 4 percentage points of growth. Worldwide net sales of Paper PCC increased 8% to \$542.0 million from \$500.6 million in the prior year. Sales growth was attributable to increased selling prices from the pass-through to customers of raw material cost increases and to foreign currency. Paper PCC sales volume decreased slightly from the prior year. Increased PCC volumes at several facilities were more than offset by paper industry consolidations, primarily in North America. Sales of Specialty PCC grew 7% to \$60.6 million from \$56.4 million in 2006. This increase was primarily attributable to improved volumes, particularly in Europe, and to the favorable effects of foreign currency.

Worldwide net sales of PCC increased 8% in 2006 to \$557.0 million from \$516.3 million in the prior year. Net sales of Paper PCC increased 9% to \$500.6 million while Paper PCC volumes grew 5%. In 2006, sales growth was achieved in all regions, with the largest growth occurring in Asia due to the ramp up of two new satellite plants in China. Sales of Specialty PCC grew 1% in 2006 to \$56.4 million from \$55.6 million in the prior year.

Net sales of Processed Minerals products in 2007 decreased 4% to \$114.0 million from \$118.6 million in 2006. GCC products and talc products both decreased 4% in 2007 to \$76.7 million and \$37.3 million, respectively. The decrease in the Processed Minerals product line was primarily attributable to weakness in the domestic residential construction industry and the automotive market.

Net sales of Processed Minerals products in 2006 increased 5% to \$118.6 million from \$112.7 million in 2005. This increase was primarily attributable to strong global demand in plastics and healthcare related markets within the talc product line.

Net sales in the Refractories segment in 2007 increased 4% to \$361.1 million from \$347.9 million in the prior year. Foreign exchange had a favorable impact on sales of \$11.9 million or 3 percentage points of sales growth. Sales from the Turkish acquisition made in late 2006 contributed an additional 4 percentage points of growth in 2007. Sales of refractory products and systems to steel and other industrial applications increased 10% to \$290.5 million in 2007 from \$264.6 million in the prior year. This growth was due to foreign currency and the Turkish acquisition. Sales of metallurgical products within the Refractories segment decreased 15% to \$70.6 million from \$83.3 million in 2006. This decrease was due to lower volumes in all regions of the world, and lower prices resulting from the reduction in the cost of raw materials for this product that is traditionally passed through to the customers.

Net sales in the Refractories segment in 2006 increased 6% to \$347.9 million from \$327.8 million in the prior year. Sales of refractory products and systems increased 11% to \$264.6 million in 2006 from \$239.3 million in the prior year. This growth was attributable to increased volume in North America and Europe. Sales of metallurgical products decreased 6% in 2006 to \$83.3 million from \$88.5 million in the prior year. This decline was due to lower selling prices as raw material cost reductions were passed on to customers.

Net sales in the United States decreased approximately 2% to \$581.9 million in 2007 and represented approximately 54% of consolidated net sales. International sales increased approximately 15% to \$495.8 million, due primarily to foreign currency and the acquisition in Turkey.

Operating Costs and Expenses (Dollars in millions)

| | 2007 | Growth | 2006 | Growth | 2005 |
|------------------------------|----------|--------|----------|--------|----------|
| Cost of goods sold | \$ 845.1 | 6 % | \$ 798.7 | 7 % | \$ 744.0 |
| Marketing and administrative | \$ 104.6 | -- % | \$ 104.6 | 7 % | \$ 98.1 |
| Research and development | \$ 26.3 | (5) % | \$ 27.8 | 3 % | \$ 27.0 |
| Impairment of assets | \$ 94.1 | * % | \$ -- | * % | \$ 0.3 |
| Restructuring charges | \$ 16.0 | * % | \$ -- | * % | \$ -- |

* Percentage not meaningful

Cost of goods sold in 2007 was 78.4% of sales compared with 78.1% in the prior year. Our cost of goods sold grew 6% which had an unfavorable leveraging impact on our 5% sales growth resulting in a 3% increase in production margin. This unfavorable leveraging occurred in both segments. In the Specialty Minerals segment, the production margin increased 5% as compared with 6% sales growth. This segment has been affected by reduced demand in the Processed Minerals product line and paper machine and paper mill shutdowns which were partially offset by the recovery of raw material costs and the benefit of foreign currency. In the Refractories segment, the production margin increased 1% as compared with 4% sales growth. This segment has been affected by lower margins in the metallurgical product line.

Cost of goods sold in 2006 was 78.1% of sales compared with 77.8% of sales in 2005. Production margin grew 6% as compared with 7% sales growth. This unfavorable leveraging occurred in the Specialty Minerals segment where production margins increased 2% as compared with 7% sales growth. During 2006, margins in this segment were affected by unrecovered lime cost increases and paper machine and paper mill shutdowns in the PCC product line, and unrecovered energy cost increases in the Processed Minerals product line. These negative factors largely offset the improvements from the ramp-up of our two new satellite PCC facilities in China, increased demand for PCC, particularly in North America and Europe, and cost reduction initiatives.

In the Refractories segment, production margin increased 12% in 2006 over the prior year compared with 6% sales growth. This was primarily due to improved steel industry conditions in 2006 and cost reduction initiatives through the reformulation of refractory products and strong demand for high value products.

Marketing and administrative costs were \$104.6 million in 2007, the same as the prior year and represented 9.7% of net sales as compared with 10.2% in the prior year. In 2006, marketing and administrative expenses increased 7% to \$104.6 million from \$98.1 million in 2005. This increase was primarily attributable to increased worldwide infrastructure costs and other employee benefits, including increased stock option expense of \$2.3 million relating to the adoption of SFAS No. 123 (R).

Research and development expenses decreased 5% in 2007 to \$26.3 million and represented 2.4% of net sales. This decrease was a result of the timing of lower trial activity, primarily in the Paper PCC product line. In 2006, research and development expenses increased 3% to \$27.8 million and represented 2.7% of net sales.

The Company initiated a plan to realign its operations as a result of an in-depth strategic review of all of its operations. This realignment resulted in impairment of assets charges and restructuring charges in 2007 as follows:

Impairment of assets charges:

| | |
|---------------|---------|
| Paper PCC | \$ 65.3 |
| Specialty PCC | 12.7 |
| Total PCC | 78.0 |

| | |
|----------------------------|----------------|
| Processed Minerals | 1.3 |
| Specialty Minerals Segment | 79.3 |
| Refractories Segment | 14.8 |
| | <u>\$ 94.1</u> |

Restructuring and other costs:

| | |
|---------------------------------------|----------------|
| Severance and other employee benefits | \$ 13.5 |
| Contract termination costs | 1.8 |
| Other exit costs | 0.7 |
| | <u>\$ 16.0</u> |

The restructuring program will result in a reduction of approximately 200 employees.

The impairment of assets charge includes a write-down of an intangible asset of \$0.5 million related to customer relationships associated with a recent acquisition in the Refractories segment.

Income (Loss) from Operations
(Dollars in millions)

| | <u>2007</u> | <u>Growth</u> | <u>2006</u> | <u>Growth</u> | <u>2005</u> |
|-------------------------------|-------------|---------------|-------------|---------------|-------------|
| Income (loss) from operations | \$ (8.5) | (109)% | \$ 92.4 | 6% | \$ 87.4 |

The Company recorded a loss from operations in 2007 of \$8.5 million as compared with income from operations of \$92.4 million in the prior year. The loss was primarily attributable to the aforementioned impairment of assets charges and restructuring and other exit costs.

The Specialty Minerals segment recorded a loss from operations of \$20.0 million as compared with income from operations of \$60.5 million in 2006. Included in the loss from operations was an impairment of assets charge of \$79.3 million and restructuring and other exit costs of \$11.3 million.

The Refractories segment recorded income from operations of \$11.5 million in 2007 as compared with \$31.9 million in the prior year. Included in income from operations in 2007 was an impairment of assets charge of \$14.8 million and restructuring and other exit costs of \$4.7 million.

Income from operations in 2006 increased 6% to \$92.4 million from \$87.4 million in 2005 and was 9.0% of sales as compared with 9.1% of sales in 2005. In 2006, income from operations for the Specialty Minerals segment increased 2% to \$60.5 million and was 9.0% of its net sales. Operating income for the Refractories segment increased 13% to \$31.9 million and was 9.2% of its net sales. This was primarily attributable to increased profitability from refractory products and systems sales, partially offset by a reduction in profitability in metallurgical products.

Non-Operating Deductions
(Dollars in millions)

| | <u>2007</u> | <u>Growth</u> | <u>2006</u> | <u>Growth</u> | <u>2005</u> |
|-------------------------------|-------------|---------------|-------------|---------------|-------------|
| Non-operating deductions, net | \$ (3.0) | (49)% | \$ (5.9) | 55% | \$ (3.8) |

Non-operating deductions decreased 49% in 2007 to \$3.0 million from \$5.9 million in the prior year. This was primarily attributable to an insurance recovery gains of approximately \$3.0 million in 2007, \$1.2 million above prior year. In addition, the Company recorded higher interest income of \$1.3 million over prior year as a result of an increase in cash and cash equivalents in 2007.

Non-operating deductions increased 55% in 2006 from the prior year. This increase was primarily due to increased interest expense of \$2.3 million over 2005 due to increased borrowings. In addition, in 2006 we recognized an insurance settlement gain of approximately \$1.8 million for property damage sustained at one of our facilities. In 2005, we recognized a litigation settlement gain of \$2.1 million.

Provision for Taxes on Income
(Dollars in millions)

| | <u>2007</u> | <u>Growth</u> | <u>2006</u> | <u>Growth</u> | <u>2005</u> |
|-------------------------------|-------------|---------------|-------------|---------------|-------------|
| Provision for taxes on income | \$ 11.3 | (58)% | \$ 27.0 | 8% | \$ 25.1 |

The Company recorded a provision for income tax of \$11.3 million on a loss before taxes of \$11.5 million in 2007. This was primarily attributable to the restructuring and impairment losses recorded in certain jurisdictions in which we were unable to record a tax benefit.

The effective tax rate increased to 31.1% in 2006 as compared with 30.1% in 2005. This increase was primarily related to a change in the mix of earnings, an increase in the valuation allowance due to Ohio tax reform legislation and the impact of FAS 123R.

Minority Interests
(Dollars in millions)

| | <u>2007</u> | <u>Growth</u> | <u>2006</u> | <u>Growth</u> | <u>2005</u> |
|--------------------|-------------|---------------|-------------|---------------|-------------|
| Minority interests | \$ 2.9 | (15)% | \$ 3.4 | 100% | \$ 1.7 |

The decrease in the provision for minority interest in 2007 was primarily related to a reduction in profitability from our consolidated joint ventures in China. In 2006, we realized improved profitability in China over lower levels in 2005.

Income (Loss) from Continuing Operations
(Dollars in millions)

| | <u>2007</u> | <u>Growth</u> | <u>2006</u> | <u>Growth</u> | <u>2005</u> |
|--|-------------|---------------|-------------|---------------|-------------|
| Income (loss) from continuing operations | \$ (25.7) | (146)% | \$ 56.1 | (1)% | \$ 56.7 |

The Company recognized a loss from continuing operations of \$25.7 million in 2007 as compared with income from continuing operations of \$56.1 million in 2006. The loss in 2007 was due to the restructuring and impairment of assets charges.

Income from continuing operations decreased 1% in 2006 to \$56.1 million. Diluted earnings per common share from continuing operations increased 3% to \$2.84 in 2006 as compared with \$2.75 in the prior year due to a lower share base from the Company's stock repurchase program.

Loss from Discontinued Operations
(Dollars in millions)

| | <u>2007</u> | <u>Growth</u> | <u>2006</u> | <u>Growth</u> | <u>2005</u> |
|-----------------------------------|-------------|---------------|-------------|---------------|-------------|
| Loss from discontinued operations | \$ (37.8) | *% | \$ (6.2) | (82)% | \$ (3.4) |

* Percentage not meaningful

The Company has reflected in discontinued operations its Synsil[®] product line and its two plants in the Midwest that process imported ores. In 2006, the Company liquidated its wholly-owned subsidiary in Hadera, Israel and classified such business as discontinued operations.

The Company recognized a loss from discontinued operations in 2007 of \$37.8 million as compared with a loss of \$6.2 million in the prior year. Included in the 2007 loss from discontinued operations were pre-tax impairment of assets charges of \$46.9 million and restructuring and other exit costs of \$2.3 million. In 2006, the loss from discontinued operations included foreign currency translation losses of \$1.6 million recognized upon liquidation of the Company's investment in Israel.

Net Income (Loss)
(Dollars in millions)

| | <u>2007</u> | <u>Growth</u> | <u>2006</u> | <u>Growth</u> | <u>2005</u> |
|-------------------|-------------|---------------|-------------|---------------|-------------|
| Net income (loss) | \$ (63.5) | (227)% | \$ 50.0 | (6)% | \$ 53.3 |

20

The Company recorded a net loss of \$63.5 million in 2007 as compared with net income of \$50.0 million in 2006. The loss in 2007 was attributable to impairment of assets and restructuring charges in both continuing operations and discontinued operations.

Net income decreased 6% in 2006 to \$50.0 million. Earnings per share on a diluted basis decreased 2% to \$2.53 per share in 2006 as compared with \$2.59 per share in the prior year.

Outlook

We are presently experiencing some weakness in certain primary industries we serve -- paper and construction. There were several paper machine shutdowns that affected our satellite PCC product line as the paper industry continues to consolidate and rationalize capacity. In addition, there is continued softening in the residential construction and automotive markets which is affecting our Processed Minerals product line. Steel production remains stable with slow growth in our major markets, North America and Europe. However, these markets have faced increased competition from other foreign markets in which the Company has a lower market share. In addition, weakness in the automotive and construction markets could result in reduced demand for this sector.

As a result of realigning and restructuring our operations, we strengthened the basic foundation of our businesses. We eliminated under-performing assets and expect to achieve higher returns on capital and higher rates of profitable growth. However, we are concerned about the state of the economy and the potential impact it may have on our product lines.

In 2008, we plan to focus on the following growth strategies:

- Continued development and potential commercial introduction of filler-fiber composite technology for the paper industry to increase the fill-rates of uncoated freesheet paper.
- Increase market penetration of PCC by expanding the satellite model.
- Emphasize higher value specialty products and application systems to increase market penetration in the Refractories segment.
- Expand regionally into emerging markets where we have a limited presence and increase our presence in regional markets where the manufacturing of paper and steel is shifting, particularly to China and Eastern Europe.
- Development of unique calcium carbonates used in the manufacture of biopolymers, an emerging market opportunity.
- Continue to improve our cost competitiveness in all product lines.
- Explore selective acquisitions to complement our existing businesses.

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

In October 2006, we acquired ASMAS, an Istanbul-based Turkish producer of refractories based in Istanbul, Turkey. This acquisition provides our Refractories segment with a strong market position in Turkey, as well as manufacturing capability which will enable us to service the rapidly growing markets in the Middle East and Eastern Europe.

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, 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 have been extended, generally 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 sales 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.

Liquidity and Capital Resources

Cash flows provided from operations in 2007 were used principally to fund \$46.1 million of capital expenditures, to repay short-term debt of \$78.2 million and to repurchase \$25.3 million of common shares for treasury. Cash provided from operating activities totaled \$179.7 million in 2007 as compared with \$135.6 million in 2006. The increase in cash from operating

activities was primarily due to an improvement in working capital, as compared to the prior year. Our accounts receivable declined despite a 5% increase in sales, and our days of sales outstanding decreased to 55 days from 59 days in the prior year. Our inventories also declined from the prior year resulting in a reduction of days of inventory on hand from 56 days to 46 days. Included in cash flow from operations was pension plan funding of approximately \$24.1 million, \$22.3 million and \$12.9 million for the years ended December 31, 2007, 2006 and 2005, respectively.

On October 26, 2005, our Company's Board of Directors authorized the Company's management, at its discretion, to repurchase up to \$75 million in additional shares over the next three-year period. As of December 31, 2007, the Company had repurchased 1,231,872 shares under this program at an average price of approximately \$56.91 per share.

On October 24, 2007, the Company's Board of Directors authorized the Company's management to repurchase, at its discretion, up to \$75 million of additional shares over the next two-year period. As of December 31, 2007, no shares have been purchased under this program.

On January 31, 2008, our Board of Directors declared a regular quarterly dividend on our common stock of \$0.05 per share. No dividend will be payable unless declared by the Board and unless funds are legally available for payment.

We have \$187.6 million in uncommitted short-term bank credit lines, of which \$9.1 million was in use at December 31, 2007. We anticipate that capital expenditures for 2008 should approximate \$75 million, principally related to the construction of PCC plants and other opportunities that meet our strategic growth objectives. We expect to meet our other long-term financing requirements from internally generated funds, uncommitted bank credit lines and, where appropriate, project financing of certain satellite plants. The aggregate maturities of long-term debt are as follows: 2008 - \$7.2 million; 2009 - \$8.8 million; 2010 - \$4.6 million; 2011 - \$-- million; 2012 - \$8.0; thereafter - \$89.6 million.

The Company has contingent obligations associated with unrecognized tax benefits, including interest and penalties, of approximately \$13.3 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, asset retirement obligations, 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. There were no significant revenue adjustments in the fourth quarter of 2007 and 2006, respectively. 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 \$(0.1) million, \$0.4 million and \$(0.5) million in 2007, 2006 and 2005, respectively. 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. 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 \$576.6 million as of December 31, 2007.

- 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 Statements of Operations.

The Company accounts for uncertain tax positions in accordance with FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48"), an interpretation of FASB Statement No. 109 ("SFAS 109"). The application of income tax law is inherently complex. Laws and regulations in this area are voluminous and are often ambiguous. As such, we are required to make many subjective assumptions and judgements regarding our income tax exposures. Interpretations of and guidance surrounding income tax laws and regulations change over time. As such, changes in our subjective assumptions and judgements can materially affect amounts recognized in the consolidated balance sheets and statements of operations. See Note 5 to the condensed consolidated financial statements, "Income Taxes," for additional detail on our uncertain tax positions.

- 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 follows:

A one percentage point change in our major assumptions would have the following effects:

Effect on Expense

| (millions of dollars) | Discount Rate | Salary Scale | Return on Asset |
|-----------------------|------------------|-----------------|--------------------|
| 1% increase | \$ (1.8) | \$ 0.4 | \$ (1.8) |
| 1% decrease | \$ 2.1 | \$ (0.3) | \$ 1.8 |

Effect on Projected Benefit Obligation

| (millions of dollars) | Discount Rate | Salary Scale |
|-----------------------|------------------|-----------------|
| 1% increase | \$ (13.6) | \$ 1.5 |
| 1% decrease | \$ 16.4 | \$ (1.3) |

- Asset Retirement Obligations: We currently record the obligation for estimated asset retirement costs at a fair value in the period incurred. Factors such as expected costs and expected timing of settlement can affect the fair value of the obligations. A revision to the estimated costs or expected timing of settlement could result in an increase or decrease in the total obligation which would change the amount of amortization and accretion expense recognized in earnings over time.

A one-percent increase or decrease in the discount rate would change the total obligation by approximately \$0.1 million.

A one-percent increase or decrease in the inflation rate would change the total obligation by approximately \$0.3 million.

- The Company's accounts for stock-based compensation expense under the provisions of SFAS No. 123R.

The Company uses the Black-Scholes option pricing model to determine the fair value of stock options on their date of grant. This model is based upon assumptions relating to the volatility of the stock price, the life of the option, risk-free interest rate and dividend yield. Of these, stock price volatility and option life require greater levels of judgment and are therefore critical accounting estimates.

We used a stock price volatility assumption based upon the historical implied volatility of the Company's stock. We believe this is a good indicator of future, actual and implied volatilities. For stock options granted in the period ended December 31, 2007, the Company used a volatility of 25.10%.

The expected life calculation was based upon the observed and expected time to post-vesting forfeiture and exercise. For stock options granted during the fiscal year ended December 31, 2007, the Company used a 6.5 year life.

The Company believes the above critical estimates are based upon outcomes most likely to occur, however, were we to simultaneously increase or decrease the option life by one year and the volatility by 100 basis points, recognized compensation expense would have changed approximately \$0.1 million in either direction for the year ended December 31, 2007.

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" in Item 15 of this report, beginning on page F-6. 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."

Inflation

Historically, inflation has not had a material adverse effect on us. However, in recent years 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. As 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 December 2007, the FASB issued Statement of Financial Accounting Standards No. 141 (revised 2007), "Business Combinations" ("Statement No. 141(R)"). Statement No. 141(R) changes the requirements for an acquirer's recognition and measurement of the assets acquired and the liabilities assumed in a business combination. Statement No. 141(R) is effective for annual periods beginning after December 15, 2008 and should be applied prospectively for all business combinations entered into after the date of adoption.

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

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements." This Statement defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. This Statement will apply to all other accounting pronouncements that require fair value measurements. This Statement is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The Company expects the adoption of SFAS No. 157 will not have a material impact on its financial statements.

In February 2008, the FASB issued FSP FAS 157-1, "Application of FASB No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements that Address Fair Value Measurements for Purposes of Lease Classification or Measurement under Statement 13" and FSP FAS 157-2, "Effective Date of FASB Statement No. 157." FSP 157-1 excludes fair measurements for purposes of lease classification or measurement under FASB Statement 13 from the fair value measurement under FASB Statement 157. FSP 157-2 defers the effective date of Statement 157 for non-financial assets and non-financial liabilities to fiscal years beginning after November 15, 2008.

In November 2006, the Emerging Issues Task Force ("EITF") reached a consensus on EITF issue 06-10, "Accounting for Deferred Compensation and Postretirement Benefit Aspects of Collateral Assignment Split-Dollar Life Insurance Arrangements." Employers will be required to measure the asset associated

with collateral-assignment split-dollar life insurance based on the arrangement's terms and to record postretirement benefit liabilities only if the employer will maintain the life insurance policy during the employee's retirement or provide the employee with a death benefit. This consensus is effective for fiscal years beginning after December 15, 2007. The Company expects the adoption of SFAS No. 157 will not have a material impact on its financial statements.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities." This Statement allows entities to choose to measure financial instruments and certain other items at fair value. This Statement is effective for fiscal periods beginning after November 15, 2007. The Company expects the adoption of SFAS No. 157 will not have a material impact on its financial statements.

Item 7A. 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 50% 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% 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 \$5.3 million and \$4.7 million of foreign currencies as of December 31, 2007 and 2006, respectively. These contracts mature between January and July of 2008. The fair value of these instruments at both December 31, 2007 and December 31, 2006 was a liability of \$0.1 million.

Item 8. Financial Statements and Supplementary Data

The financial information required by Item 8 is contained in Item 15 of Part IV of this report.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

The Company's management, under the supervision and with the participation of the Company's Chief Executive Officer and Chief Financial Officer, carried out an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of the end of the period covered by this report pursuant to Exchange Act Rule 13a-15. The Company's disclosure controls and procedures are designed to ensure that information required to be disclosed is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms. Based upon this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures (as defined in Rules 13(a)-15(b) under the Securities Exchange Act of 1934) were effective in ensuring that material information required to be disclosed by the Company in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported on a timely basis.

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, we have included a report of management's assessment of the design and operating effectiveness of our internal controls as part of this report. Management's report is included in our consolidated financial statements beginning on page F-1 of this report under the captions entitled "Management's Report on Internal Control Over Financial Reporting."

The Company is in the process of implementing a global enterprise resource planning ("ERP") system to manage our business operations. As of December 31, 2007, all of our domestic locations were using the new systems. The worldwide implementation is expected to be completed over the next few years and involves changes in systems that include internal controls. Although the transition has proceeded to date without material adverse effects, the possibility exists that the migration to the new ERP system could adversely affect the Company's disclosure controls and procedures or our results of operations in future periods. We are reviewing each system as it is being implemented and the controls affected by the implementation of the new systems, and are making appropriate changes to affected internal controls as we implement the new systems. We believe that the controls as modified are appropriate and functioning effectively.

Changes in Internal Control Over Financial Reporting

There was no change in the Company's internal control over financial reporting during the most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. Other Information

None.

Item 10. Directors, Executive Officers and Corporate Governance

Set forth below are the names and ages of all Executive Officers of the Registrant indicating all positions and offices with the Registrant held by each such person, and each such person's principal occupations or employment during the past five years.

| <u>Name</u> | <u>Age</u> | <u>Position</u> |
|----------------------|------------|--|
| Joseph M. Muscari | 61 | Chairman of the Board and Chief Executive Officer |
| D. Randy Harrison | 56 | Senior Vice President, Organization and Human Resources |
| Kenneth L. Massimine | 58 | Senior Vice President and Managing Director, Paper PCC |
| John A. Sorel | 60 | Senior Vice President - Finance, and Chief Financial Officer |
| William J.S. Wilkins | 51 | Senior Vice President and Managing Director, Minteq International |
| Michael A. Cipolla | 50 | Vice President - Corporate Controller and Chief Accounting Officer |
| Douglas T. Dietrich | 38 | Vice President, Corporate Development and Treasury |
| Kirk G. Forrest | 56 | Vice President, General Counsel and Secretary |
| William A. Kromberg | 62 | Vice President, Taxes |
| D.J. Monagle, III | 45 | Vice President and Managing Director, Performance Minerals |

Joseph C. Muscari was elected Chairman of the Board and Chief Executive Officer effective March 1, 2007. Prior to that he was Executive Vice President and Chief Financial Officer of Alcoa Inc. He has served as a member of the Board of Directors since 2005.

D. Randy Harrison was elected Vice President - Organization and Human Resources effective January 1, 2008. Prior to that he had been Vice President and Managing Director, Performance Minerals since January 2002.

Kenneth L. Massimine was elected Senior Vice President and Managing Director, Paper PCC, effective January 1, 2002. Prior to that he held positions of increasing authority with the Company, most recently Vice President and Managing Director, Processed Minerals.

John A. Sorel was elected Senior Vice President, Finance and Chief Financial Officer in November 2002. Prior to that time he was elected Senior Vice President, Corporate Development and Finance on January 1, 2002 and prior to 2002 he held positions of increasing authority with the Company, most recently Vice President and Managing Director, Paper PCC.

William J.S. Wilkins was elected Senior Vice President and Managing Director, Minteq International in November 2007. He joined the Company in June 2007 as Vice President, Global Supply Chain and Logistics. Prior to that he had founded Management Services, a consulting firm. Before starting his consultancy, he was President and Chief Executive Officer of Sermatech International Inc.; Vice President and Chief Financial Officer of the Teleflex Aerospace Group; and head of finance and administration at Hownet Castings, a business unit of Alcoa, which he joined in 1994.

Michael A. Cipolla was elected Vice President - Controller and Chief Accounting Officer in July 2003. Prior to that he served as Corporate Controller and Chief Accounting Officer of the Company since 1998. From 1992 to 1998 he served as Assistant Corporate Controller.

Douglas T. Dietrich was elected Vice President, Corporate Development and Treasury effective August 2007. Prior to that he had been Vice President, Alcoa Wheel Products since 2006 and President, Latin America Extrusions and Global Rod and Bar Products since 2002.

Kirk G. Forrest was elected Vice President - General Counsel and Secretary effective January 26, 2005. Prior to that, Mr. Forrest had been Vice President and General Counsel at SAM'S CLUB, and a Corporate Vice President of its parent company, Wal-Mart Stores, Inc. and Associate General Counsel at The Williams Companies, which he joined in 1998.

William A. Kromberg has served as Vice President-Taxes of the Company since 1993.

D.J. Monagle, III was elected Vice President and Managing Director, Performance Minerals, which encompasses the Processed Minerals product line and the Specialty PCC product line, effective January 1, 2008. Prior to that he had been Vice President, Americas, Paper PCC.

The information concerning the Company's Board of Directors required by this item is incorporated herein by reference to the Company's Proxy Statement, under the caption "Committees of the Board of Directors."

The information regarding compliance with Section 16(a) of the Securities Exchange Act of 1934 required by this Item is incorporated herein by reference to the Company's Proxy Statement, under the caption "Section 16(a) Beneficial Ownership Reporting Compliance."

The Board has established a code of ethics for the Chief Executive Officer, the Chief Financial Officer, and the Chief Accounting Officer entitled "Code of Ethics for the Senior Financial Officers," which is available on our website, www.mineralstech.com, under the links entitled "Corporate Responsibility, Corporate Governance and Policies and Charters."

Item 11. Executive Compensation

The information appearing in the Company's Proxy Statement under the caption "Compensation of Executive Officers" is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information appearing in the Company's Proxy Statement under the caption "Security Ownership of Certain Beneficial Owners and Management and Related Stockholders Matters as of January 31, 2008" is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information appearing in the Company's Proxy Statement under the caption "Certain Relationships and Related Transactions" is incorporated herein by reference.

Under the terms of certain agreements entered into in connection with the Company's initial public offering in 1992, Pfizer Inc ("Pfizer") and its wholly-owned subsidiary Quigley Company, Inc. ("Quigley") agreed to indemnify the company against certain liabilities being retained by Pfizer and its subsidiaries including, but not limited to, pending lawsuits and claims, and any lawsuits or claims brought at any time in the future alleging damages or injury from the use, handling of or exposure to any product sold by Pfizer's specialty minerals business prior to the closing of the initial public offering.

Pfizer and Quigley also agreed to indemnify the Company against any liability arising from claims for remediation, as defined in the Agreement, of on-site environmental conditions relating to activities prior to the closing of the initial public offering. Further, Pfizer and Quigley agreed to indemnify the Company for 50% of the liabilities in excess of \$1 million up to \$10 million in liabilities that may have arisen or accrued within ten years after the closing of the initial public offering with respect to such remediation of on-site conditions. The Company is responsible for the first \$1 million of such liabilities, 50% of all such liabilities in excess of \$1 million up to \$10 million, and all such liabilities in excess of \$10 million. The Company had asserted to Pfizer and Quigley a number of indemnification claims pursuant to this agreement during the ten-year period following the closing of the initial public offering. On January 30, 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. Such payment was recorded as additional paid-in capital, net of its related tax effect.

Item 14. Principal Accountant Fees and Services

The information appearing in the Company's Proxy Statement under the caption "Principal Accountant Fees and Services" is incorporated herein by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) The following documents are filed as part of this report:

1. Financial Statements. The following Consolidated Financial Statements of Mineral Technologies Inc. and subsidiary companies and Reports of Independent Registered Public Accounting Firm are set forth on pages F-2 to F-35.

Consolidated Balance Sheets as of December 31, 2007 and 2006

Consolidated Statements of Operations for the years ended December 31, 2007, 2006, and 2005

Consolidated Statements of Cash Flows for the years ended December 31, 2007, 2006 and 2005

Consolidated Statements of Shareholders' Equity for the years ended December 31, 2007, 2006 and 2005

Notes to the Consolidated Financial Statements

Reports of Independent Registered Public Accounting Firm

Management's Report on Internal Control Over Financial Reporting

2. Financial Statement Schedule. The following financial statement schedule is filed as part of this report:

| | <u>Page</u> |
|---|-------------|
| Schedule II - Valuation and Qualifying Accounts | S-1 |

All other schedules for which provision is made in the applicable accounting regulations of the SEC are not required under the related instructions or are inapplicable and, therefore, have been omitted.

3. Exhibits. The following exhibits are filed as part of, or incorporated by reference into, this report.

- 3.1 - Restated Certificate of Incorporation of the Company (1)
- 3.2 - By-Laws of the Company as amended and restated effective May 25, 2005 (5)
- 3.3 - Certificate of Designations authorizing issuance and establishing designations, preferences and rights of Series A Junior Preferred Stock of the Company (1)
- 4 - Rights Agreement, executed effective as of September 13, 1999 (the "Rights Agreement"), between Minerals Technologies Inc. and Chase Mellon Shareholders Services L.L.C., as Rights Agents, including as Exhibit B the forms of Rights Certificate and of Election to Exercise (6)
- 4.1 - Specimen Certificate of Common Stock (1)
- 10.1 - Asset Purchase Agreement, dated as of September 28, 1992, by and between Specialty Refractories Inc. and Quigley Company Inc. (2)
- 10.1(a) - Agreement dated October 22, 1992 between Specialty Refractories Inc. and Quigley Company Inc., amending Exhibit 10.1 (3)
- 10.1(b) - Letter Agreement dated October 29, 1992 between Specialty Refractories Inc. and Quigley Company Inc., amending Exhibit 10.1 (3)
- 10.2 - Reorganization Agreement, dated as of September 28, 1992, by and between the Company and Pfizer Inc (2)
- 10.3 - Asset Contribution Agreement, dated as of September 28, 1992, by and between Pfizer Inc and Specialty Minerals Inc. (2)
- 10.4 - Asset Contribution Agreement, dated as of September 28, 1992, by and between Pfizer Inc and Barretts Minerals Inc. (2)
- 10.4(a) - Agreement dated October 22, 1992 between Pfizer Inc, Barretts Minerals Inc. and Specialty Minerals Inc., amending Exhibits 10.3 and 10.4 (3)
- 10.5 - Form of Employment Agreement (4), together with schedule relating to executed Employment Agreements (6) (+)
- 10.6 - Form of Severance Agreement, together with schedule relating to executed Severance Agreements (7) (+)
- 10.7 - Company Employee Protection Plan, as amended August 27, 1999 (6) (+)

- 10.8 - Company Nonfunded Deferred Compensation and Unit Award Plan for Non-Employee Directors (4)(+)
- 10.9 - 2001 Stock Award and Incentive Plan of the Company, as amended and restated as of December 20, 2005 (7) (+)
- 10.10 - Company Retirement Plan, as amended and restated effective as of January 1, 2006 (4) (+)
- 10.10(a) - First Amendment to the Company's Retirement Plan, effective as of January 1, 2008 (*) (+)
- 10.11 - Company Nonfunded Supplemental Retirement Plan, as amended effective April 24, 2003 (8) (+)
- 10.12 - Company Savings and Investment Plan, as amended and restated as of September 14, 2007 (*) (+)
- 10.13 - Company Nonfunded Deferred Compensation and Supplemental Savings Plan, as amended effective April 24, 2003 (8) (+)
- 10.14 - Company Health and Welfare Plan, effective as of April 1, 2003 and amended and restated as of January 1, 2006 (4)(+)

29

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- 10.15 - Grantor Trust Agreement, as amended and restated as of December 23, 2005, between the Company and The Bank of New York, as Trustee (7)(+)
 - 10.16 - Note Purchase Agreement, dated as of October 5, 2006, among the Company, Metropolitan Life Insurance Company and MetLife Insurance Company of Connecticut with respect to the Company's issuance of \$75,000,000 in aggregate principal amount of senior unsecured notes due October 5, 2013 (9)
 - 10.17 - Indenture, dated July 22, 1963, between the Cork Harbour Commissioners and Roofchrome Limited (2)
 - 10.18 - Agreement of Lease, dated as of May 24, 1993, between the Company and Cooke Properties Inc. (1)
 - 10.19 - Employment Agreement, dated November 27, 2006, between the Company and Joseph C. Muscari (10)
 - 21.1 - Subsidiaries of the Company (*)
 - 23.1 - Consent of Independent Registered Public Accounting Firm (*)
 - 31.1 - Rule 13a-14(a)/15d-14(a) Certification executed by the Company's principal executive officer (*)
 - 31.2 - Rule 13a-14(a)/15d-14(a) Certification executed by the Company's principal financial officer (*)
 - 32 - Section 1350 Certification (*)

- (1) Incorporated by reference to the exhibit so designated filed with the Company's Annual Report on Form 10-K for the year ended December 31, 2003.
- (2) Incorporated by reference to the exhibit so designated filed with the Company's Registration Statement on Form S-1 (Registration No. 33-51292), originally filed on August 25, 1992.
- (3) Incorporated by reference to the exhibit so designated filed with the Company's Registration Statement on Form S-1 (Registration No. 33-59510), originally filed on March 15, 1993.
- (4) Incorporated by reference to the exhibit so designated filed with the Company's Annual Report on Form 10-K for the year ended December 31, 2006.
- (5) Incorporated by reference to the exhibit so designated filed with the Company's current Report on Form 8-K filed on May 27, 2005.
- (6) Incorporated by reference to the exhibit so designated filed with the Company's Annual Report on Form 10-K for the year ended December 31, 2004.
- (7) Incorporated by reference to the exhibit so designated filed with the Company's Annual Report on Form 10-K for the year ended December 31, 2005.
- (8) Incorporated by reference to the exhibit so designated filed with the Company's Quarterly Report on Form 10-Q for the quarter ended March 30, 2003.
- (9) Incorporated by reference to the exhibit 10.1 filed with the Company's Current Report on Form 8-K filed on October 11, 2006.
- (10) Incorporated by reference to exhibit 10.1 filed with the Company's Current Report on Form 8-K/A filed on December 1, 2006.

(*) Filed herewith.

(+) Management contract or compensatory plan or arrangement required to be filed pursuant to Item 601 of Regulation S-K.

30

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

By: /s/ Joseph C. Muscari
Joseph C. Muscari
Chairman and Chief Executive Officer

February 27, 2008

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant in the capacities and on the dates indicated:

| <u>SIGNATURE</u> | <u>TITLE</u> | <u>DATE</u> |
|---|--|-------------------|
| <u>/s/ Joseph C. Muscari</u> Joseph C. Muscari | Chairman and Chief Executive Officer (principal executive officer) | February 27, 2008 |
| <u>/s/ John A. Sorel</u> John A. Sorel | Senior Vice President-Finance and Chief Financial Officer (principal financial officer) | February 27, 2008 |
| <u>/s/ Michael A. Cipolla</u> Michael A. Cipolla | Vice President - Controller and Chief Accounting Officer (principal accounting officer) | February 27, 2008 |

| <u>SIGNATURE</u> | <u>TITLE</u> | <u>DATE</u> |
|--|--------------|-------------------|
| <u>/s/ Paula H.J. Cholmondeley</u> Paula H. J. Cholmondeley | Director | February 27, 2008 |
| <u>/s/ Duane R. Dunham</u> Duane R. Dunham | Director | February 27, 2008 |
| <u>/s/ Steven J. Golub</u> Steven J. Golub | Director | February 27, 2008 |

| | | |
|--------------------------|----------|-------------------|
| /s/ Kristina M. Johnson* | Director | February 27, 2008 |
| Kristina M. Johnson | | |
| | | |
| /s/ Michael F. Pasquale | Director | February 27, 2008 |
| Michael F. Pasquale | | |
| | | |
| /s/ John T. Reid | Director | February 27, 2008 |
| John T. Reid | | |
| | | |
| /s/ William C. Stivers | Director | February 27, 2008 |
| William C. Stivers | | |

*By Attorney-in-Fact

MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

| Audited Financial Statements: | <u>Page</u> |
|--|-------------|
| Consolidated Balance Sheets as of December 31, 2007 and 2006 | F-2 |
| Consolidated Statements of Operations for the years ended December 31, 2007, 2006, and 2005 | F-3 |
| Consolidated Statements of Cash Flows for the years ended December 31, 2007, 2006, and 2005 | F-4 |
| Consolidated Statements of Shareholders' Equity for the years ended December 31, 2007, 2006 and 2005 | F-5 |
| Notes to Consolidated Financial Statements | F-6 |
| Reports of Independent Registered Public Accounting Firm | F-33 |
| Management's Report on Internal Control Over Financial Reporting | F-35 |

MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEETS
(thousands of dollars)

| | December 31, | |
|--|---------------------|--------------|
| | 2007 | 2006 |
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 128,985 | \$ 67,929 |
| Short-term investments, at cost which approximates market | 9,697 | 8,380 |
| Accounts receivable, less allowance for doubtful accounts: | | |
| 2007 - \$3,223; 2006 - \$4,550 | 180,868 | 188,784 |
| Inventories | 103,373 | 129,894 |
| Prepaid expenses and other current assets | 22,773 | 16,775 |
| Assets held for disposal | 27,614 | -- |
| Total current assets | 473,310 | 411,762 |
| Property, plant and equipment, less accumulated depreciation and depletion | 489,386 | 652,797 |
| Goodwill | 71,964 | 68,977 |
| Prepaid pension costs | 53,667 | 25,717 |
| Other assets and deferred charges | 40,566 | 33,871 |
| Total assets | \$ 1,128,893 | \$ 1,193,124 |
| Liabilities and Shareholders' Equity | | |
| Current liabilities: | | |
| Short-term debt | \$ 9,518 | \$ 87,644 |
| Current maturities of long-term debt | 7,210 | 2,063 |
| Accounts payable | 66,084 | 60,963 |
| Income taxes payable | 3,826 | 9,425 |
| Accrued compensation and related items | 26,714 | 22,569 |
| Restructuring liabilities | 14,479 | -- |
| Other current liabilities | 34,517 | 29,399 |
| Liabilities of assets held for disposal | 4,801 | -- |
| Total current liabilities | 167,149 | 212,063 |
| Long-term debt | 111,006 | 113,351 |
| Accrued pension and postretirement benefits | 42,412 | 55,419 |
| Deferred taxes on income | 2,539 | 18,605 |
| Other non-current liabilities | 54,614 | 41,129 |
| Total liabilities | 377,720 | 440,567 |
| Commitments and contingent liabilities (Notes 18 and 19) | | |
| 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 28,539,812 shares in 2007 and 28,102,001 shares in 2006 | 2,854 | 2,810 |
| Additional paid-in capital | 294,367 | 269,101 |
| Retained earnings | 802,096 | 867,512 |
| Accumulated other comprehensive income (loss) | 45,365 | (21,248) |
| Less common stock held in treasury, at cost; 9,449,673 | | |
| shares in 2007 and 9,016,473 shares in 2006 | (393,509) | (365,618) |
| Total shareholders' equity | 751,173 | 752,557 |
| Total liabilities and shareholders' equity | \$ 1,128,893 | \$ 1,193,124 |

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

MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(thousands of dollars, except per share data)

| | Year Ended December 31, | | |
|---|--------------------------------|--------------|-------------|
| | 2007 | 2006 | 2005 |
| Net sales | \$ 1,077,721 | \$ 1,023,544 | \$ 956,827 |
| Cost of goods sold | 845,136 | 798,730 | 743,996 |
| Production margin | 232,585 | 224,814 | 212,831 |
| Marketing and administrative expenses | 104,649 | 104,633 | 98,160 |
| Research and development expenses | 26,348 | 27,753 | 27,038 |
| Impairment of assets | 94,070 | -- | 265 |
| Restructuring and other costs | 16,017 | -- | -- |
| Income (loss) from operations | (8,499) | 92,428 | 87,368 |
| Interest income | 3,083 | 1,762 | 1,384 |
| Interest expense | (8,701) | (8,319) | (6,042) |
| Foreign exchange gains (losses) | 513 | (268) | (450) |
| Other income (deductions) | 2,105 | 955 | 1,279 |
| Non-operating deductions, net | (3,000) | (5,870) | (3,829) |
| Income (loss) before provision for taxes on income, minority interests and discontinued operations | (11,499) | 86,558 | 83,539 |
| Provision for taxes on income | 11,266 | 26,992 | 25,157 |
| Minority interests | 2,904 | 3,441 | 1,732 |
| Income (loss) from continuing operations | (25,669) | 56,125 | 56,650 |
| Loss from discontinued operations, net of tax | (37,845) | (6,174) | (3,386) |
| Net income | \$ (63,514) | \$ 49,951 | \$ 53,264 |

Earnings per share:

| | | | |
|--|-----------|---------|---------|
| Basic: | | | |
| Income (loss) from continuing operations | \$ (1.34) | \$ 2.86 | \$ 2.78 |
| Loss from discontinued operations | (1.97) | (0.31) | (0.16) |
| Basic earnings (loss) per share | \$ (3.31) | \$ 2.55 | \$ 2.62 |
| Diluted: | | | |
| Income (loss) from continuing operations | \$ (1.34) | \$ 2.84 | \$ 2.75 |
| Loss from discontinued operations | (1.97) | (0.31) | (0.16) |
| Diluted earnings (loss) per share | \$ (3.31) | \$ 2.53 | \$ 2.59 |

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

MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(thousands of dollars)

| | Year Ended December 31, | | |
|-----------------------------------|--------------------------------|-------------|-------------|
| | 2007 | 2006 | 2005 |
| Operating Activities | | | |
| Net income (loss) | \$ (63,514) | \$ 49,951 | \$ 53,264 |
| Loss from discontinued operations | (37,845) | (6,174) | (3,386) |
| | (25,669) | 56,125 | 56,650 |

| | | | |
|---|------------|-----------|-----------|
| Income (loss) from continuing operations | (20,000) | 30,120 | 30,000 |
| Adjustments to reconcile income (loss) from continuing operations to net cash provided by operating activities: | | | |
| Depreciation, depletion and amortization | 84,565 | 80,535 | 71,777 |
| Impairment of assets | 94,070 | -- | 265 |
| Loss on disposal of property, plant and equipment | 1,639 | 839 | 1,198 |
| Deferred income taxes | (15,148) | 4,345 | 6,328 |
| Provisions for bad debts | (49) | 377 | (518) |
| Stock-based compensation | 4,196 | 4,015 | 2,066 |
| Other | 2,729 | 3,475 | 2,124 |
| Changes in operating assets and liabilities, net of effects of acquisitions: | | | |
| Accounts receivable | 15,281 | 5,148 | (33,553) |
| Inventories | 15,223 | (2,744) | (16,638) |
| Prepaid expenses and other current assets | (923) | 2,951 | 280 |
| Pension plan funding | (24,050) | (22,348) | (12,874) |
| Accounts payable | 4,049 | (6,268) | 7,224 |
| Restructuring liabilities | 14,479 | -- | -- |
| Income taxes payable | 3,956 | 3,040 | (6,080) |
| Tax benefits related to stock incentive programs | 2,649 | 590 | 2,138 |
| Other | 4,227 | 8,885 | (419) |
| Net cash provided by continuing operations | 181,224 | 138,965 | 79,968 |
| Net cash used in discontinued operations | (1,533) | (3,366) | (1,451) |
| Net cash provided by operations | 179,691 | 135,599 | 78,517 |
| Investing Activities | | | |
| Purchases of property, plant and equipment | (46,072) | (57,426) | (94,542) |
| Purchases of short-term investments | (14,798) | (12,590) | (2,350) |
| Proceeds from sales of short-term investments | 14,147 | 6,440 | 7,200 |
| Proceeds from disposal of property, plant and equipment | 354 | 675 | 311 |
| Proceeds from insurance settlement | 3,000 | 2,398 | -- |
| Acquisition of businesses, net of cash acquired | -- | (32,416) | (3,170) |
| Net cash used in investing activities - continuing operations | (43,369) | (92,919) | (92,551) |
| Net cash used in investing activities - discontinued operations | (3,376) | (27,733) | (16,997) |
| Net cash used in investing activities | (46,745) | (120,652) | (109,548) |
| Financing Activities | | | |
| Proceeds from issuance of long-term debt | 7,741 | 75,000 | -- |
| Repayment of long-term debt | (5,411) | (53,754) | (3,825) |
| Net proceeds from issuance (repayment) of short-term debt | (78,206) | 24,797 | 32,847 |
| Purchase of common shares for treasury | (25,339) | (53,372) | (47,618) |
| Cash dividends paid | (3,845) | (3,911) | (4,070) |
| Proceeds from issuance of stock under option plan | 17,953 | 3,741 | 8,747 |
| Excess tax benefits related to stock incentive programs | 889 | 152 | -- |
| Indemnification proceeds from former parent company | -- | 4,500 | -- |
| Debt issuance costs | -- | (190) | -- |
| Net cash used in financing activities | (86,218) | (3,037) | (13,919) |
| Effect of exchange rate changes on cash and cash equivalents | 14,328 | 4,919 | (9,717) |
| Net increase (decrease) in cash and cash equivalents | 61,056 | 16,829 | (54,667) |
| Cash and cash equivalents at beginning of year | 67,929 | 51,100 | 105,767 |
| Cash and cash equivalents at end of year | \$ 128,985 | \$ 67,929 | \$ 51,100 |
| Non-cash Investing and Financing Activities: | | | |
| Tax liability on indemnification proceeds from former parent company | \$ -- | \$ 1,782 | \$ -- |
| Property, plant and equipment additions related to asset retirement obligations | \$ -- | \$ -- | \$ 839 |
| Treasury stock purchases settled after year-end | \$ 2,552 | \$ -- | \$ -- |

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

MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(in thousands)

| | Common Stock Par Value | Additional Paid-in Capital | Deferred Compensation | Retained Earnings | Accumulated Other Comprehensive Income (Loss) | Treasury Stock at Cost | Total |
|---|------------------------------|----------------------------------|--------------------------|----------------------|--|---------------------------|----------------|
| <i>Balance as of January 1, 2005</i> | \$ 2,778 | \$ 248,230 | \$ (2,088) | \$ 779,397 | \$ 35,624 | \$ (264,628) | \$ 799,313 |
| Comprehensive income: | | | | | | | |
| Net income | -- | -- | -- | 53,264 | -- | -- | 53,264 |
| Currency translation adjustment | -- | -- | -- | -- | (43,648) | -- | (43,648) |
| Additional minimum liability | -- | -- | -- | -- | 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 | 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 | -- | -- | -- | -- | -- | (47,618) | (47,618) |
| <i>Balance as of December 31, 2005</i> | <u>2,800</u> | <u>261,159</u> | <u>(3,263)</u> | <u>828,591</u> | <u>(5,879)</u> | <u>(312,246)</u> | <u>771,162</u> |
| Comprehensive Income: | | | | | | | |
| Net income | -- | -- | -- | 49,951 | -- | -- | 49,951 |
| Currency translation adjustment | -- | -- | -- | -- | 35,924 | -- | 35,924 |
| Additional minimum liability | -- | -- | -- | -- | 2,988 | -- | 2,988 |
| Cash flow hedge: | | | | | | | |
| Net derivative losses arising during the year | -- | -- | -- | -- | (62) | -- | (62) |
| Reclassification adjustment | -- | -- | -- | -- | 124 | -- | 124 |
| Total comprehensive income | -- | -- | -- | 49,951 | 38,974 | -- | 88,925 |
| Dividends declared | -- | -- | -- | (3,911) | -- | -- | (3,911) |
| Opening retained earnings adjustment due | | | | | | | |
| to adoption of EITF 04-06 | -- | -- | -- | (7,119) | -- | -- | (7,119) |
| Employee Benefit transactions | 10 | 3,731 | -- | -- | -- | -- | 3,741 |
| Income tax benefit arising from employee | | | | | | | |
| stock option plans | -- | 741 | -- | -- | -- | -- | 741 |
| Reclassification of unearned compensation | -- | (3,263) | 3,263 | -- | -- | -- | -- |
| Amortization of restricted stock | -- | 1,679 | -- | -- | -- | -- | 1,679 |
| Indemnity proceeds, net of tax | -- | 2,718 | -- | -- | -- | -- | 2,718 |
| Adjustment to initially apply SFAS 158, | | | | | | | |
| net of tax | -- | -- | -- | -- | (54,343) | -- | (54,343) |
| Stock option expenses | -- | 2,336 | -- | -- | -- | -- | 2,336 |
| Purchase of common stock for treasury | -- | -- | -- | -- | -- | (53,372) | (53,372) |
| <i>Balance as of December 31, 2006</i> | <u>2,810</u> | <u>269,101</u> | <u>--</u> | <u>867,512</u> | <u>(21,248)</u> | <u>(365,618)</u> | <u>752,557</u> |
| Comprehensive Income (loss): | | | | | | | |
| Net income (loss) | -- | -- | -- | (63,514) | -- | -- | (63,514) |

| | | | | | | | |
|---|-----------------|-------------------|--------------|-------------------|------------------|---------------------|-------------------|
| Currency translation adjustment | -- | -- | -- | -- | 48,488 | -- | 48,488 |
| Unamortized gains and prior service cost | -- | -- | -- | -- | 18,106 | -- | 18,106 |
| Cash flow hedge: | | | | | | | |
| Net derivative losses arising during the year | -- | -- | -- | -- | (43) | -- | (43) |
| Reclassification adjustment | -- | -- | -- | -- | 62 | -- | 62 |
| Total comprehensive income (loss) | -- | -- | -- | (63,514) | 66,613 | -- | 3,099 |
| Dividends declared | -- | -- | -- | (3,845) | -- | -- | (3,845) |
| Opening retained earnings adjustment due to adoption of FIN 48 (Note 5) | -- | -- | -- | 1,943 | -- | -- | 1,943 |
| Employee benefit transactions | 44 | 17,909 | -- | -- | -- | -- | 17,953 |
| Income tax benefit arising from employee stock option plans | -- | 3,161 | -- | -- | -- | -- | 3,161 |
| Amortization of restricted stock | -- | 1,813 | -- | -- | -- | -- | 1,813 |
| Stock option expenses | -- | 2,383 | -- | -- | -- | -- | 2,383 |
| Purchase of common stock for treasury | -- | -- | -- | -- | -- | (27,891) | (27,891) |
| Balance as of December 31, 2007 | <u>\$ 2,854</u> | <u>\$ 294,367</u> | <u>\$ --</u> | <u>\$ 802,096</u> | <u>\$ 45,365</u> | <u>\$ (393,509)</u> | <u>\$ 751,173</u> |

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

MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES
NOTES OF CONSOLIDATED FINANCIAL 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.

Certain reclassifications were made to prior year amounts to conform with the current year presentation. See Note 4, "Discontinued Operations" for further information.

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 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, and other manufacturing industries.

Cash Equivalents and Short-term Investments

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Cash equivalents amounted to \$4.7 million and \$4.0 million at December 31, 2007 and 2006, respectively. Short-term investments consist of financial instruments with original maturities beyond three months. Short-term investments amounted to \$9.7 million and \$8.4 million at December 31, 2007 and 2006, 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 based on payment terms 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.

Additionally, as required by SFAS No. 151, "Inventory Costs - an Amendment of ARB No. 43, Chapter 4," items such as idle facility expense, excessive spoilage, freight handling costs and re-handling costs are recognized as current period charges. The allocation of fixed production overheads to the costs of conversion are based upon the normal capacity of the production facility. Fixed overhead costs associated with idle capacity are expensed as incurred.

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 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. The Company's sales of PCC are predominantly

F-6

MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES NOTES OF CONSOLIDATED FINANCIAL STATEMENTS

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. 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, based upon proven and probable reserves, and on a percentage depletion basis of tax purposes.

Stripping Costs Incurred During Production

The Company accounts for stripping costs in accordance with the consensus of Emerging Issues Task Force ("EITF") Issue No. 04-06, "Accounting for Stripping Costs Incurred During Production in the Mining Industry." Stripping costs are those costs incurred for the removal of waste materials for the purpose of accessing ore body that will be produced commercially. Stripping costs incurred during the production phase of a mine are variable costs that are included in the costs of inventory produced during the period that the stripping costs are incurred.

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," and EITF 04-3, "Mining Assets: Impairment and Business Combinations." 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 unit 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" and under the provisions of FASB Interpretation No. 47, "Accounting for Conditional 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. FASB Interpretation No. 47 includes 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.

F-7

Derivative Financial Instruments

The Company accounts for derivative financial instruments which are used to hedge certain foreign exchange risk in accordance with 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. The Company also has 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. 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, 2007, 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 Company accounts for uncertain tax positions in accordance with FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48"), an interpretation of FASB Statement No. 109 ("SFAS 109"). The application of income tax law is inherently complex. Laws and regulations in this area are voluminous and are often ambiguous. As such, we are required to make many subjective assumptions and judgements regarding our income tax exposures. Interpretations of and guidance surrounding income tax laws and regulations change over time. As such, changes in our subjective assumptions and judgements can materially affect amounts recognized in the consolidated balance sheets and statements of income. The Company's accounting policy is to recognize interest and penalties as part of its provision for income taxes. See Note 5 to the consolidated financial statements, "Income Taxes," for additional detail on our uncertain tax positions.

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.

Accounting for Stock-Based Compensation

The Company accounts for share-based compensation in accordance with SFAS No. 123R, "Share-Based Payment." Under the provisions of SFAS No. 123R, the Company recognizes compensation expense for share-based awards based upon the grant date fair value over the vesting period.

F-8

MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES NOTES OF CONSOLIDATED FINANCIAL STATEMENTS

Pension and Post-retirement Benefits

The Company has defined benefit pension plans covering the majority of its employees. The benefits are generally 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

The Company has a 2001 Stock Award and Incentive Plan (the "Plan"), which provides for grants of incentive and non-qualified stock options, restricted stock, 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 generally have a ten year term. The exercise price for stock options are at prices at or above 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.

Effective January 1, 2006, the Company adopted the fair value recognition provisions of SFAS No. 123R, "Share-Based Payments," using the modified prospective method. Under this transition method, stock-based compensation expense was recognized in the consolidated financial statements for stock options granted on and subsequent to January 1, 2006 based on the grant date fair value estimated in accordance with the provisions of SFAS No. 123R, and the estimated expense for the portion vesting in the period for options granted prior to, but not vested as of January 1, 2006, based on the grant date fair value estimated in accordance with the original provisions of SFAS No. 123. As provided under the modified prospective method, results for prior periods have not been restated. The cumulative effect of the adoption of SFAS No. 123R did not have a significant impact on the financial statements.

Net income (loss) for years ended 2007 and 2006 include \$2.4 million and \$2.3 million pretax compensation costs, respectively, related to stock option expense as a component of marketing and administrative expenses. All stock option expense is recognized in income. The related tax benefit included in the statement of operations on the non-qualified stock options is \$0.6 million and \$0.5 million for 2007 and 2006, respectively.

Prior to the adoption of SFAS No. 123R, all income tax benefits resulting from the exercise of stock options were presented as operating cash inflows in the consolidated statements of cash flows. As required under SFAS No. 123R, the benefits of tax deductions in excess of the tax benefit of compensation costs recognized or would have been recognized under SFAS No. 123 for those options are classified as financing inflows on the consolidated statement of cash flows.

The following table shows the pro forma effects on net income and earnings per share for the year ended December 31, 2005 had compensation cost been recognized in accordance with SFAS No. 123, as amended by SFAS No. 148 "Accounting for Stock-Based Compensation - Transition and Disclosure."

F-9

MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES
NOTES OF CONSOLIDATED FINANCIAL STATEMENTS

| (in millions, except per share data) | Dec. 31, 2005 |
|---|--------------------------|
| Net income, as reported | \$ 53.3 |
| Add: Stock-based employee compensation included in reported net income, net of related tax effects | 0.6 |
| Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects | <u>(2.1)</u> |
| Pro forma net income | <u>\$ 51.8</u> |
| Basic EPS | |
| Net income, as reported | \$ 2.62 |
| Pro forma net income | \$ 2.54 |
| Diluted EPS | |
| Net income, as reported | \$ 2.59 |
| Pro forma net income | \$ 2.52 |

Disclosures for the periods ended December 31, 2007 and December 31, 2006 are not presented because the amounts are recognized in the consolidated financial statements.

Stock Options

The fair value of options granted is estimated on the date of grant using the Black-Scholes valuation model. Compensation expense is recognized only for those options expected to vest, with forfeitures estimated at the date of grant based on the Company's historical experience and future expectations. The forfeiture rate assumption used for the period ended December 31, 2007 was approximately 8%.

The weighted average grant date fair value for stock options granted during the years ended December 31, 2007, 2006 and 2005 was \$21.61, \$18.97 and \$24.13, respectively. The weighted average grant date fair value for stock options vested during 2007 and 2006 was \$20.83. The total intrinsic value of stock options exercised during the years ended December 31, 2007 and 2006 was \$9.4 million and \$1.8 million, respectively.

The fair value for stock awards was estimated at the date of grant using the Black-Scholes option valuation model with the following weighted average assumptions for the years ended December 31, 2007, 2006 and 2005:

| | <u>2007</u> | <u>2006</u> | <u>2005 (pro forma)</u> |
|-------------------------|-------------|-------------|-----------------------------|
| Expected life (years) | 6.5 | 6.4 | 7.0 |
| Interest rate | 4.50 % | 4.63 % | 4.36 % |
| Volatility | 25.10 % | 24.78 % | 28.72 % |
| Expected dividend yield | 0.26 % | 0.37 % | 0.32 % |

The expected term of the options represents the estimated period of time until exercise and is based on historical experience of similar awards, based upon contractual terms, vesting schedules, and expectations of future employee behavior. The expected stock-price volatility is based upon the historical volatility of the Company's stock. The interest rate is based upon the implied yield on U.S. Treasury bills with an equivalent remaining term. Estimated dividend yield is based upon historical dividends paid by the Company.

MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES
NOTES OF CONSOLIDATED FINANCIAL STATEMENTS

The following table summarizes stock option activity for the year ended December 31, 2007:

| | <u>Shares</u> | <u>Weighted Average Exercise Price Per Share</u> | <u>Weighted Average Remaining Contractual Life (Years)</u> | <u>Aggregate Intrinsic Value (in thousands)</u> |
|--------------------------------|----------------|--|--|---|
| Balance January 1, 2007 | 1,152,069 | \$ 46.44 | | |
| Granted | 146,100 | 61.19 | | |
| Exercised | (433,965) | 43.01 | | |
| Canceled | (24,489) | 55.67 | | |
| Balance December 31, 2007 | <u>839,715</u> | <u>\$ 50.51</u> | <u>5.03</u> | <u>\$ 13,805</u> |
| Exercisable, December 31, 2007 | <u>603,787</u> | <u>\$ 47.20</u> | <u>2.81</u> | <u>\$ 11,925</u> |

The aggregate intrinsic value above is before applicable income taxes, based on the Company's closing stock price of \$66.95 as of the last business day of the period ended December 31, 2007 had all options been exercised on that date. The weighted average intrinsic value of the options exercised during 2007 and 2006 was \$21.70 and \$17.48, respectively. As of December 31, 2007, total unrecognized stock-based compensation expense related to nonvested stock options was approximately \$2.5 million, which is expected to be recognized over a weighted average period of approximately three years.

The Company issues new shares of common stock upon the exercise of stock options.

Non-vested stock option activity for the year ended December 31, 2007 is as follows:

| | <u>Shares</u> | <u>Weighted Average Exercise Price Per Share</u> |
|--|----------------|--|
| Nonvested options outstanding at December 31, 2006 | 226,889 | \$ 55.50 |
| Options granted | 146,100 | 61.19 |
| Options vested | (113,583) | 55.47 |
| Options forfeited | (23,478) | 56.09 |
| Nonvested options outstanding, December 31, 2007 | <u>235,928</u> | <u>\$ 58.98</u> |

The following table summarizes additional information concerning options outstanding at December 31, 2007:

| <u>Options Outstanding</u> | | | | <u>Options Exercisable</u> | |
|-------------------------------------|---|--|--|---|--|
| <u>Range of Exercise Prices</u> | <u>Number Outstanding at 12/31/07</u> | <u>Weighted Average Remaining Contractual Term (Years)</u> | <u>Weighted Average Exercise Price</u> | <u>Number Exercisable at 12/31/07</u> | <u>Weighted Average Exercise Price</u> |
| \$ 34.825 - \$ 44.156 | 220,629 | 1.4 | \$ 38.78 | 220,629 | \$ 38.78 |
| \$ 46.625 - \$ 54.225 | 417,120 | 5.5 | \$ 51.53 | 345,620 | \$ 51.02 |
| \$ 55.840 - \$ 66.000 | 201,966 | 8.0 | \$ 61.20 | 37,538 | \$ 61.47 |
| <u>\$ 34.825 - \$ 66.000</u> | <u>839,715</u> | <u>5.0</u> | <u>\$ 50.51</u> | <u>603,787</u> | <u>\$ 47.20</u> |

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 "Plan"). The rights will be deferred for a specified number of years of service, subject to restrictions on transfer and other conditions. Under the provisions of SFAS No. 123R compensation expense for these shares is recognized over the vesting period. The Company granted 87,650 shares and 50,300 shares for the periods ended December 31, 2007 and 2006, respectively. The fair value was determined based on the market value of unrestricted shares. The discount for the restriction was not significant. As of December 31, 2007, there was unrecognized stock-based compensation related to restricted stock of \$4.7 million, which will be recognized over approximately the next three years. The compensation expense amortized with respect to all units was approximately \$2.8 million and \$1.7 million for the periods ended December 31, 2007 and 2006, respectively. In addition, the Company recorded \$1.0 million in reversals related to restricted stock forfeitures. Such costs and reversals are included in marketing and administrative expenses. There were 33,363 restricted stock shares that were vested as of December 31, 2007.

MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES
NOTES OF CONSOLIDATED FINANCIAL STATEMENTS

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

| | <u>Shares</u> | <u>Weighted Average Grant Date Fair Value</u> |
|---------------------------------------|-----------------------|---|
| Unvested balance at December 31, 2006 | 134,800 | \$ 55.61 |
| Granted | 87,650 | \$ 61.27 |
| Vested | 33,363 | \$ 55.42 |
| Canceled | <u>55,554</u> | <u>\$ 56.56</u> |
| Unvested balance at December 31, 2007 | <u><u>133,533</u></u> | <u><u>\$ 58.98</u></u> |

Note 3. Earnings Per Share (EPS)

(thousand of dollars, except per share amounts)

| | <u>2007</u> | <u>2006</u> | <u>2005</u> |
|--|--------------------|------------------|------------------|
| Basic EPS | | | |
| Income (loss) from continuing operations | \$ (25,669) | \$ 56,125 | \$ 56,650 |
| Loss from discontinued operations | (37,845) | (6,174) | (3,386) |
| Net income (loss) | <u>\$ (63,514)</u> | <u>\$ 49,951</u> | <u>\$ 53,264</u> |
| Weighted average shares outstanding | 19,190 | 19,600 | 20,345 |
| Basic earnings (loss) per share from continuing operations | \$ (1.34) | \$ 2.86 | \$ 2.78 |
| Basic earnings (loss) per share from discontinued operations | (1.97) | (0.31) | (0.16) |
| Basic earnings (loss) per share | <u>\$ (3.31)</u> | <u>\$ 2.55</u> | <u>\$ 2.62</u> |
| Diluted EPS | | | |
| Income (loss) from continuing operations | \$ (25,669) | \$ 56,125 | \$ 56,650 |
| Loss from discontinued operations | (37,845) | (6,174) | (3,386) |
| Net income (loss) | <u>\$ (63,514)</u> | <u>\$ 49,951</u> | <u>\$ 53,264</u> |
| Weighted average shares outstanding | 19,190 | 19,600 | 20,345 |
| Dilutive effect of stock options | -- | 138 | 222 |
| Weighted average shares outstanding, adjusted | <u>19,190</u> | <u>19,738</u> | <u>20,567</u> |
| Diluted earnings (loss) per share from continuing operations | \$ (1.34) | \$ 2.84 | \$ 2.75 |
| Diluted earnings (loss) per share from discontinued operations | (1.97) | (0.31) | (0.16) |
| Diluted earnings (loss) per share | <u>\$ (3.31)</u> | <u>\$ 2.53</u> | <u>\$ 2.59</u> |

The weighted average diluted common shares outstanding for the year ended December 31, 2007 excludes the dilutive effect of stock options and restricted stock, as inclusion of these would be anti-dilutive. Additionally, options to purchase 154,133 shares and 371,587 shares of common stock for the years ended December 31, 2007 and December 31, 2006, respectively, were not included in the computation of diluted earnings per share because they were anti-dilutive, as the exercise prices of the options were greater than the average market price of the common shares.

Note 4. Discontinued Operations

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

Accordingly, during the fourth quarter of 2007, the Company classified its Synsil operations and its plants at Mount Vernon and Wellsville as discontinued operations. These operations were part of the Company's Specialty Minerals segment. The assets of these operations are held and available for sale. The Company expects the sale of these assets to be completed within a one-year time frame. The Company does not anticipate the ongoing cash flows of these operations until disposition to be material.

In April 2006, the Company ceased operation at its one-unit satellite PCC facility in Hadera, Israel. In the fourth quarter, the Company recorded a loss from discontinued operations of approximately \$1.7 million upon liquidation of its investment

MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES
NOTES OF CONSOLIDATED FINANCIAL STATEMENTS

in Israel. This loss was predominantly related to the recognition of foreign currency translation losses previously recognized in accumulated other comprehensive income (loss).

The consolidated financial statements for all prior periods presented have been reclassified to reflect these businesses in discontinued operations.

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

| Thousands of Dollars | <u>2007</u> | <u>2006</u> | <u>2005</u> |
|---|-------------|-------------|-------------|
| Net sales | \$ 30,187 | \$ 37,232 | \$ 39,011 |
| Production margin | (5,238) | (3,432) | (1,800) |
| Expenses | 4,129 | 4,035 | 3,738 |
| Impairment of assets | 46,878 | -- | -- |
| Restructuring and other costs | 2,317 | -- | -- |
| Loss from operations | \$ (58,562) | \$ (7,467) | \$ (5,538) |
| Other income | \$ 82 | \$ 481 | \$ 284 |
| Foreign currency translation | | | |
| loss from liquidation of investment | \$ -- | \$ (1,563) | \$ -- |
| Provision (benefit) for taxes on income | \$ (20,635) | \$ (2,375) | \$ (1,868) |
| Loss from discontinued operations, net of tax | \$ (37,845) | \$ (6,174) | \$ (3,386) |

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

| Thousands of Dollars | <u>2007</u> |
|---|-------------|
| Assets: | |
| Accounts receivable | \$ 4,328 |
| Inventories | 10,146 |
| Property, plant and equipment, net | 11,507 |
| Goodwill | 1,629 |
| Other assets | 4 |
| Assets held for disposal | \$ 27,614 |
| Liabilities: | |
| Accounts payable | \$ 2,897 |
| Accrued liabilities | 1,904 |
| Liabilities of assets held for disposal | \$ 4,801 |

Note 5. Income Taxes

Income (loss) before provision for taxes, minority interests, and discontinued operations by domestic and foreign source is as follows:

| Thousands of Dollars | <u>2007</u> | <u>2006</u> | <u>2005</u> |
|---|-------------|-------------|-------------|
| Domestic | \$ 8,243 | \$ 48,074 | \$ 46,615 |
| Foreign | (19,742) | 38,484 | 36,924 |
| Total income (loss) before provision for income taxes | \$ (11,499) | \$ 86,558 | \$ 83,539 |

F-13

MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES NOTES OF CONSOLIDATED FINANCIAL STATEMENTS

The provision for taxes on income consists of the following:

| Thousands of Dollars | <u>2007</u> | <u>2006</u> | <u>2005</u> |
|-----------------------------|-------------|-------------|-------------|
| Domestic | | | |
| Taxes currently payable | | | |
| Federal | \$ 11,257 | \$ 8,609 | \$ 7,733 |
| State and local | 1,362 | 2,877 | 876 |
| Deferred income taxes | (9,955) | 5,044 | 7,144 |
| Domestic tax provision | 2,664 | 16,530 | 15,753 |
| Foreign | | | |
| Taxes currently payable | 13,795 | 11,161 | 10,220 |
| Deferred income taxes | (5,193) | (699) | (816) |
| Foreign tax provision | 8,602 | 10,462 | 9,404 |
| Total tax provision | \$ 11,266 | \$ 26,992 | \$ 25,157 |

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 | <u>2007</u> | <u>2006</u> | <u>2005</u> |
|---|--------------------|--------------------|--------------------|
| U.S. statutory tax rate | (35.0)% | 35.0 % | 35.0 % |
| Depletion | (31.3) | (4.9) | (4.6) |
| Difference between tax provided on foreign earnings and the U.S. statutory rate | (15.0) | (3.5) | (4.2) |
| Foreign restructuring and impairment losses with no tax benefit | 145.3 | -- | -- |
| State and local taxes, net of Federal tax benefit | 6.2 | 2.6 | 1.7 |
| Tax credits and foreign dividends | 6.1 | 0.8 | 2.2 |
| Increase in valuation allowance | 4.6 | 1.2 | -- |
| Impact of FIN 48 | 8.2 | -- | -- |
| Other | 8.9 | (0.1) | -- |
| Consolidated effective tax rate | <u>98.0 %</u> | <u>31.1 %</u> | <u>30.1%</u> |

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 | <u>2007</u> | <u>2006</u> |
|--|--------------------|--------------------|
| Deferred tax assets: | | |
| State and local taxes | \$ 3,409 | \$ 2,593 |
| Accrued expenses | 10,085 | 8,771 |
| Deferred expenses | 233 | 1,399 |
| Net operating loss carry forwards | 3,502 | 13,236 |
| Pension and post-retirement benefits costs | 87 | 15,268 |
| Other | 17,595 | 11,107 |
| Total deferred tax assets | <u>\$ 34,911</u> | <u>\$ 52,374</u> |

F-14

MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES
NOTES OF CONSOLIDATED FINANCIAL STATEMENTS

| Thousands of Dollars | <u>2007</u> | <u>2006</u> |
|---|--------------------|--------------------|
| Deferred tax liabilities: | | |
| Plant and equipment, principally due to differences in depreciation | \$ 15,689 | \$ 56,628 |
| Other | 11,748 | 11,538 |
| Total deferred tax liabilities | <u>27,437</u> | <u>68,166</u> |
| Net deferred tax (assets) liabilities | <u>\$ (7,474)</u> | <u>\$ 15,792</u> |

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

| Thousands of Dollars | <u>2007</u> | <u>2006</u> |
|---|--------------------|--------------------|
| Net deferred tax assets, current | \$ (7,974) | \$ (2,813) |
| Net deferred assets, long term | (2,039) | -- |
| Net deferred tax liabilities, long-term | 2,539 | 18,605 |
| | <u>\$ (7,474)</u> | <u>\$ 15,792</u> |

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

The Company established a valuation allowance of approximately \$0.5 million as of December 31, 2007. This valuation allowance relates to net operating loss carry forwards in Mexico where there is an uncertainty regarding its realizability.

The Company recorded \$3.5 million of deferred tax assets arising from tax loss carry forwards which will be realized through future operations. Carry forwards of approximately \$0.3 million expires in 5 years, \$1.2 million expire over the next 15 years, and \$2 million can be utilized over an indefinite period.

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

As of the date of adoption of FIN 48, the Company had approximately \$9.0 million of total unrecognized income tax benefits and \$2.3 million of interest and penalties. On December 31, 2007, the Company had \$10.4 million of total unrecognized tax benefits. Included in this amount were a total of \$6 million of unrecognized income tax benefits that, if recognized, would affect the Company's effective tax rate. While it is expected that the amount of unrecognized tax

benefits will change in the next 12 months, we do not expect the change to have a significant impact on the results of operations or the financial position of the Company.

The following table summarizes the activity related to our unrecognized tax benefits:

(Thousands of Dollars)

| | | |
|---|----|---------------|
| Balance as of January 1, 2007 | \$ | 9,035 |
| Increases related to current year positions | | 1,390 |
| Decreases related to new judgements | | (109) |
| Decreases related to audit settlements | | (397) |
| Other | | 476 |
| Balance as of December 31, 2007 | \$ | <u>10,395</u> |

The Company's accounting policy prior to the adoption of FIN 48 and upon the adoption of FIN 48 is to recognize interest and penalties accrued, relating to unrecognized income tax benefits as part of its provision for income taxes. The Company accrued \$0.6 million of interest and penalties during 2007 and have a total accrued balance on December 31, 2007 of \$2.9 million.

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

**MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES
NOTES OF CONSOLIDATED FINANCIAL STATEMENTS**

Net cash paid for income taxes were \$16.8 million, \$18.0 million and \$21.2 million for the years ended December 31, 2007, 2006 and 2005, 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 6. Foreign Operations

The Company has not provided for U.S. federal and foreign withholding taxes on \$155.8 million of foreign subsidiaries' undistributed earnings as of December 31, 2007 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 \$155.8 million of foreign earnings were to be repatriated, incremental taxes may be incurred. We do not believe this amount would be more than \$16 million.

Net foreign currency exchange gains (losses), included in non-operating deductions in the Consolidated Statements of Income, were \$513,000, \$(268,000) and \$(450,000) for the years ended December 31, 2007, 2006 and 2005, respectively.

Note 7. Inventories

The following is a summary of inventories by major category:

| Thousands of Dollars | 2007 | 2006 |
|-----------------------------|-------------------|-------------------|
| Raw materials | \$ 41,998 | \$ 60,013 |
| Work in process | 8,134 | 8,321 |
| Finished goods | 31,144 | 38,911 |
| Packaging and supplies | 22,097 | 22,649 |
| Total inventories | <u>\$ 103,373</u> | <u>\$ 129,894</u> |

Note 8. Property, Plant and Equipment

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

| Thousands of Dollars | 2007 | 2006 |
|----------------------------------|------------------|------------------|
| Land | \$ 21,720 | \$ 24,087 |
| Quarries/mining properties | 39,123 | 39,123 |
| Buildings | 161,865 | 173,815 |
| Machinery and equipment | 975,177 | 1,071,046 |
| Construction in progress | 33,478 | 52,107 |
| Furniture and fixtures and other | 120,480 | 118,744 |
| | <u>1,351,843</u> | <u>1,478,922</u> |
| | <i>(862,157)</i> | <i>(826,125)</i> |

| | | |
|--|-------------------|-------------------|
| Less: Accumulated depreciation and depletion | (489,386) | (652,797) |
| Property, plant and equipment, net | <u>\$ 489,386</u> | <u>\$ 652,797</u> |

Depreciation and depletion expense for the years ended December 31, 2007, 2006 and 2005 was \$80.4 million, \$80.5 million, and \$71.8 million, respectively.

F-16

MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES
NOTES OF CONSOLIDATED FINANCIAL STATEMENTS

Note 9. Restructuring Costs

Following an in-depth review of all our operations and development of a new strategic focus, the Company recorded a pre-tax charge of \$16.0 million for restructuring and other costs. The restructuring will result in a total workforce reduction of approximately 200 employees. This charge consists of severance and other employee benefit costs, contract termination costs and other exit costs. The following table reflects components of the restructuring charge:

(millions of dollars)

| | |
|---------------------------------------|----------------|
| Severance and other employee benefits | \$ 13.5 |
| Contract termination costs | 1.8 |
| Other exit costs | <u>0.7</u> |
| Total restructuring and other costs | <u>\$ 16.0</u> |

The restructuring charge also resulted in inventory write-downs of approximately \$0.2 million which are included in cost of goods sold.

Note 10. Acquisitions

In October 2006, the Company acquired all of the outstanding stock of ASMAS, an Istanbul-based Turkish producer of refractories for approximately \$32.4 million in cash. The terms of the acquisition provide for an additional purchase price of up to \$5 million to be paid in 2009 based upon performance criteria through 2008. The operations of this entity have been included in the Refractories segment of the Company's financial statements since the date of the acquisition.

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

| (Millions of Dollars) | <u>2006</u> |
|-------------------------------|--------------------|
| Current assets | \$ 5.1 |
| Property, plant and equipment | 13.5 |
| Intangible assets | 8.6 |
| Goodwill | <u>13.8</u> |
| Total assets acquired | 41.0 |
| Liabilities assumed | <u>8.6</u> |
| Net cash paid | <u>\$ 32.4</u> |

The weighted average amortization period for the acquired intangible assets subject to amortization is approximately 13.5 years. Goodwill associated with this transaction is not tax deductible.

Pro forma financial information has not been presented since this business combination was not material to the Company's total assets or results of operations.

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 power consumption system in electric steelmaking and ladle furnaces. The Company recorded tax-deductible goodwill of approximately \$1.3 million in connection with this acquisition.

Note 11. Goodwill and Other Intangible Assets

The carrying amount of goodwill was \$72.0 million and \$69.0 million as of December 31, 2007 and December 31, 2006, respectively. The net change in goodwill since December 31, 2006 was primarily attributable to the effect of foreign exchange.

F-17

MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES
NOTES OF CONSOLIDATED FINANCIAL STATEMENTS

Acquired intangible assets included in other assets and deferred charges subject to amortization as of December 31, 2007 and December 31, 2005 were as follows:

December 31, 2007

December 31, 2006

| (Millions of Dollars) | December 31, 2007 | | December 31, 2006 | |
|------------------------|-----------------------|--------------------------|-----------------------|--------------------------|
| | Gross Carrying Amount | Accumulated Amortization | Gross Carrying Amount | Accumulated Amortization |
| Patents and trademarks | \$ 7.9 | \$ 2.7 | \$ 7.2 | \$ 1.8 |
| Customer lists | 11.1 | 1.4 | 10.0 | 0.8 |
| Other | 0.4 | 0.1 | 0.1 | -- |
| | <u>\$ 19.4</u> | <u>\$ 4.2</u> | <u>\$ 17.3</u> | <u>\$ 2.6</u> |

The weighted average amortization period for acquired intangible assets subject to amortization is approximately 15 years. Amortization expense was approximately \$1.5 million, \$0.8 million and \$0.3 million for the years ended December 31, 2007, 2006 and 2005, respectively. The estimated amortization expense is \$1.2 million for each of the next five years through 2012.

Included in other assets and deferred charges is an additional intangible asset of approximately \$5.5 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 2007, 2006 and 2005, respectively. Estimated amortization as a reduction of sales is as follows: 2008 - \$1.8 million; 2009 - \$1.5 million; 2010 - \$1.2 million; 2011 - \$0.9 million; 2012 - \$0.6 million; with smaller reductions thereafter over the remaining lives of the contracts.

Note 12. 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 also establishes a uniform accounting model for the disposal of long-lived assets. 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. In such instances, the Company estimates the undiscounted future cash flows (excluding interest) that result from the use of the asset and its ultimate disposition. If the sum of the undiscounted cash flows (excluding interest) that 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.

During the third quarter of 2007, following an in-depth strategic review of all its operations, the Company recorded a charge of \$140.9 million, of which \$46.8 million was reclassified to discontinued operations, as part of a program to realign its operations by consolidating operations within certain product lines and exiting certain businesses. Major components of this realignment include an exit from our Synsil® Products product line; consolidation of our Specialty PCC operations in the United States; sale of our two plants in the Midwest that process imported ore in the Processed Minerals product line; modification of our strategy for coating PCC resulting in the anticipated closure of one facility; and a slower than anticipated market penetration at our refractories facility in China resulting in an impairment of assets charge.

The impairment charge relates to all product lines. The following table reflects the components of the impairment of assets charge:

(millions of dollars)

| | |
|----------------------------|----------------|
| Paper PCC | \$ 65.3 |
| Specialty PCC | 12.7 |
| Total PCC | <u>78.0</u> |
| Processed Minerals | 1.3 |
| Specialty Minerals Segment | <u>79.3</u> |
| Refractories Segment | 14.8 |
| | <u>\$ 94.1</u> |

MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES NOTES OF CONSOLIDATED FINANCIAL STATEMENTS

Note 13. Derivative Financial Instruments and Hedging Activities

The Company is exposed to foreign currency exchange rate fluctuations. As part of its risk management strategy, the Company uses 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 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's designated as cash flow hedges to protect against foreign currency exchange rate risks inherent in its forecasted inventory purchases. The Company had 14 open foreign exchange contracts as of December 31, 2007.

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 are recognized into cost of sales. Gains and losses and hedge ineffectiveness associated with these derivatives were not significant.

Note 14. Short-term Investments

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

| <u>(in thousands of dollars)</u> | <u>2007</u> | <u>2006</u> |
|----------------------------------|-------------|-------------|
| Short-term Investments - | | |
| Available for Sale Securities: | | |
| Short-term bank deposits | \$ 9,697 | \$ 8,380 |

There were no unrealized holding gains and losses on the short-term bank deposits held at December 31, 2007 since the carrying amount approximates fair market value.

Note 15. 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 is estimated based on the quoted market prices for that debt or similar debt and approximates the carrying amount.

Forward exchange contracts: The fair value of forward exchange contracts (used for hedging purposes) is estimated by obtaining quotes from brokers. If appropriate, the Company would enter into forward exchange contracts to mitigate the impact of foreign exchange rate movements on the Company's operating results. It does not engage in speculation. Such

MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES
NOTES OF CONSOLIDATED FINANCIAL STATEMENTS

foreign exchange contracts would offset losses and gains on the assets, liabilities and transactions being hedged. At December 31, 2007, the Company had open foreign exchange contracts with a financial institution to purchase approximately \$5.3 million of foreign currencies. These contracts range in maturity from January 22, 2008 to July 7, 2008. The fair value of these instruments was a liability of \$0.1 million at both December 31, 2007 and December 31, 2006.

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, 2007, 2006 and 2005 was \$(0.1) million, \$0.4 million and \$(0.5) million, respectively.

Note 16. Long-Term Debt and Commitments

The following is a summary of long term debt:

| <u>(thousands of dollars)</u> | <u>Dec. 31, 2007</u> | <u>Dec. 31, 2006</u> |
|--|--------------------------|--------------------------|
| 5.53% Series 2006A Senior Notes | \$ 50,000 | \$ 50,000 |
| Due October 5, 2013 | | |
| Floating Rate Series 2006A Senior Notes | 25,000 | 25,000 |
| Due October 5, 2013 | | |
| Yen-denominated Guaranteed Credit Agreement | | |
| Due March 31, 2007 | -- | 605 |
| 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 |
| Variable Rate Renminbi Denominated Loan Agreement | | |
| Due 2009 | 4,785 | -- |
| Installment obligations | | |
| Due 2013 | 7,886 | 8,812 |
| Other borrowings | 745 | 1,197 |
| Total | 118,216 | 115,414 |
| Less: Current maturities | 7,210 | 2,063 |
| Long-term debt | <u>\$111,006</u> | <u>\$113,351</u> |

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 and finished May 31, 2007. Interest was 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 3.69% and 3.14% for the years ended December 31, 2007 and 2006, 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 3.69% and 3.14% for the years ended December 31, 2007 and 2006, 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

F-20

MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES
NOTES OF CONSOLIDATED FINANCIAL STATEMENTS

borrowings and the average interest rates were approximately 3.69% and 3.14% for the years ended December 31, 2007 and 2006, 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 3.69% and 3.14% for the years ended December 31, 2007 and 2006, 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. This facility has ceased operations during the first quarter of 2008 and the Company intends to repay this obligation in 2008. The Company has selected the variable rate option for this borrowing and the average interest rate was approximately 5.87% and 5.65% for the years ended December 31, 2007 and 2006, 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, 2007, \$0.9 million of principal was paid on this debt. Principal payments are as follows: 2008 - \$6.5 million; 2013 - \$1.4 million.

On October 5, 2006, the Company, through private placement, entered into a Note Purchase Agreement and issued \$75 million aggregate principal amount unsecured senior notes. These notes consist of two tranches: \$50 million aggregate principal amount 5.53% Series 2006A Senior Notes (Tranche 1 Notes); and \$25 million aggregate principal amount Floating Rate Series 2006A Senior Notes (Tranche 2 Notes). Tranche 1 Notes bear interest of 5.53% per annum, payable semi-annually. Tranche 2 Notes bear floating rate interest, payable quarterly. The average interest rate on Tranche 2 for the years ended December 31, 2007 and December 31, 2006 was 5.73% and 5.82%, respectively. The principal payment for both tranches is due on October 5, 2013.

During the first quarter of 2007, the Company entered into a series of Renminbi ("RMB") denominated loan agreements through two of its consolidated joint ventures in China with Communication Bank of China, totaling RMB 60,000,000. During 2007, the Company repaid RMB 25,000,000 of principal related to these loans. The assets of the PCC facilities operated by these consolidated joint ventures were pledged as collateral for RMB 43,000,000 of the loans. The loan agreements bear a variable interest rate based on the People's Bank of China base rate, and mature between January 29, 2009 and March 26, 2009. The interest rate on these loans was approximately 7.12%.

The aggregate maturities of long-term debt are as follows: 2008 - \$7.2 million; 2009 - \$8.8 million; 2010 - \$4.6 million; 2011 - \$-- million; 2012 - \$8.0; thereafter - \$89.6 million.

The Company had available approximately \$187.6 million in uncommitted, short-term bank credit lines, of which \$9.1 million was in use at December 31, 2007.

Short-term borrowings as of December 31, 2007 and 2006 were \$9.5 million and \$87.6 million, respectively. The weighted average interest rate on short-term borrowings outstanding as of December 31, 2007 and 2006 was 6.22% and 5.57%, respectively.

During 2007, 2006 and 2005, respectively, the Company incurred interest costs of \$9.2 million \$8.9 million and \$7.2 million including \$0.5 million, \$0.6 million and \$1.2 million, respectively, which were capitalized. Interest paid approximated the incurred interest cost.

Note 17. 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.

F-21

MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES NOTES OF CONSOLIDATED FINANCIAL STATEMENTS

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, 2007 and 2006 is as follows:

Obligations and Funded Status

| Millions of Dollars | Pension Benefits | | Post-retirement Benefits | |
|---|------------------|-----------------|--------------------------|----------------|
| | 2007 | 2006 | 2007 | 2006 |
| Change in benefit obligation | | | | |
| Benefit obligation at beginning of year | \$ 214.5 | \$ 177.6 | \$ 44.0 | \$ 36.1 |
| Service cost | 8.8 | 7.9 | 2.6 | 2.1 |
| Interest cost | 11.4 | 10.1 | 2.4 | 2.2 |
| Actuarial (gain) loss | (24.6) | 12.3 | (7.9) | 3.1 |
| Benefits paid | (17.0) | (6.4) | (1.1) | (2.5) |
| Plan amendments | (2.1) | 9.0 | -- | 3.0 |
| Other | 3.8 | 4.0 | -- | -- |
| Benefit obligation at end of year | <u>\$ 194.8</u> | <u>\$ 214.5</u> | <u>\$ 40.0</u> | <u>\$ 44.0</u> |

| Millions of Dollars | Pension Benefits | | Post-retirement Benefits | |
|---|------------------|-----------------|--------------------------|------------------|
| | 2007 | 2006 | 2007 | 2006 |
| Change in plan assets | | | | |
| Fair value of plan assets beginning of year | \$ 226.3 | \$ 186.3 | \$ -- | \$ -- |
| Actual return on plan assets | 8.3 | 21.6 | -- | -- |
| Employer contributions | 24.0 | 22.3 | 1.1 | 2.5 |
| Plan participants' contributions | 0.5 | 0.4 | -- | -- |
| Benefits paid | (17.0) | (6.4) | (1.1) | (2.5) |
| Other | 2.4 | 2.1 | -- | -- |
| Fair value of plan assets at end of year | <u>\$ 244.5</u> | <u>\$ 226.3</u> | <u>\$ --</u> | <u>\$ --</u> |
| Funded status | <u>\$ 49.7</u> | <u>\$ 11.8</u> | <u>\$ (40.0)</u> | <u>\$ (44.0)</u> |

Amounts recognized in the consolidated balance sheet consist of:

| Millions of Dollars | Pension Benefits | | Post-retirement Benefits | |
|------------------------------|------------------|----------------|--------------------------|------------------|
| | 2007 | 2006 | 2007 | 2006 |
| Non-current asset | \$ 53.7 | \$ 25.7 | \$ -- | \$ -- |
| Current liability | -- | -- | (1.5) | (2.4) |
| Non-current liability | (4.0) | (13.9) | (38.5) | (41.6) |
| Recognized asset (liability) | <u>\$ 49.7</u> | <u>\$ 11.8</u> | <u>\$ (40.0)</u> | <u>\$ (44.0)</u> |

The current portion of pension liabilities is included in accrued compensation and related items.

Amounts recognized in accumulated other comprehensive income consist of:

| Millions of Dollars | Pension Benefits | | Post-retirement Benefits | |
|-------------------------------|------------------|----------------|--------------------------|----------------|
| | 2007 | 2006 | 2007 | 2006 |
| Net actuarial loss | \$ 24.9 | \$ 36.5 | \$ 3.6 | \$ 9.0 |
| Prior service cost | 6.3 | 7.1 | 1.4 | 1.7 |
| Amount recognized end of year | <u>\$ 31.2</u> | <u>\$ 43.6</u> | <u>\$ 5.0</u> | <u>\$ 10.7</u> |

F-22

MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES
NOTES OF CONSOLIDATED FINANCIAL STATEMENTS

The accumulated benefit obligation for all defined benefit pension plans was \$179.5 million and \$197.9 million at December 31, 2007 and 2006, respectively.

Changes in the Plan assets and benefit obligations recognized in other comprehensive income:

| (Millions of Dollars) | Pension Benefits | Post Retirement Benefits |
|--|------------------|--------------------------|
| Current year actuarial gain (loss) | \$ 15.5 | \$ 4.6 |
| Amortization of actuarial (gain) loss | (3.7) | 0.5 |
| Amortization of prior service credit loss | 0.9 | 0.3 |
| Total recognized in other comprehensive income | <u>\$ 12.7</u> | <u>\$ 5.4</u> |

The components of net periodic benefit costs are as follows:

| Millions of Dollars | Pension Benefits | | | Post-retirement Benefits | | |
|--------------------------------------|------------------|---------------|---------------|--------------------------|---------------|---------------|
| | 2007 | 2006 | 2005 | 2007 | 2006 | 2005 |
| Service cost | \$ 8.8 | \$ 7.9 | \$ 7.2 | \$ 2.6 | \$ 2.1 | \$ 1.7 |
| Interest cost | 11.4 | 10.1 | 8.9 | 2.4 | 2.2 | 2.0 |
| Expected return on plan assets | (9.4) | (15.4) | (13.9) | -- | -- | -- |
| Amortization of prior service cost | 1.5 | 1.0 | 1.1 | 0.5 | 1.0 | 0.8 |
| Recognized net actuarial (gain) loss | (6.6) | 3.2 | 1.8 | 0.8 | 0.2 | -- |
| SFAS No. 88 curtailment (gain) loss | 0.1 | (0.8) | 0.3 | -- | -- | -- |
| Net periodic benefit cost | <u>\$ 5.8</u> | <u>\$ 6.0</u> | <u>\$ 5.4</u> | <u>\$ 6.3</u> | <u>\$ 5.5</u> | <u>\$ 4.5</u> |

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

Under the provisions of SFAS No. 88, lump-sum distributions from terminations, resulted in a plan curtailment of one of the Company's pension plans and also caused partial settlement of such plan. As a result, there was a curtailment loss in income from operations of \$0.1 million in 2007 and a curtailment gain in income from operations of \$0.8 million in 2006.

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 in 2005.

The Company's funding policy for U.S. plans generally is to contribute annually into trust funds at a rate that provides for future plan benefits and maintains appropriate funded percentages. Annual contributions to the U.S. qualified plans are at least sufficient to satisfy regulatory funding standards and are not more than the maximum amount deductible for income tax purposes. The funding policies for the international plans conform to local governmental and tax requirements. The plans' assets are invested primarily in stocks and bonds.

The 2008 estimated amortization of amounts in other comprehensive income are as follows:

| (Millions of Dollars) | Pension Benefits | Post Retirement Benefits |
|------------------------------------|------------------|--------------------------|
| Amortization of prior service cost | \$ 1.5 | \$ 0.3 |
| Amortization of net loss | 1.4 | 0.5 |
| Total costs to be recognized | <u>\$ 2.9</u> | <u>\$ 0.8</u> |

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, 2007, 2006 and 2005 are as follows:

| | 2007 | 2006 | 2005 |
|--------------------------------|-------|-------|-------|
| Discount rate | 5.75% | 5.75% | 6.00% |
| Expected return on plan assets | 8.50% | 8.50% | 8.50% |
| Rate of compensation increase | 3.50% | 3.50% | 3.50% |

MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES
NOTES OF CONSOLIDATED FINANCIAL STATEMENTS

The weighted average assumptions used to determine benefit obligations for the pension benefit plans and other benefit plans at December 31, 2007, 2006 and 2005 are as follows:

| | <u>2007</u> | <u>2006</u> |
|-------------------------------|-------------|-------------|
| Discount rate | 6.25 % | 5.75 % |
| Rate of compensation increase | 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 1997 to 2007), 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.

The Company's Plan stipulates that the maximum health care cost trend rate will be 5%.

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

| Millions of Dollars | <u>1-Percentage Point Increase</u> | <u>1-Percentage Point Decrease</u> |
|--|--|--|
| Effect on total service and interest cost components | \$ -- | \$ (0.4) |
| Effect on postretirement benefit obligations | \$ -- | \$ (2.5) |

Plan Assets

The Company's pension plan weighted average asset allocations at December 31, 2007 and 2006 by asset category are as follows:

| <u>Asset Category</u> | <u>2007</u> | <u>2006</u> |
|-------------------------|--------------|--------------|
| Equity securities | 62.5 % | 66.4 % |
| Fixed income securities | 35.0 % | 31.5 % |
| Real estate | 0.2 % | 0.3 % |
| Other | 2.3 % | 1.8 % |
| Total | <u>100 %</u> | <u>100 %</u> |

The following table presents domestic and foreign pension plan assets information at December 31, 2007, 2006 and 2005 (the measurement date of pension plan assets):

| Millions of Dollars | <u>U.S. Plans</u> | | | <u>International Plans</u> | | |
|----------------------------|-------------------|-------------|-------------|----------------------------|-------------|-------------|
| | <u>2007</u> | <u>2006</u> | <u>2005</u> | <u>2007</u> | <u>2006</u> | <u>2005</u> |
| Fair value of plan assets | \$ 188.7 | \$ 177.9 | \$ 149.7 | \$ 55.8 | \$ 48.4 | \$ 36.6 |

Contributions

The Company expects to contribute \$10.0 million to its pension plans and \$1.5 million to its other postretirement benefit plan in 2008.

MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES
NOTES OF CONSOLIDATED FINANCIAL STATEMENTS

Estimated Future Benefit Payments

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

| Millions of Dollars | <u>Pension Benefits</u> | <u>Other Benefits</u> |
|----------------------------|-----------------------------|---------------------------|
| 2008 | \$ 6.5 | \$ 1.5 |
| 2009 | \$ 7.9 | \$ 1.6 |
| 2010 | \$ 10.1 | \$ 1.8 |
| 2011 | \$ 10.8 | \$ 2.2 |
| 2012 | \$ 10.9 | \$ 2.4 |

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 \$3.4 million, \$3.3 million and \$3.0 million for the years ended December 31, 2007, 2006 and 2005, respectively.

Notes 18. Leases

The Company has several non-cancelable operating leases, primarily for office space and equipment. Rent expense amounted to approximately \$7.0 million, \$6.1 million and \$4.6 million for the years ended December 31, 2007, 2006 and 2005, respectively. Total future minimum rental commitments under all non-cancelable leases for each of the years 2008 through 2012 and in aggregate thereafter are approximately \$5.1 million, \$3.7 million, \$2.8 million, \$1.4 million, \$0.9 million, respectively, and \$8.9 million thereafter. Total future minimum rentals to be received under non-cancelable subleases were approximately \$4.3 million at December 31, 2007.

Total future minimum payments to be received under direct financing leases for each of the years 2008 through 2012 and the aggregate thereafter are approximately: \$6.7 million, \$3.8 million, \$3.1 million, \$2.0 million, \$1.1 million, and \$2.1 million thereafter.

Note 19. Litigation

Certain of the Company's subsidiaries are among numerous defendants in a number of cases seeking damages for exposure to silica or to asbestos containing materials. The Company currently has 310 pending silica cases and 26 pending asbestos cases. To date, 1,155 silica cases and 1 asbestos case have been dismissed. Most of these claims do not provide adequate information to assess their merits, the likelihood that the Company will be found liable, or the magnitude of such liability, if any. Additional claims of this nature may be made against the Company or its subsidiaries. At this time management anticipates that the amount of the Company's liability, if any, and the cost of defending such claims, will not have a material effect on its financial position or results of operations.

The Company has not settled any silica or asbestos lawsuits to date. We are unable to state an amount or range of amounts claimed in any of the lawsuits because state court pleading practices do not require identifying the amount of the claimed damage. The aggregate cost to the Company for the legal defense of these cases in 2006 was \$0.1 million. Costs for the legal defense of these cases in 2007 were \$78,500. Our experience has been that MTI is not liable to plaintiffs in any of these lawsuits and MTI does not expect to pay any settlements or jury verdicts in these lawsuits.

Environmental Matters

On April 9, 2003, the Connecticut Department of Environmental Protection ("DEP") issued an administrative consent order relating to our Canaan, Connecticut plant where both our Refractories segment and Specialty Minerals segment have operations. We agreed to the order, which includes provisions requiring investigation and remediation of contamination

MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES NOTES OF CONSOLIDATED FINANCIAL STATEMENTS

associated with historic use of polychlorinated biphenyls (PCBs) at a portion of the site. The following is the present status of the remediation efforts:

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

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

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

The Company is evaluating options for upgrading the wastewater treatment facilities at its Adams, Massachusetts, plant. This work is being undertaken pursuant to an administrative consent order issued by the Massachusetts Department of Environmental Protection on June 18, 2002. The order required payment of a civil fine in the amount of \$18,500, the investigation of options for ensuring that the facility's wastewater treatment ponds will not result in discharge to groundwater, and closure of a historic lime solids disposal area. The Company informed the Massachusetts Department of Environmental Protection of proposed improvements to the wastewater treatment system on June 29, 2007, and is committed to implementing the improvements by June 1, 2012. Preliminary engineering reviews indicate that the estimated cost of these upgrades to operate this facility beyond 2012 may be between \$6 million and \$8 million. The Company estimates that remediation costs would approximate \$500,000, which has been accrued as of December 31, 2007.

Note 20. 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 19,090,139 shares and 19,085,528 shares were outstanding at December 31, 2007 and 2006, respectively, and 1,000,000 shares of preferred stock, none of which were issued and outstanding.

Cash Dividends

Cash dividends of \$3.8 million or \$0.20 per common share were paid during 2007. In January 2008, a cash dividend of approximately \$1.0 million or \$0.05 per share, was declared, payable in the first quarter of 2008.

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.

**MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES
NOTES OF CONSOLIDATED FINANCIAL STATEMENTS**

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:

| | Stock Options | | | Restricted Stock | |
|---------------------------|----------------------------|----------------|--|------------------|--|
| | Shares Available for Grant | Shares | Weighted Average Exercise Price Per Share (\$) | Shares | Weighted Average Exercise Price Per Share (\$) |
| Balance January 1, 2005 | 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 |
| Granted | (129,500) | 79,200 | 54.82 | 50,300 | 54.91 |
| Exercised | -- | (103,392) | 39.02 | (255) | 39.30 |
| Canceled | 9,504 | (9,504) | 35.80 | -- | -- |
| Balance December 31, 2006 | 729,111 | 1,152,069 | 46.44 | 134,800 | 55.61 |
| Granted | (233,750) | 146,100 | 61.19 | 87,650 | 61.27 |
| Exercised | -- | (433,965) | 43.01 | (33,363) | 55.42 |
| Canceled | 80,043 | (24,489) | 55.67 | (55,554) | 56.56 |
| Balance December 31, 2007 | <u>575,404</u> | <u>839,715</u> | <u>50.51</u> | <u>133,533</u> | <u>58.98</u> |

Note 21. 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 recognition of deferred pension costs, and cumulative foreign currency translation adjustments.

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

| Millions of Dollars | Currency Translation Adjustment | Unrecognized Pension Costs | Net Gain (Loss) On Cash Flow Hedges | Accumulated Other Comprehensive Income (Loss) |
|------------------------------|---------------------------------|----------------------------|-------------------------------------|---|
| Balance at January 1, 2005 | \$ 40.8 | \$ (4.9) | \$ (0.3) | \$ 35.6 |
| Current year net change | (43.6) | 1.9 | 0.2 | (41.5) |
| Balance at December 31, 2005 | (2.8) | (3.0) | (0.1) | (5.9) |
| Current year net change | 36.0 | (51.3) | -- | (15.3) |
| Balance at December 31, 2006 | 33.2 | (54.3) | (0.1) | (21.2) |
| Current year net change | 48.5 | 18.1 | -- | 66.6 |
| Balance at December 31, 2007 | \$ 81.7 | \$ (36.2) | \$ (0.1) | \$ 45.4 |

The income tax expense (benefit) associated with items included in other comprehensive income (loss) was approximately \$11.2 million, \$1.9 million and \$(1.3) million for the years ended December 31, 2007, 2006 and 2005, respectively.

F-27

MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES
NOTES OF CONSOLIDATED FINANCIAL STATEMENTS

Note 22. 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 records asset retirement obligations in which the Company will be required to retire tangible long-lived assets. These are primarily related to its PCC satellite facilities and mining operations. The Company has also applied the provisions of FIN 47 related to conditional asset retirement obligations at its facilities. The Company has recorded asset retirement obligations at all of its facilities except where there are no contractual or legal obligations. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset.

The following is a reconciliation of asset retirement obligations as of December 31, 2007:

Millions of Dollars

| | |
|---|---------|
| Asset retirement liability, beginning of period | \$ 11.7 |
| Accretion expense | 0.8 |
| Payments | (0.1) |
| Foreign currency translation | 0.5 |
| Asset retirement liability, end of period | \$ 12.9 |

The current portion of the liability of approximately \$0.4 million is included in other current liabilities. The long-term portion of the liability of approximately \$12.5 million is included in other noncurrent liabilities.

Accretion expense is included in cost of goods sold in the Company's Consolidated Statements of Operations.

Note 23. Non-Operating Income and Deductions

| (Millions of dollars) | Dec. 31, 2007 | Dec. 31, 2006 | Dec. 31, 2005 |
|---------------------------------|---------------|---------------|---------------|
| Interest income | \$ 3.1 | \$ 1.8 | \$ 1.4 |
| Interest expense | (8.7) | (8.3) | (6.0) |
| Gain on insurance settlement | 3.0 | 1.8 | -- |
| Litigation settlement | -- | -- | 2.1 |
| Foreign exchange gains (losses) | 0.5 | (0.3) | (0.5) |
| Other income (deductions) | (0.9) | (0.9) | (0.8) |
| Non-operating deductions, net | \$ (3.0) | \$ (5.9) | \$ (3.8) |

During the fourth quarter of 2007, the Company recognized a business interruption insurance recovery gain of \$3.0 million related to Hurricane Ivan in 2004.

During the first quarter of 2006, the Company recognized an insurance settlement gain of \$1.8 million, net of related deductible, for property damage sustained at one of our facilities in 2004 as a result of Hurricane Ivan. Claims submitted to the insurance carrier for damages related to a combination of replacement costs for fixed assets and reimbursement of expenses associated with the clean-up and repairs at the facility. The insurance settlement gain related to the reimbursement of replacement costs for fixed assets in excess of the net book value of such assets.

During the fourth quarter of 2005, the Company recognized a litigation settlement gain of \$2.1 million relating to the worldwide settlement of its pending commercial and patent litigation with Omya AG.

Note 24. Transaction with Former Parent Company

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 offering. 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. Since the initial public offering, the Company has incurred and expensed approximately \$6 million of environmental claims under these agreements. 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. Such payment was recorded as additional paid-in-capital, net of its related tax effect.

F-28

MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES NOTES OF CONSOLIDATED FINANCIAL STATEMENTS

Note 25. 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, automotive, 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. Intersegment sales and transfers are not significant.

Segment information for the years ended December 31, 2007, 2006 and 2005 was as follows:

| (Millions of Dollars) | 2007 | | |
|--|--------------------|--------------|----------|
| | Specialty Minerals | Refractories | Total |
| | Net sales | \$ 716.6 | \$ 361.1 |
| Income (loss) from operations | (20.0) | 11.5 | (8.5) |
| Impairment of assets | 79.3 | 14.8 | 94.1 |
| Restructuring and other charges | 11.3 | 4.7 | 16.0 |
| Depreciation, depletion and amortization | 68.1 | 16.5 | 84.6 |
| Segment assets | 698.8 | 395.6 | 1,094.4 |
| Capital expenditures | 32.9 | 11.9 | 44.8 |

| (Millions of Dollars) | 2006 | | |
|--|--------------------|--------------|----------|
| | Specialty Minerals | Refractories | Total |
| | Net sales | \$ 675.6 | \$ 347.9 |
| Income from operations | 60.5 | 31.9 | 92.4 |
| Depreciation, depletion and amortization | 66.1 | 14.4 | 80.5 |
| Segment assets | 795.8 | 356.2 | 1,152.0 |
| Capital expenditures | 40.0 | 16.0 | 56.0 |

| (Millions of Dollars) | 2005 | | |
|--|--------------------|--------------|----------|
| | Specialty Minerals | Refractories | Total |
| | Net sales | \$ 629.0 | \$ 327.8 |
| Income from operations | 59.1 | 28.3 | 87.4 |
| Impairment of assets | 0.3 | -- | 0.3 |
| Depreciation, depletion and amortization | 59.7 | 12.1 | 71.8 |
| Segment assets | 768.1 | 293.4 | 1,061.5 |
| Capital expenditures | 28.2 | 21.0 | 49.2 |

MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES
NOTES OF CONSOLIDATED FINANCIAL STATEMENTS

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

(Millions of Dollars)**Income (loss) before provision for taxes on income and minority interests and discontinued operations**

| | <u>2007</u> | <u>2006</u> | <u>2005</u> |
|--|------------------|----------------|----------------|
| Income (loss) from operations for reportable segments | \$ (8.5) | \$ 92.4 | \$ 87.4 |
| Interest income | 3.1 | 1.8 | 1.4 |
| Interest expense | (8.7) | (8.3) | (6.0) |
| Other income (deductions) | <u>2.6</u> | <u>0.7</u> | <u>0.7</u> |
| Income (loss) before provision for taxes on income, minority interests and discontinued operations | <u>\$ (11.5)</u> | <u>\$ 86.6</u> | <u>\$ 83.5</u> |

| | <u>2007</u> | <u>2006</u> | <u>2005</u> |
|---------------------------|-------------------|-------------------|-------------------|
| Total assets | | | |
| Total segment assets | \$ 1,094.4 | \$ 1,152.0 | \$ 1,061.5 |
| Corporate assets | <u>34.5</u> | <u>41.1</u> | <u>94.8</u> |
| Consolidated total assets | <u>\$ 1,128.9</u> | <u>\$ 1,193.1</u> | <u>\$ 1,156.3</u> |

| | <u>2007</u> | <u>2006</u> | <u>2005</u> |
|---|----------------|----------------|----------------|
| Capital expenditures | | | |
| Total segment capital expenditures | \$ 44.8 | \$ 56.0 | \$ 90.1 |
| Corporate capital expenditures | <u>1.3</u> | <u>1.4</u> | <u>4.4</u> |
| Consolidated total capital expenditures | <u>\$ 46.1</u> | <u>\$ 57.4</u> | <u>\$ 94.5</u> |

The carrying amount of goodwill by reportable segment as of December 31, 2007 and December 31, 2006 was as follows:

| | <u>Goodwill</u> | |
|------------------------------|-----------------|----------------|
| | <u>2007</u> | <u>2006</u> |
| (Millions of Dollars) | | |
| Specialty Minerals | \$ 15.3 | \$ 16.6 |
| Refractories | <u>56.7</u> | <u>52.4</u> |
| Total | <u>\$ 72.0</u> | <u>\$ 69.0</u> |

The net change in goodwill since December 31, 2006 is primarily attributable to the effect of foreign exchange.

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

(Millions of Dollars)

| | <u>2007</u> | <u>2006</u> | <u>2005</u> |
|------------------------------|-------------------|-------------------|-----------------|
| Net Sales | | | |
| United States | \$ 581.9 | \$ 592.6 | \$ 566.1 |
| Canada/Latin America | 83.3 | 80.7 | 80.0 |
| Europe/Africa | 337.4 | 278.4 | 248.7 |
| Asia | <u>75.1</u> | <u>71.8</u> | <u>62.0</u> |
| Total International | <u>495.8</u> | <u>430.9</u> | <u>390.7</u> |
| Consolidated total net sales | <u>\$ 1,077.7</u> | <u>\$ 1,023.5</u> | <u>\$ 956.8</u> |

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.

(Millions of Dollars)

| | <u>2007</u> | <u>2006</u> | <u>2005</u> |
|--------------------------|-------------|-------------|-------------|
| Long-lived assets | | | |
| United States | \$ 322.4 | \$ 425.2 | \$ 424.0 |
| Canada/Latin America | 20.1 | 18.8 | 21.1 |

| | | | |
|--------------------------------------|-----------------|-----------------|-----------------|
| Europe/Africa | 172.1 | 217.1 | 176.8 |
| Asia | <u>62.0</u> | <u>75.3</u> | <u>67.6</u> |
| Total International | <u>254.2</u> | <u>311.2</u> | <u>265.5</u> |
| Consolidated total long-lived assets | <u>\$ 576.6</u> | <u>\$ 736.4</u> | <u>\$ 689.5</u> |

F-30

MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES
NOTES OF CONSOLIDATED FINANCIAL STATEMENTS

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

| Millions of Dollars | <u>2007</u> | <u>2006</u> | <u>2005</u> |
|------------------------|-------------------|-------------------|-----------------|
| Paper PCC | \$ 542.0 | \$ 500.6 | \$ 460.7 |
| Specialty PCC | 60.6 | 56.4 | 55.6 |
| Talc | 37.3 | 38.9 | 35.5 |
| GCC | 76.7 | 79.7 | 77.2 |
| Refractory Products | 290.5 | 264.6 | 239.3 |
| Metallurgical Products | <u>70.6</u> | <u>83.3</u> | <u>88.5</u> |
| Net Sales | <u>\$ 1,077.7</u> | <u>\$ 1,023.5</u> | <u>\$ 956.8</u> |

Note 26. Quarterly Financial Data (unaudited)

The financial information for all periods presented has been reclassified to reflect discontinued operations. See Note 4 to the Consolidated Financial Statements for further information.

Millions of Dollars, Except Per Share Amounts

| 2007 Quarters | <u>First</u> | <u>Second</u> | <u>Third</u> | <u>Fourth</u> |
|---|----------------|----------------|-------------------|----------------|
| Net Sales by Major Product Line | | | | |
| PCC | \$ 148.6 | \$ 149.5 | \$ 150.3 | \$ 154.1 |
| Processed Minerals | <u>27.4</u> | <u>31.3</u> | <u>29.2</u> | <u>26.3</u> |
| Specialty Minerals Segment | 176.0 | 180.8 | 179.5 | 180.4 |
| Refractories Segment | <u>89.5</u> | <u>90.6</u> | <u>87.0</u> | <u>93.9</u> |
| Net sales | 265.5 | 271.4 | 266.5 | 274.3 |
| Gross profit | 56.5 | 60.1 | 56.3 | 59.6 |
| Income (loss) from operations | 22.7 | 26.9 | (82.2) | 24.1 |
| Income (loss) continuing operations | 12.6 | 16.1 | (71.8) | 17.4 |
| Loss from discontinued operations | <u>(1.8)</u> | <u>(1.7)</u> | <u>(33.7)</u> | <u>(0.6)</u> |
| Net income (loss) | <u>\$ 10.8</u> | <u>\$ 14.4</u> | <u>\$ (105.5)</u> | <u>\$ 16.8</u> |
| Earnings (loss) per share: | | | | |
| Basic: | | | | |
| Earnings (loss) per share | | | | |
| from continuing operations | \$ 0.66 | \$ 0.84 | \$ (3.72) | \$ 0.90 |
| Earnings (loss) per share | | | | |
| discontinued operations | <u>(0.09)</u> | <u>(0.09)</u> | <u>(1.75)</u> | <u>(0.03)</u> |
| Basic earnings (loss) per share | \$ 0.57 | \$ 0.75 | \$ (5.47) | \$ 0.87 |
| Diluted: | | | | |
| Earnings (loss) per share | | | | |
| from continuing operations | \$ 0.65 | \$ 0.83 | \$ (3.72) | \$ 0.89 |
| Earnings (loss) per share | | | | |
| from discontinued operations | <u>(0.09)</u> | <u>(0.09)</u> | <u>(1.75)</u> | <u>(0.03)</u> |
| Diluted earnings (loss) per share | \$ 0.56 | \$ 0.74 | \$ (5.47) | \$ 0.86 |
| Market price range per share of common stock: | | | | |
| High | \$ 64.00 | \$ 68.39 | \$ 70.64 | \$ 70.91 |
| Low | \$ 56.80 | \$ 62.58 | \$ 63.07 | \$ 63.62 |
| Close | \$ 62.16 | \$ 66.95 | \$ 67.00 | \$ 66.95 |
| Dividends paid per common share | \$ 0.05 | \$ 0.05 | \$ 0.05 | \$ 0.05 |

MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES
NOTES OF CONSOLIDATED FINANCIAL STATEMENTS

| 2006 Quarters | <u>First</u> | <u>Second</u> | <u>Third</u> | <u>Fourth</u> |
|---|---------------------|----------------------|---------------------|----------------------|
| Net Sales by Major Product Line | | | | |
| PCC | \$ 141.9 | \$ 137.7 | \$ 138.9 | \$ 138.5 |
| Processed Minerals | <u>30.2</u> | <u>32.3</u> | <u>29.7</u> | <u>26.4</u> |
| Specialty Minerals Segment | 172.1 | 170.0 | 168.6 | 164.9 |
| Refractories Segment | <u>83.6</u> | <u>86.9</u> | <u>87.5</u> | <u>89.9</u> |
| Net sales | 255.7 | 256.9 | 256.1 | 254.8 |
| Gross profit | 55.2 | 57.2 | 58.0 | 54.4 |
| Income from operations | 21.4 | 23.0 | 25.6 | 22.4 |
| Income from continuing operations | 14.3 | 13.9 | 14.7 | 13.1 |
| Loss from discontinued operations | <u>(1.5)</u> | <u>(1.3)</u> | <u>(0.6)</u> | <u>(2.6)</u> |
| Net income | <u>\$ 12.8</u> | <u>\$ 12.6</u> | <u>\$ 14.1</u> | <u>\$ 10.5</u> |
| Earnings per share: | | | | |
| Basic: | | | | |
| Earnings per share | | | | |
| from continuing operations | \$ 0.72 | \$ 0.70 | \$ 0.75 | \$ 0.69 |
| Earnings (loss) per share | | | | |
| from discontinued operations | <u>(0.08)</u> | <u>(0.06)</u> | <u>(0.03)</u> | <u>(0.14)</u> |
| Basic earnings per share | <u>\$ 0.64</u> | <u>\$ 0.64</u> | <u>\$ 0.72</u> | <u>\$ 0.55</u> |
| Diluted: | | | | |
| Earnings per share | | | | |
| from continuing operations | \$ 0.71 | \$ 0.70 | \$ 0.75 | \$ 0.68 |
| Earnings (loss) per share | | | | |
| from discontinued operations | <u>(0.07)</u> | <u>(0.07)</u> | <u>(0.03)</u> | <u>(0.13)</u> |
| Diluted earnings per share | <u>\$ 0.64</u> | <u>\$ 0.63</u> | <u>\$ 0.72</u> | <u>\$ 0.55</u> |
| Market price range per share of common stock: | | | | |
| High | \$ 58.93 | \$ 61.27 | \$ 53.40 | \$ 59.31 |
| Low | \$ 52.97 | \$ 51.61 | \$ 48.01 | \$ 51.71 |
| Close | \$ 58.41 | \$ 52.00 | \$ 53.40 | \$ 58.79 |
| Dividends paid per common share | \$ 0.05 | \$ 0.05 | \$ 0.05 | \$ 0.05 |

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Minerals Technologies Inc.:

We have audited the accompanying consolidated balance sheets of Minerals Technologies Inc. and subsidiary companies as of December 31, 2007 and 2006, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2007. In connection with our audits of the consolidated financial statements, we also have audited the related financial statement schedule. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and

significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Minerals Technologies Inc. and subsidiary companies as of December 31, 2007 and 2006, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2007, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed in the notes to the consolidated financial statements, effective January 1, 2007, the Company adopted FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes." In addition, effective January 1, 2006, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 123R, "Share-Based Payment," SFAS No. 151, "Inventory Costs - an Amendment of ARB No. 43, Chapter 4," and Emerging Issues Task Force Issue No. 04-06, "Accounting for Stripping Costs Incurred During Production in the Mining Industry." Also as discussed in the notes to the consolidated financial statements, effective December 31, 2006, the Company adopted SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Post Retirement Plans - An Amendment of FASB Statements No. 87, 88, 106, and 132(R)."

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Mineral Technologies Inc. and subsidiary companies' internal control over financial reporting as of December 31, 2007, 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 February 27, 2008 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP

New York, New York
February 27, 2008

F-33

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Minerals Technologies Inc.:

We have audited Minerals Technologies Inc. and subsidiary companies' internal control over financial reporting as of December 31, 2007, 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, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on 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, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included 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 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 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, Minerals Technologies Inc. and subsidiary companies maintained, in all material respects, effective internal control over financial reporting as of December 31, 2007, 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, 2007 and 2006, and the related consolidated statements of operations, shareholders' equity, and cash flows and related financial statement schedule for each of the years in the three-year period ended December 31, 2007, and our report dated February 27, 2008 expressed an unqualified opinion on those consolidated financial statements and financial statement schedule.

/s/ KPMG LLP

Management's Report On Internal Control Over Financial Reporting

Management of Minerals Technologies Inc. is responsible for the preparation, integrity and fair presentation of its published consolidated financial statements. The financial statements have been prepared in accordance with U.S. generally accepted accounting principles and, as such, include amounts based on judgements and estimates made by management. The Company also prepared the other information included in the annual report and is responsible for its accuracy and consistency with the consolidated financial statements.

Management is also responsible for establishing and maintaining effective internal control over financial reporting. The Company's internal control over financial reporting includes those policies and procedures that pertain to the Company's ability to record, process, summarize and report reliable financial data. The Company maintains a system of internal control over financial reporting, which is designed to provide reasonable assurance to the Company's management and board of directors regarding the preparation of reliable published financial statements and safeguarding of the Company's assets. The system includes a documented organizational structure and division of responsibility, established policies and procedures, including a code of conduct to foster a strong ethical climate, which are communicated throughout the Company, and the careful selection, training and development of our people.

The Board of Directors, acting through its Audit Committee, is responsible for the oversight of the Company's accounting policies, financial reporting and internal control. The Audit Committee of the Board of Directors is comprised entirely of outside directors who are independent of management. The Audit Committee is responsible for the appointment and compensation of the independent registered public accounting firm. It meets periodically with management, the independent registered public accounting firm and the internal auditors to ensure that they are carrying out their responsibilities. The Audit Committee is also responsible for performing an oversight role by reviewing and monitoring the financial, accounting and auditing procedures of the Company in addition to reviewing the Company's financial reports. The independent registered public accounting firm and the internal auditors have full and unlimited access to the Audit Committee, with or without management, to discuss the adequacy of internal control over financial reporting, and any other matters which they believe should be brought to the attention of the Audit Committee.

Management recognizes that there are inherent limitations in the effectiveness of any system of internal control over financial reporting, including the possibility of human error and the circumvention or overriding of internal control. Accordingly, even effective internal control over financial reporting can provide only reasonable assurance with respect to financial statement preparation and may not prevent or detect misstatements. Further, because of changes in conditions, the effectiveness of internal control over financial reporting may vary over time.

The Company assessed its internal control system as of December 31, 2007 in relation to criteria for effective internal control over financial reporting described in "Internal Control - Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on its assessment, the Company has determined that, as of December 31, 2007, its system of internal control over financial reporting was effective.

The consolidated financial statements have been audited by the independent registered public accounting firm, which was given unrestricted access to all financial records and related data, including minutes of all meetings of stockholders, the Board of Directors and committees of the Board. Reports of the independent registered public accounting firm, which includes the independent registered public accounting firm's attestation of the effectiveness of the Company's internal control over financial reporting are also presented within this document.

/s/ **Joseph C. Muscari**
Chairman of the Board
and Chief Executive Officer

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

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

February 27, 2008

| Description | Balance at Beginning of Period | Additions Charged to Costs, Provisions and Expenses (b) | Deductions (a) | Balance at End of Period |
|---|--------------------------------------|---|-------------------|--------------------------------|
| Year ended December 31, 2007 | | | | |
| Valuation and qualifying accounts deducted from assets to which they apply: | | | | |
| Allowance for doubtful accounts | \$ 4,550 | \$ (49) | \$ (1,278) | \$ 3,223 |
| Year ended December 31, 2006 | | | | |
| Valuation and qualifying accounts deducted from assets to which they apply: | | | | |
| Allowance for doubtful accounts | \$ 5,818 | \$ 377 | \$ (1,645) | \$ 4,550 |
| Year ended December 31, 2005 | | | | |
| Valuation and qualifying accounts deducted from assets to which they apply: | | | | |
| Allowance for doubtful accounts | \$ 7,143 | \$ (518) | \$ (807) | \$ 5,818 |

(a) Includes impact of translation of foreign currencies.

(b) Provision for bad debts, net of reversal of recoveries of \$0.2 million, \$0.6 million and \$1.0 million in 2007, 2006 and 2005, respectively.

**FIRST AMENDMENT TO THE
MINERALS TECHNOLOGIES INC. RETIREMENT PLAN**

(as amended and restated effective as of January 1, 2006, with certain other effective dates)

WHEREAS, pursuant to Section 9.1 of the Minerals Technologies Inc. Retirement Plan, as amended and restated effective as of January 1, 2006, with certain other effective dates (the "Plan"), Minerals Technologies Inc. reserves the right to amend the Plan by action of its Board of Directors and now wishes to do so by the following amendment.

NOW THEREFORE, the Plan is hereby amended, effective as of January 1, 2008, as follows:

1. Section 2.1(s) shall be amended to read as follows:

"**Disability Leave Status**' shall mean the status of a Member who, for purposes of the Career Earnings Formula, has been determined to be Disabled and who has completed at least five years of Creditable Service (effective January 1, 2008, at least three years of Creditable Service) at the time his Disability began."

2. Section 2.1(ee) shall be amended to read as follows:

"**Normal Retirement Age**' shall mean age 65 if the Employee commenced employment on or before July 31, 2002, or the later of the date the Employee attains age 65 or completes five years of Creditable Service (effective January 1, 2008, three years of Creditable Service), if the Employee commences employment on or after August 1, 2002."

3. The first sentence of Section 4.2(a) shall be amended to read as follows:

"A Member whose Severance from Service Date occurs after he has completed five or more Years of Creditable Service (effective January 1, 2008, three or more Years of Creditable Service) shall be entitled to receive a Retirement Benefit commencing at Normal Retirement Date calculated in accordance with Section 4.1, the monthly amount of which, if such benefit were paid in the form of a Single Life Annuity, shall be equal to the Member's Accrued Benefit at his Annuity Starting Date under the Career Earnings Formula and/or the Actuarial Equivalent of his Cash Balance Account at his Annuity Starting Date."

4. Section 4.2(b)(1) shall be amended to read as follows:

"**Provisions Applicable to Accrued Benefits Attributable to the Cash Balance Formula.** Subject to the provisions of Article 6, a Member whose Severance from Service Date occurs after he has completed five or more Years of Creditable Service (effective January 1, 2008, three or more Years of Creditable Service) shall be entitled to elect that the Retirement Benefit payable pursuant to the Cash Balance Formula, if any, commence on the first day of the month coincident with or following his Severance from Service Date up to his Normal Retirement Date."

5. The first sentence of Section 4.2(b)(2)(C) shall be amended to read as follows:

"A Member whose Severance From Service Date occurs on or after the date as of which the Member has completed five or more Years of Creditable Service (effective January 1, 2008, three or more Years of Creditable Service), but prior to the date as of which the Member satisfies the requirements of Sections 4.2(b)(2)(A) and (B), may elect to commence his Retirement Benefit as of the first day of any month prior to the Member's Normal Retirement Date on or after the Member has attained age 55."

6. The first sentence of Section 4.2(b)(2)(D) shall be amended to read as follows:

"The foregoing notwithstanding, the Retirement Benefit of a Member who has completed at least five Years of Creditable Service (effective January 1, 2008, at least three Years of Creditable Service) shall in no event be less than the Retirement Benefit to which the Member would have been entitled had his Severance from Service Date occurred on December 31, 1993, under the terms and conditions of the Plan as then in effect (the "1993 Annuity")."

7. The first sentence of Section 4.4(a) shall be amended to read as follows:

"Upon becoming Disabled, a Member who has completed at least five years of Creditable Service (effective January 1, 2008, at least three years of Creditable Service) will be eligible for Disability Leave Status."

8. The first sentence of Section 4.4(b) shall be amended to read as follows:

"If a Member who has completed at least five years of Creditable Service (effective January 1, 2008, at least three years of Creditable Service) and who is an Employee suffers a Disability prior to termination, and, for reasons thereof, the Member's status as an Employee ceases, then such Member shall continue to be credited with Annual Pay Credits and Interest Credits during the period of such Disability as described below and as provided in Section 4.1 as if the individual were still actively employed."

9. Section 6.3(b)(1) shall be amended to read as follows:

"With respect to a Retirement Benefit determined under the Career Earnings Formula, a Member may elect to receive his Retirement Benefit in the form of a lump sum payment; provided, however, that (A) the election to receive such lump sum payment must be made by the Member no later than the Member's Severance from Service Date (effective January 1, 2008, no later than the end of the second calendar month following the Member's Severance from Service Date), and (B) the Annuity Starting Date of such lump sum payment may not be deferred beyond the Annuity Starting Date next following or coincident with the Member's Severance from Service Date (effective January 1, 2008, the end of the second calendar month following the Member's Severance from Service Date). Such lump sum benefit shall be the Actuarial Equivalent of the Member's Accrued Benefit on the Member's Annuity Starting Date."

10. Section 6.3(d) of the Plan shall be amended to read as follows:

"Joint and Contingent Annuity Option. A Member may elect an annuity providing reduced equal monthly payments for his lifetime, with monthly payments to continue for the lifetime of his Beneficiary in an amount equal to 50% or 100% (effective January 1, 2008, 50%, 75%, or 100%) of the monthly amount payable during the Member's lifetime."

11. Section 6.3(e) shall be amended to read as follows:

"Level Income Option. If the Member's benefit is to commence prior to the Member's Normal Retirement Date, the Member may elect to convert the Retirement Benefit otherwise payable to him into a Retirement Benefit of an Actuarial Equivalent value of such amount so that with his expected Social Security benefit, he will receive, so far as possible, the same amount each year before and after such expected Social Security benefit commences. A Member whose Retirement Benefit commences before he reaches age 62 may elect the Level Income Option based on his Social Security benefit as of age 62 or his Social Security benefit as of age 65. A Member whose Retirement Benefit commences after he reaches age 62 may only elect the level income option based on his Social Security benefit as of age 65. Monthly payments shall terminate upon the death of the Member unless the Member elected the Level Income Option in conjunction with the Automatic Joint and Surviving Spouse Annuity or the Joint and Contingent Annuity Option described in Section 6.3(d), in which event payments shall continue pursuant to such election if the Member's Spouse or Beneficiary, as applicable, survives the Member. A Member may not elect the Level Income Option if the Member's monthly payments under the Level Income Option would be equal to zero following the Member's attainment of age 62 or age 65, as applicable, nor may a Member elect the Level Income Option in conjunction with a 75% Joint and Contingent Annuity Option described in Section 6.3(d)."

12. Section 6.8(b)(2)(B) is amended to read as follows:

"the Member's Beneficiary; and"

13. The first sentence of Section 7.1 is amended to read as follows:

"In the case of a Member who has no surviving Spouse and dies after having completed at least five Years of Creditable Service (effective January 1, 2008, at least three Years of Creditable Service) but prior to his Annuity Starting Date, his Retirement Benefit under the Cash Balance Formula shall be payable to his Beneficiary in a single lump-sum cash distribution as soon as practicable following the applicable date described in Section 7.2."

14. In Section 11.3(E), the phrase "five or more years of Creditable Service" shall be replaced with "five or more years of Creditable Service (effective January 1, 2008, three or more years of Creditable Service)," and the phrase "at least five years of Creditable Service" shall be replaced with "at least five years of Creditable Service (effective January 1, 2008, at least three years of Creditable Service)."

15. Section 13.5(a) shall be amended to read as follows:

"For each Plan Year for which the Plan is top-heavy, or is a member of a top-heavy group, the provisions of Section 4.2(a) shall be changed to provide for vesting of a Member's Accrued Benefit in accordance with the following schedule:

| <u>Completed Years of Creditable Service</u> | <u>Vested Percentage</u> |
|--|--------------------------|
| Less than 2 years | 0% |
| 2 years but less than 3 years | 40% |
| 3 years or more | 100% |

Notwithstanding the foregoing, this subsection (a) shall not apply to the Accrued Benefit of any Member who is not credited with an Hour of Service while the Plan is top-heavy."

16. Section 13.5(b) shall be amended to read as follows:

"In a Plan Year in which the Plan is no longer top-heavy or a member of a top-heavy group, the vesting provisions contained in Section 4.2(a) shall be restored."

IN WITNESS WHEREOF, the Board of Directors of Minerals Technologies Inc. has authorized the undersigned to execute this amendment, on this 29th day of November, 2007.

MINERALS TECHNOLOGIES INC.

BY: /s/ Kirk Forrest

Kirk Forrest
General Counsel

BY /s/ Gordon Borteck _____
Gordon Borteck
Vice-President, Organization and Human Resources

MINERALS TECHNOLOGIES INC.
SAVINGS AND INVESTMENT PLAN

MINERALS TECHNOLOGIES INC. SAVINGS AND INVESTMENT PLAN

WHEREAS, Minerals Technologies Inc. (hereinafter referred to as the "Employer") heretofore adopted the Minerals Technologies Inc. Savings and Investment Plan (hereinafter referred to as the "Plan") for the benefit of its eligible Employees,

WHEREAS, the Employer reserved the right to amend the Plan; and

WHEREAS, the Employer has previously amended the Plan to comply with changes permitted or required by the Economic Growth and Tax Relief Reconciliation Act of 2001 and technical corrections made by the Job Creation and Worker Assistance Act of 2002, and the Employer now wishes to amend and restate the Plan in order to reflect certain changes in law and other regulations and guidance published by the Internal Revenue Service and to add or modify certain administrative provisions; and

WHEREAS, it is intended that the Plan is to continue to be a qualified profit sharing plan under Section 401(a) and 501(a) of the Internal Revenue Code for the exclusive benefit of the Participants and their Beneficiaries; and

WHEREAS, it is intended that the cash or deferral arrangement forming part of the Plan is to continue to qualify under Section 401(k) of the Internal Revenue Code;

NOW, THEREFORE, the Plan is hereby amended by restating the Plan, effective as of September 14, 2007, except where the provisions of the Plan (or the requirements of applicable law) shall otherwise specifically provide, in its entirety as follows:

TABLE OF CONTENTS

ARTICLE ONE--DEFINITIONS

- 1.1 Account
- 1.2 Administrator
- 1.3 Beneficiary
- 1.4 Break in Service
- 1.5 Code
- 1.6 Compensation
- 1.7 Disability
- 1.8 Effective Date
- 1.9 Employee
- 1.10 Employer
- 1.11 Employment Date
- 1.12 Fail-Safe Contribution
- 1.13 Highly-Compensated Employee
- 1.14 Hour of Service
- 1.15 Leased Employee
- 1.16 Nonhighly-Compensated Employee
- 1.17 Normal Retirement Date
- 1.18 Participant
- 1.19 Plan
- 1.20 Plan Year
- 1.21 Trust

- 1.22 Trustee
- 1.23 Valuation Date
- 1.24 Year of Service or Service

ARTICLE TWO--SERVICE DEFINITIONS AND RULES

- 2.1 Year of Service
- 2.2 Service in Excluded Job Classifications or with Related Companies

ARTICLE THREE--PLAN PARTICIPATION

- 3.1 Participation
- 3.2 Re-employment of Former Participant
- 3.3 Change in Eligibility Status
- 3.4 Compliance with USERRA

ARTICLE FOUR--ELECTIVE DEFERRALS, EMPLOYER CONTRIBUTIONS, ROLLOVERS AND TRANSFERS FROM OTHER PLANS

- 4.1 Elective Deferrals
 - 4.2 Employer Contributions
 - 4.3 Rollovers and Transfers of Funds from Other Plans
 - 4.4 Timing of Contributions
 - 4.5 Employee After-Tax Contributions
-

ARTICLE FIVE--ACCOUNTING RULES

- 5.1 Investment of Accounts and Accounting Rules
- 5.2 Voting Rights
- 5.3 Plan Expenses

ARTICLE SIX--VESTING AND RETIREMENT BENEFITS

- 6.1 Vesting
- 6.2 Forfeiture of Nonvested Balance

ARTICLE SEVEN--MANNER AND TIME OF DISTRIBUTING BENEFITS

- 7.1 Manner of Payment
- 7.2 Time of Commencement of Benefit Payments
- 7.3 Distributions Upon Death
- 7.4 Furnishing Information
- 7.5 Minimum Distribution Requirements
- 7.6 Designation of Beneficiary
- 7.7 Eligible Rollover Distributions

ARTICLE EIGHT--LOANS AND IN-SERVICE WITHDRAWALS

- 8.1 Loans

8.2 Hardship Distributions

8.3 Withdrawals After Age 59½

8.4 Non-Hardship Withdrawals

ARTICLE NINE--ADMINISTRATION OF THE PLAN

9.1 Plan Administration

9.2 Claims Procedure

9.3 Trust Agreement

ARTICLE TEN--SPECIAL COMPLIANCE PROVISIONS

10.1 Distribution of Excess Elective Deferrals

10.2 Limitations on 401(k) Contributions

10.3 Nondiscrimination Test for Employer Matching Contributions and After-Tax Contributions

ARTICLE ELEVEN--LIMITATION ON ANNUAL ADDITIONS

11.1 Rules and Definitions

ARTICLE TWELVE--AMENDMENT AND TERMINATION

12.1 Amendment

12.2 Termination of the Plan

ARTICLE THIRTEEN--TOP-HEAVY PROVISIONS

13.1 Applicability

13.2 Definitions

13.3 Allocation of Employer Contributions and Forfeitures for a Top-Heavy Plan Year

13.4 Vesting

ARTICLE FOURTEEN--MISCELLANEOUS PROVISIONS

14.1 Plan Does Not Affect Employment

14.2 Successor to the Employer

14.3 Repayments to the Employer

14.4 Benefits not Assignable

14.5 Merger of Plans

14.6 Investment Experience not a Forfeiture

14.7 Construction

14.8 Governing Documents

14.9 Governing Law

14.10 Headings

14.11 Counterparts

14.12 Location of Participant or Beneficiary Unknown

14.13 Distribution to Minor or Legally Incapacitated

ARTICLE ONE--DEFINITIONS

For purposes of the Plan, unless the context or an alternative definition specified within another Article provides otherwise, the following words and phrases shall have the definitions provided:

1.1 "ACCOUNT" shall mean the individual bookkeeping accounts maintained for a Participant under the Plan which shall record (a) the Participant's allocations of Employer contributions and forfeitures, if applicable, (b) amounts of Compensation deferred to the Plan pursuant to the Participant's election, (c) any amounts rolled over or transferred to this Plan under Section 4.3 from another qualified retirement plan, or from another qualified plan in connection with a plan merger, (d) any after-tax contributions made to the Plan, and (e) the allocation of Trust investment experience.

1.2 "ADMINISTRATOR" shall mean the Plan Administrator appointed from time to time in accordance with the provisions of Article Nine hereof.

1.3 "BENEFICIARY" shall mean any person, trust, organization, or estate entitled to receive payment under the terms of the Plan upon the death of a Participant.

1.4 "BREAK IN SERVICE" shall have the meaning set forth in Article Two.

1.5 "CODE" shall mean the Internal Revenue Code of 1986, as amended from time to time.

1.6 "COMPENSATION" shall mean the sum of (1) the base pay and bonuses received by a Participant from the Employer in a Plan Year, plus any overtime pay, premium pay, call-in/call-back pay and vacation pay, but excluding contest awards, remuneration received in the form of salary continuance or lump sum severance while no longer providing services to the Employer and other similar payments and (2) any amount which is contributed by the Employer on behalf of the Participant pursuant to a salary reduction agreement and which is not includable in gross income under Section 125, 132(f)(4), 402(e)(3), 402(h) or 403(b) of the Code.

Notwithstanding the foregoing, for purposes of applying the limitations described in Section 11.1, and for purposes of defining compensation under Section 1.13 and Article Thirteen of the Plan, Compensation shall mean compensation within the meaning of Section 415(c)(3) of the Code and the regulations thereunder, and shall include any elective amounts that are not includable in the gross income of the Employee by reason of 125, 132(f)(4), 402(e)(3), 402(h) or 403(b) of the Code.

In addition to other applicable limitations set forth in the Plan, and notwithstanding any other provision of the Plan to the contrary, the annual Compensation of each Participant taken into account for any purpose under the Plan shall not exceed the amount in effect under Section 401(a)(17) of the Code (\$225,000 for 2007) as adjusted annually by the Secretary of the Treasury or his delegate for increases in the cost of living in accordance with Section 401(a)(17)(B) of the Code. The cost-of-living adjustment in effect for a calendar year applies to any period, not exceeding twelve (12) months, over which Compensation is determined (determination period) beginning in such calendar year. If a determination period consists of fewer than twelve (12) months, the annual compensation limit shall be multiplied by a fraction, the numerator of which is the number of months in the determination period, and the denominator of which is twelve (12).

1.7 "DISABILITY" shall mean any medically determinable physical or mental impairment which causes the Participant to be eligible for benefits under the Employer's long-term disability insurance program.

1.8 "EFFECTIVE DATE" shall mean the effective date of this restatement, September 14, 2007, on and after which it supersedes the terms of the existing Plan document, except where the provisions of the Plan (or the requirements of applicable law) shall otherwise specifically provide. The rights of any Participant who terminated employment with the Employer prior to the applicable date shall be established under the terms of the Plan and Trust as in effect at the time of the Participant's termination from employment, unless the Participant subsequently returns to employment with the Employer, or unless otherwise provided under the terms of the Plan. Rights of spouses and Beneficiaries of such Participants shall also be governed by those documents.

1.9 "EMPLOYEE" shall mean a common law employee of the Employer or of any other employer required to be aggregated with such Employer under Section 414(b), 414(c), 414(m) or 414(o) of the Code. The term "Employee" shall also include any Leased Employee deemed to be an Employee of any Employer described in the previous paragraph as provided in Section 414(n) or 414(o) of the Code.

1.10 "EMPLOYER" shall mean Minerals Technologies Inc. and any subsidiary or affiliate which is a member of its "related group" (as defined in Section 2.5) which has adopted the Plan (a "Participating Affiliate"), and shall include any successor(s) thereto which adopt this Plan. Any such subsidiary or affiliate of Minerals Technologies Inc. may adopt the Plan with the approval of its board of directors (or noncorporate counterpart) subject to the approval of Minerals Technologies Inc. The Participating Affiliates are listed in Appendix A to the Plan. The provisions of this Plan shall apply equally to each Participating Affiliate and its Employees except as specifically set forth in the Plan; provided, however, notwithstanding any other provision of this Plan, the amount and timing of contributions under Article 4 to be made by any Employer which is a Participating Affiliate shall be made subject to the approval of Minerals Technologies Inc. For purposes hereof, each Participating Affiliate shall be deemed to have appointed Minerals Technologies Inc. as its agent to act on its behalf in all matters relating to the

administration, amendment, termination of the Plan and the investment of the assets of the Plan. For purposes of the Code and ERISA, the Plan as maintained by Minerals Technologies Inc. and the Participating Affiliates shall constitute a single plan rather than a separate plan of each Participating Affiliate. All assets in the Trust shall be available to pay benefits to all Participants and their Beneficiaries.

1.11 "EMPLOYMENT DATE" shall mean the first date as of which an Employee is credited with an Hour of Service, provided that, in the case of a Break in Service, the Employment Date shall be the first date thereafter as of which an Employee is credited with an Hour of Service.

1.12 "FAIL-SAFE CONTRIBUTION" shall mean a qualified nonelective contribution which is a contribution (other than matching contributions or Qualified Matching Contributions (within the meaning of Section 10.2)) made by the Employer and allocated to Participants' accounts that the Participants may not elect to receive in cash until distribution from the Plan; that are nonforfeitable when made; and that are distributable only in accordance with the distribution provisions under Section 401(k) of the Code and the regulations promulgated thereunder.

1.13 "HIGHLY-COMPENSATED EMPLOYEE" shall mean any Employee of the Employer who:

(a) was a five percent (5%) owner of the Employer (as defined in Section 416(i)(1)) of the Code at any time during the "determination year" or "look-back year"; or

(b) earned more than \$100,000 of Compensation from the Employer during the "look-back year" and was in the top twenty percent (20%) of Employees by Compensation for such year. The \$100,000 amount shall be adjusted at the same time and in the same manner as under Section 415(d) of the Code, except that the base period is the calendar quarter ending September 30, 1996.

For purposes of this Section, the "determination year" shall be the Plan Year for which a determination is being made as to whether an Employee is a Highly-Compensated Employee. The "look-back year" shall be the twelve (12) month period immediately preceding the "determination year."

1.14 "HOUR OF SERVICE" shall have the meaning set forth below:

(a) An Hour of Service is each hour for which an Employee is paid, or entitled to payment, for the performance of duties for the Employer, during the applicable computation period.

(b) An Hour of Service is each hour for which an Employee is paid, or entitled to payment, by the Employer on account of a period of time during which no duties are performed (irrespective of whether the employment relationship has terminated) due to vacation,

holiday, illness, incapacity (including disability), layoff, jury duty, military duty, or leave of absence. Notwithstanding the preceding sentence,

(i) No more than five hundred and one (501) Hours of Service shall be credited under this paragraph (b) to any Employee on account of any single continuous period during which the Employee performs no duties (whether or not such period occurs in a single computation period). Hours under this paragraph will be calculated and credited pursuant to Section 2530.200b-2 of the Department of Labor Regulations which is incorporated herein by reference.;

(ii) An hour for which an Employee is directly or indirectly paid, or entitled to payment, on account of a period during which no duties are performed shall not be credited to the Employee if such payment is made or due under a plan maintained solely for the purpose of complying with applicable workmen's compensation, or unemployment compensation or disability insurance laws; and

(iii) Hours of Service shall not be credited for a payment which solely reimburses an Employee for medical or medically related expenses incurred by the Employee.

For purposes of this paragraph (b), a payment shall be deemed to be made by or due from the Employer regardless of whether such payment is made by or due from the Employer directly, or indirectly through, among others, a trust fund, or insurer, to which the Employer contributes or pays premiums and regardless of whether contributions made or due to the trust fund, insurer or other entity are for the benefit of particular Employees or are on behalf of a group of Employees in the aggregate.

(c) An Hour of Service is each hour for which back pay, irrespective of mitigation of damages, is either awarded or agreed to by the Employer. The same Hours of Service shall not be credited both under paragraph (a) or paragraph (b), as the case may be, and under this paragraph (c). Thus, for example, an Employee who receives a back pay award following a determination that he was paid at an unlawful rate for Hours of Service previously credited shall not be entitled to additional credit for the same Hours of Service. Crediting of Hours of Service for back pay awarded or agreed to with respect to periods described in paragraph (b) shall be subject to the limitations set forth in that paragraph.

(d) Hours of Service under this Section shall be determined under the terms of the Family and Medical Leave Act of 1993 and the Uniformed Services Employment and Reemployment Rights Act of 1994.

In crediting Hours of Service for Employees who are paid on an hourly basis, the "actual" method shall be utilized. For this purpose, the "actual" method shall mean the determination of Hours of Service from records of hours worked and hours for which the Employer makes payment or for which payment is due from the Employer, subject to the limitations enumerated above. In crediting Hours of Service for Employees who are not paid on an hourly basis, the "weeks of employment" method shall be utilized. Under this method, an Employee shall be credited with ninety (90) Hours of Service for each bi-weekly pay period for which the Employee would be

required to be credited with at least one (1) Hour of Service pursuant to the provisions enumerated above.

Hours of Service shall be credited for employment with other members of an affiliated service group (under Section 414(m) of the Code, a controlled group of corporations (under Section 414(b) of the Code, or a group of trades or businesses under common control (under Section 414(c) of the Code) of which the Employer is a member, and any other entity required to be aggregated under Section 414(o) of the Code.

Hours of Service shall be credited for any individual considered an Employee for purposes of this Plan under Section 414(n) or Section 414(o) of the Code.

1.15 "LEASED EMPLOYEE" shall mean any person (other than an employee of the recipient) who, pursuant to an agreement between the recipient Employer and any other person or organization, has performed services for the recipient Employer (determined in accordance with Section 414(n)(6) of the Code) on a substantially full-time basis for a period of at least one (1) year and where such services are performed under the primary direction and control of the recipient Employer. A person shall not be considered a Leased Employee if the total number of Leased Employees does not exceed twenty percent (20%) of the Nonhighly-Compensated Employees employed by the recipient Employer, and if any such person is covered by a money purchase pension plan providing (a) a nonintegrated employer contribution rate of at least ten percent (10%) of compensation (within the meaning of Section 414(n)(5)(C) of the Code), (b) immediate participation, and (c) full and immediate vesting.

1.16 "NONHIGHLY-COMPENSATED EMPLOYEE" shall mean an Employee of the Employer who is not a Highly-Compensated Employee.

1.17 "NORMAL RETIREMENT DATE" shall mean the Participant's sixty-fifth (65th) birthday. The date on which the Participant attains age sixty-five (65) shall also be the Participant's Normal Retirement Age.

1.18 "PARTICIPANT" shall mean any Employee who has satisfied the eligibility requirements of Article Three and who is participating in the Plan.

1.19 "PLAN" shall mean the Minerals Technologies Inc. Savings and Investment Plan, as set forth herein and as may be amended from time to time.

1.20 "PLAN YEAR" shall mean the twelve (12)-consecutive month period beginning January 1 and ending December 31.

1.21 "TRUST" shall mean the Trust Agreement entered into between the Employer and the Trustee forming part of this Plan, together with any amendments thereto. "Trust Fund" shall mean any and all property held by the Trustee pursuant to the Trust Agreement, together with income therefrom.

1.22 "TRUSTEE" shall mean the Trustee or Trustees appointed by the Employer, and any successors thereto.

1.23 "VALUATION DATE" shall mean each day on which the New York Stock Exchange is open for business.

1.24 "YEAR OF SERVICE" or "SERVICE" shall have the meanings provided in Article Two of the Plan.

ARTICLE TWO--SERVICE DEFINITIONS AND RULES

Service is the period of employment credited under the Plan. Definitions and special rules related to Service are as follows:

2.1 YEAR OF SERVICE. An Employee shall be credited with a Year of Service if he completes at least one thousand (1,000) Hours of Service during the twelve (12)-consecutive month period commencing on his Employment Date. If an Employee fails to be credited with at least one thousand (1,000) Hours of Service during that computation period, he shall be credited with a Year of Service if he is credited with at least one thousand (1,000) Hours of Service in any Plan Year commencing on or after his Employment Date. For such purposes, an Employee shall be credited with a Year of Service on the day in which he completes the one thousandth (1,000th) Hour of Service in the applicable computation period.

2.2 SERVICE IN EXCLUDED JOB CLASSIFICATIONS OR WITH RELATED COMPANIES

(a) *Service while a Member of an Ineligible Classification of Employees.* An Employee who is a member of an ineligible classification of Employees shall not be eligible to participate in the Plan while a member of such ineligible classification. However, if any such Employee is transferred to an eligible classification, such Employee shall be credited with any Years of Service completed while a member of such an ineligible classification. For this purpose, an Employee shall be considered a member of an ineligible classification of Employees for any period during which he is employed in a job classification which is excluded from participating in the Plan under Section 3.1.

(b) *Service with Related Group Members.* Subject to Section 2.1, for each Plan Year in which the Employer is a member of a "related group," as hereinafter defined, all Service of an Employee or Leased Employee (hereinafter collectively referred to as "Employee" solely for purposes of this Section 2.2(b)) with any one or more members of such related group shall be treated as employment by the Employer for purposes of determining the Employee's Years of Service. The transfer of employment by any such Employee to another member of the related group shall not be deemed to constitute a retirement or other termination of employment by the Employee for purposes of this Section, but the Employee shall be deemed to have continued in employment with the Employer for purposes of determining the Employee's Years of Service. For purposes of this subsection (b), "related group" shall mean the Employer and all corporations, trades or businesses (whether or not incorporated) which constitute a controlled group of corporations with the Employer, a group of trades or businesses under common control with the Employer, or an affiliated service group which includes the Employer, within the meaning of Section 414(b), Section 414(c), or Section 414(m), respectively, of the Code or any other entity required to be aggregated under Code Section 414(o).

(c) *Construction.* This Section is included in the Plan to comply with the Code provisions regarding the crediting of Service, and not to extend any additional rights to Employees in ineligible classifications other than as required by the Code and regulations thereunder.

ARTICLE THREE--PLAN PARTICIPATION

3.1 PARTICIPATION. All Employees participating in the Plan prior to the Plan's restatement shall continue to participate, subject to the terms hereof.

Subject to the following provisions of this Section 3.1, each other Employee who is employed by the Employer shall become a Participant under the Plan as soon as administratively possible following his Employment Date. Provided, however, that any Employee (i) who is classified by the Employer as a temporary employee whose employment at the time of hire is expected to be limited to less than six (6) months or (ii) with respect to an individual who is hired on or after September 14, 2007, who is scheduled to complete less than twenty (20) Hours of Service per week, shall become a Participant as soon as administratively possible following his completion of a Year of Service.

In no event, however, shall any Employee (or other individual) participate under the Plan while he is: (i) not employed by an Employer (except as provided in the next paragraph); (ii) included in a unit of Employees covered by a collective bargaining agreement between the Employer and the Employee representatives under which retirement benefits were the subject of good faith bargaining, unless the terms of such bargaining agreement expressly provides for the inclusion in the Plan; (iii) employed as an independent contractor on the payroll records of the Employer (regardless of any subsequent reclassification by the Employer, any governmental agency or court); (iv) employed as a consultant; (v) employed as a Leased Employee; or (vi) a nonresident alien who receives no earned income (within the meaning of Section 911(d)(2) of the Code) from the Employer which constitutes income from sources within the United States (within the meaning of Section 861(a)(3) of the Code).

An Employee who is a United States citizen or a "Participating Resident Alien" (as defined below) and who is employed outside the continental limits of the United States in the service of a foreign subsidiary (including foreign subsidiaries of such foreign subsidiary) of the Employer shall be considered, for all purposes of this Plan, as employed in the service of the Employer, if (i) the Employer has entered into an agreement under Section 3121(l) of the Code which applies to the foreign subsidiary of which such person is an employee, and (ii) contributions under a funded plan of deferred compensation, whether or not a plan described in Section 401(a), 403(a), or 405(a) of the Code, are not provided by any other person with respect to the remuneration paid to such individual by the foreign subsidiary. A "Participating Resident Alien" means an Employee who is not a United States citizen but (i) has previously been employed as a lawful resident alien in the service of an Employer within the United States, (ii) was a Participant in the Plan during such employment, (iii) is currently employed at a location outside both the person's country of citizenship and the United States, and (iv) continues to maintain his eligibility for employment as a lawful resident alien within the United States.

3.2 RE-EMPLOYMENT OF FORMER PARTICIPANT. A Participant whose participation ceased because of termination of employment with the Employer shall resume participating upon his reemployment as an eligible Employee. Such an individual shall be eligible to commence

elective deferrals (within the meaning of Section 4.1) as soon as administratively possible following his return to employment.

3.3 CHANGE IN ELIGIBILITY STATUS. In the event a Participant is no longer a member of an eligible class of Employees and he becomes ineligible to participate, such Employee shall resume participating upon his return to an eligible class of Employees. Such an individual shall be eligible to commence elective deferrals (within the meaning of Section 4.1) as soon as administratively possible following his return to an eligible class of Employees.

In the event an Employee who is not a member of an eligible class of Employees becomes a member of an eligible class, such Employee shall participate upon becoming a member of an eligible class of Employees, if such Employee has otherwise satisfied the eligibility requirements of Section 3.1 and would have otherwise previously become a Participant. Such an individual shall be eligible to commence elective deferrals (within the meaning of Section 4.1) as soon as administratively possible following his becoming an eligible Employee.

3.4 COMPLIANCE WITH USERRA. Notwithstanding any provision of this Plan to the contrary, Participants shall receive service credit and be eligible to make deferrals and receive Employer contributions with respect to periods of qualified military service (within the meaning of Section 414(u)(5) of the Code) in accordance with Section 414(u) of the Code.

ARTICLE FOUR--ELECTIVE DEFERRALS, EMPLOYER CONTRIBUTIONS, AND ROLLOVERS AND TRANSFERS FROM OTHER PLANS

4.1 ELECTIVE DEFERRALS

(a) *Elections.* A Participant may elect to defer a portion of his Compensation for a Plan Year on a pre-tax basis. The amount of a Participant's Compensation contributed in accordance with the Participant's election shall be withheld by the Employer from the Participant's Compensation on a ratable basis throughout the Plan Year. For purposes of making elective deferrals pursuant to this Section, only Compensation earned while eligible to make such deferrals shall be considered. The amount deferred on behalf of each Participant shall be contributed by the Employer to the Plan and allocated to the portion of the Participant's Account consisting of pre-tax contributions.

Except as otherwise provided in Section 4.1(e) below, each Participant may elect to contribute from two percent (2%) to twenty percent (20%) of such Participant's Compensation as a pre-tax contribution, provided, however, that the Administrator may specify a limit lower than twenty percent (20%) with respect to Highly-Compensated Employees to ensure compliance with the limitations set forth in Section 10.2.

Notwithstanding the foregoing, any Employee who, upon first becoming eligible to participate in the Plan pursuant to Section 3.1 on or after September 14, 2007, fails to affirmatively make a deferral election (including an election to contribute zero percent (0%) of his Compensation to the Plan) within the time prescribed by the Administrator, shall be deemed to have elected to defer two percent (2%) of his Compensation as a pre-tax contribution ("deemed elective deferral"). The Administrator shall provide to each Employee a notice of his right to receive the amount of the deemed elective deferral in cash and his right to increase or decrease his rate of elective deferrals. The Administrator shall also provide each such Employee a reasonable period to exercise such right before the date on which the deemed elective deferral becomes effective.

(b) *Changes in Election.* A Participant may prospectively elect to change or revoke the amount (or percentage) of his elective deferrals during the Plan Year by filing a written election with the Administrator, or via such other method as permitted by the Administrator.

(c) *Limitations on Deferrals.* Except to the extent permitted under Section 4.1(e), no Participant shall be permitted to make elective deferrals during any taxable year in excess of the dollar limitation contained in Section 402(g) of the Code in effect for such taxable year.

(d) Administrative Rules. All elections made under this Section 4.1, including the amount and frequency of deferrals, shall be subject to the rules established by the Administrator which shall be consistently applied and which may be changed from time to time.

(e) Catch-up Contributions. Notwithstanding any limitation otherwise specified in this Section 4.1, all Participants who are eligible to make elective deferrals under Section 4.1(a) and who have attained age fifty (50) before the close of the taxable year shall be eligible to make catch-up contributions in accordance with, and subject to the limitations of, Section 414(v) of the Code.

Such catch-up contributions shall not be taken into account for purposes of the provisions of the Plan implementing the required limitations of Section 402(g) and 415 of the Code. The Plan shall not be treated as failing to satisfy the requirements of the Plan implementing the requirements of Section 401(k)(3), 401(k)(11), 401(k)(12), 402A, 410(b), or 416 of the Code, as applicable, by reason of the making of such catch-up contributions.

4.2 EMPLOYER CONTRIBUTIONS For each payroll period, the Employer may contribute to the Plan, on behalf of each Participant, a discretionary matching contribution equal to a percentage (as determined by Minerals Technologies Inc.'s board of directors) of the elective deferrals, including any catch-up contribution made pursuant to Section 4.1 and/or after-tax contributions under Section 4.5 made by each such Participant, provided, however, that the amount of such Employer matching contribution for any Participant in a Plan Year shall not exceed four percent (4%) of the Participant's Compensation for the period during which elective deferrals, including any catch-up contributions, and/or after-tax contributions are made by the Participant. Minerals Technologies Inc.'s board of directors may also determine to increase, suspend or reduce its contributions under this Section for any Plan Year or any portion thereof. Allocations under this Section shall be subject to the special rules of Section 13.3 in any Plan Year in which the Plan is a Top-Heavy Plan (as defined in Section 13.2(b)).

Employer matching contributions may be made by the Employer in cash or in the form of Minerals Technologies Inc. common stock. Such contributions shall be allocated to the Account of each eligible Participant as of the last day of the period for which the contributions are made, or as soon as administratively possible thereafter.

4.3 ROLLOVERS AND TRANSFERS OF FUNDS FROM OTHER PLANS. With the approval of the Administrator, there may be paid to the Trustee amounts which have been held under the following types of plans:

- (1) a qualified plan described in Section 401(a) or 403(a) of the Code; excluding after-tax employee contributions and excluding designated Roth contributions under Section 402A of the Code;
- (2) an annuity contract described in Section 403(b) of the Code, excluding after-tax employee contributions;

(3) an eligible plan under Section 457(b) of the Code which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state, excluding after-tax employee contributions; and

(4) an individual retirement account which was used solely as a conduit from a qualified plan described in Section 401(a) of the Code.

Any amounts so transferred on behalf of a Participant shall be nonforfeitable and shall be maintained under a separate Plan account, to be paid in addition to amounts otherwise payable under this Plan. The amount of any such account shall be equal to the fair market value of such account as adjusted for income, expenses, gains, losses, and withdrawals attributable thereto.

4.4 TIMING OF CONTRIBUTIONS. Employer contributions shall be made to the Plan no later than the time prescribed by law for filing the Employer's federal income tax return (including extensions) for its taxable year ending with or within the Plan Year. Elective deferrals under Section 4.1 or after-tax Employee contributions under Section 4.5 shall be paid to the Plan as soon as administratively possible, but no later than the fifteenth (15th) business day of the month following the month in which such deferrals would have been payable to the Participant in cash, or such later date as permitted or prescribed by the Department of Labor.

4.5 EMPLOYEE AFTER-TAX CONTRIBUTIONS. A Participant may elect to contribute from two percent (2%) to twenty percent (20%) of his Compensation to the Plan on an after-tax basis, in accordance with procedures and limitations established by the Administrator which shall be consistently applied and which may be changed from time to time, provided, however, that the Administrator may specify a limit lower than twenty percent (20%) with respect to Highly-Compensated Employees to ensure compliance with the limitations set forth in Section 10.3. A Participant may prospectively elect to change or revoke the amount (or percentage) of his after-tax contributions during the Plan Year in accordance with procedures established by the Administrator. Any after-tax contributions made by a Participant shall be contributed by the Employer to the Plan and allocated to the portion of the Participant's Account consisting of after-tax contributions.

The total elective deferrals made under Section 4.1(a) plus any after-tax contributions made by a Participant for a Plan Year may not exceed twenty percent (20%) of the Participant's Compensation.

ARTICLE FIVE--ACCOUNTING RULES

5.1 INVESTMENT OF ACCOUNTS AND ACCOUNTING RULES

(a) *Investment Funds.* The Committee shall identify from time to time the investment funds in which the Plan's assets may be invested. Such funds shall include an "Employer Stock Fund," which is primarily invested in Minerals Technologies Inc. common stock, with a portion being invested in cash and cash equivalents for liquidity purposes. Participants' Accounts shall generally be invested pursuant to the direction of the Participants. However, any Company matching contributions made on behalf of a Participant shall initially be invested in the Employer Stock Fund.

(b) *Participant Direction of Investments.* Each Participant (including, for this purpose, any former Employee, Beneficiary, or "alternate payee" (within the meaning of Section 14.4 below) with an Account balance) may direct how his Account, or such portion thereof which is subject to his investment direction, is to be invested among the available investment funds in the percentage multiples established by the Administrator. In the event a Participant fails to make an investment election, with respect to all or any portion of his Account subject to his investment direction, the Trustee shall invest all or such portion of his Account in the investment fund to be designated by the Administrator. A Participant may change his investment election, with respect to future contributions and, if applicable, forfeitures, and/or amounts previously accumulated in the Participant's Account in accordance with procedures established by the Administrator. Any such change in a Participant's investment election shall be effective at such time as may be prescribed by the Administrator. However, where it deems appropriate, and subject to the requirements of applicable law, the Administrator may decline to implement the investment election, or otherwise limit the frequency by which a Participant may direct the investment of his Account. If the Plan's recordkeeper or investments are changed, the Administrator may apply such administrative rules and procedures as are necessary to provide for the transfer of records and/or assets, including without limitation, the suspension of Participant's investment directions, withdrawals and distributions for such period of time as is necessary, and the transfer of Participants' Accounts to designated funds or an interest bearing account until such change has been completed.

(c) *Allocation of Investment Experience.* As of each Valuation Date, the investment fund(s) of the Trust shall be valued at fair market value, and the income, loss, appreciation and depreciation (realized and unrealized), and any paid expenses of the Trust attributable to such fund shall be apportioned among Participants' Accounts within the fund based upon the value of each Account within the fund as of the preceding Valuation Date.

(d) *Manner and Time of Debiting Distributions.* For any Participant who is entitled to receive a distribution from his Account, such distribution shall be made in accordance with the provisions of Article 7. The amount distributed shall be based upon the fair market value of the Participant's Account as of the Valuation Date preceding the distribution.

5.2 VOTING RIGHTS. Any securities held in the investment funds, including the Employer Stock Fund and the Pfizer Inc Stock Fund, shall be voted in the manner provided in the Trust Agreement.

5.3 PLAN EXPENSES. The costs of administering the Plan and other Plan expenses shall be paid by the Trust in a nondiscriminatory manner specified by the Administrator, but if not paid by the Trust shall be paid by the Employer.

ARTICLE SIX--VESTING

6.1 VESTING. A Participant shall at all times have a nonforfeitable (vested) right to his Account derived from elective deferrals (within the meaning of Section 4.1), after-tax contributions (under Section 4.5), Employer matching contributions (under Section 4.2(a)), Employer Fail-Safe Contributions, "Qualified Matching Contributions" (within the meaning of Section 10.2), and rollovers or transfers from other plans, as adjusted for investment experience.

6.2 FORFEITURE OF NONVESTED BALANCE. If a portion of a Participant's Account is not vested for any reason, for example, if an excess contribution is made by the Employer, the nonvested portion of the Participant's Account shall be forfeited as soon as administratively practical thereafter. The amount forfeited shall be used to pay Plan administrative expenses and/or to reduce Employer contributions under the Plan.

ARTICLE SEVEN--MANNER AND TIME OF DISTRIBUTING BENEFITS

7.1 MANNER OF PAYMENT. The Participant's Account shall be distributed to the Participant (or to the Participant's Beneficiary in the event of the Participant's death) in a single lump-sum payment.

To the extent the Participant's Account is invested in the Employer Stock Fund (within the meaning of Section 5.1(a)) or in the "Pfizer Stock Fund," consisting of Pfizer Inc common stock and cash and cash equivalents for liquidity purposes, the Participant (or Beneficiary in the event of the Participant's death) may elect to receive such portion of his Account in a single payment in (i) cash, or (ii) whole shares of stock, with any fractional shares and the cash and cash equivalent portions of the underlying stock fund being distributed in cash.

Notwithstanding the foregoing, but subject to the following provisions of this Article Seven, if the Participant's Account exceeds \$5,000, a Participant may also elect to receive partial payments of his Account.

7.2 TIME OF COMMENCEMENT OF BENEFIT PAYMENTS. If the Participant's Account exceeds \$5,000, the Participant can elect to receive a distribution in accordance with Section 7.1 at any time after the Participant's separation from service with the Employer.

If the Participant so elects, distribution of the Participant's Account shall be made or commence no later than the sixtieth (60) day after the later of the close of the Plan Year in which: (a) the Participant attains age sixty-five (65) (or Normal Retirement Date, if earlier), (b) occurs the tenth (10th) anniversary of the year in which the Participant commenced participation in the Plan, or (c) the Participant severs employment with the Employer.

In no event, however, shall distribution of the Participant's Account be made later than the April 1st following the end of the calendar year in which the Participant attains age seventy and one-half (70½), or, except for a Participant who is a five percent (5%) owner of the Employer (within the meaning of Section 401(a)(9)(C) of the Code), if later, the April 1st following the calendar year in which the Participant separates from service with the Employer (the "required beginning date").

Notwithstanding the foregoing, if the Participant's Account does not exceed \$5,000, the Participant's entire Account shall normally be distributed to the Participant (or, in the event of the Participant's death, his Beneficiary) in a lump-sum payment as soon as administratively practicable following the date the Participant retires, dies or otherwise terminates from employment. However, in the event of a mandatory distribution to a Participant whose Account is greater than \$1,000, if the Participant does not elect to have such automatic distribution paid directly to an eligible retirement plan specified by the Participant in a direct rollover or to receive the distribution directly in accordance with Section 7.1, then the Plan Administrator shall pay the distribution in a direct rollover to an individual retirement plan designated by the Plan Administrator.

Notwithstanding the foregoing, upon the Administrator's actual knowledge of a pending divorce or divorce proceeding, or the issuance (or possible issuance) of a domestic relations order regarding a Participant's Account, such Account shall be frozen to prevent the Participant from taking withdrawals, loans or distributions against the portion of the Account, subject to, or potentially subject to, the domestic relations order. This freeze shall be removed promptly following the qualification of the domestic relations order in accordance with the Plan's procedures or at such earlier time as the Administrator may reasonably determine.

7.3 DISTRIBUTIONS UPON DEATH

- (a) If a Participant dies before receiving a complete distribution of his Account, then upon the Participant's death, the Participant's remaining Account shall be distributed to the Participant's Beneficiary in accordance with the provisions of this Section 7.3.
- (b) If the Beneficiary is not the Participant's surviving spouse, then the Beneficiary must take a complete distribution of the Participant's Account by December 31 of the calendar year containing the fifth anniversary of the Participant's death.
- (c) If the Beneficiary is the Participant's surviving spouse, then the Beneficiary must take a complete distribution of the Participant's Account by the latest of (i) December 31 of the calendar year containing the fifth anniversary of the Participant's death, (ii) December 31 of the calendar year following the year of the Participant's death, and (iii) December 31 of the calendar year in which the Participant would have attained age seventy and one-half (70½).

7.4 FURNISHING INFORMATION. Prior to the payment of any benefit under the Plan, each Participant or Beneficiary may be required to complete such administrative forms and furnish such proof as may be deemed necessary or appropriate by the Employer, Administrator, and/or Trustee.

7.5 MINIMUM DISTRIBUTION REQUIREMENTS.

(a) ***General Rules.***

- (1) **Effective Date.** The provisions of this Article will apply for purposes of determining required minimum distributions. Unless otherwise specified, the provisions of this Article will apply to calendar years beginning after December 31, 2002.
- (2) **Precedence.** The requirements of this Article will take precedence over any inconsistent provisions of the Plan; provided, however, that this Article shall not

require the Plan to provide any form of benefit, or any option, not otherwise provided under Section 7.1, Section 7.2, or Section 7.3.

(3) **Requirements of Treasury Regulations Incorporated.** All distributions required under this Article will be determined and made in accordance with the Treasury regulations under Section 401(a)(9) of the Code and the minimum distribution incidental benefit requirement of Section 401(a)(9)(G) of the Code..

(b) ***Time and Manner of Distribution***

- (1) **Required Beginning Date.** The Participant's entire interest will be distributed, or begin to be distributed, to the Participant no later than the Participant's required beginning date.

(2) Death of Participant Before Required Distributions Begin. If the Participant dies before required distributions begin, the Participant's entire interest will be distributed, or begin to be distributed, no later than as follows:

(A) If the Participant's surviving spouse is the Participant's sole designated Beneficiary, distributions to the surviving spouse will begin by December 31 of the calendar year immediately following the calendar year in which the Participant died, or by December 31 of the calendar year in which the Participant would have attained age 70½, if later.

(B) If the Participant's surviving spouse is not the Participant's sole designated Beneficiary, and if distribution is to be made over the life or over a period certain not exceeding the life expectancy of the designated Beneficiary (if permitted under Section 7.3 of the Plan), distribution to the designated Beneficiary will begin by December 31 of the calendar year immediately following the calendar year in which the Participant died.

(C) If there is no designated Beneficiary as of September 30 of the year following the year of the Participant's death, or if the Participant's Beneficiary so elects, the Participant's entire interest will be distributed by December 31 of the calendar year containing the fifth anniversary of the Participant's death.

(D) If the Participant's surviving spouse is the Participant's sole designated Beneficiary and the surviving spouse dies after the Participant but before distributions to the surviving spouse begin, this Section 7.5(b), other than Section 7.5(b)(2)(A), will apply as if the surviving spouse were the Participant.

For purposes of Sections 7.5(b) and 7.5(d), unless Section 7.5(b)(2)(D) applies, distributions are considered to begin on the Participant's required beginning date. If Section 7.5(b)(2)(D) applies, distributions are considered to begin on the date

distributions are required to begin to the surviving spouse under Section 7.5(b)(2)(A). If distributions under an annuity purchased from an insurance company irrevocably commence to the Participant before the Participant's required beginning date (or to the Participant's surviving spouse before the date distributions are required to begin to the surviving spouse under Section 7.5(b)(2)(A)), the date distributions are considered to begin is the date distributions actually commence.

(3) Forms of Distribution. Unless the Participant's interest is distributed in the form of an annuity purchased from an insurance company or in a single sum on or before the required beginning date, as of the first distribution calendar year, distributions will be made in accordance with Sections 7.5(c) and (d). If the Participant's interest is distributed in the form of an annuity purchased from an insurance company, distributions thereunder will be made in accordance with the requirements of Section 401(a)(9) of the Code and the Treasury regulations.

(c) *Required Minimum Distributions During Participant's Lifetime.*

(1) Amount of Required Minimum Distribution for Each Distribution Calendar Year. During the Participant's lifetime, the minimum amount that will be distributed for each distribution calendar year is the lesser of:

(A) the quotient obtained by dividing the Participant's Account balance by the distribution period in the Uniform Lifetime Table set forth in Section 1.401(a)(9)-9, Q&A-2, of the Treasury regulations, using the Participant's age as of the Participant's birthday in the distribution calendar year; or

(B) if the Participant's sole designated Beneficiary for the distribution calendar year is the Participant's spouse, the quotient obtained by dividing the Participant's Account balance by the number in the Joint and Last Survivor Table set forth in Section 1.401(a)(9)-9, Q&A-3, of the Treasury regulations, using the Participant's and spouse's attained ages as of the Participant's and spouse's birthdays in the distribution calendar year.

(2) Lifetime Required Minimum Distributions Continue Through Year of Participant's Death. Required minimum distributions will be determined under this Section 7.5(c) beginning with the first distribution calendar year and up to and including the distribution calendar year that includes the Participant's date of death.

(d) *Required Minimum Distributions After Participant's Death.*

(1) Death On or After Date Required Distributions Begin.

(A) *Participant Survived by Designated Beneficiary*. Subject to the provisions of this Article, if the Participant dies on or after the date required

distributions begin and there is a designated Beneficiary, the minimum amount that will be distributed for each distribution calendar year after the year of the Participant's death is the quotient obtained by dividing the Participant's Account balance by the longer of the remaining life expectancy of the Participant or the remaining life expectancy of the Participant's designated Beneficiary, determined as follows:

(i) The Participant's remaining life expectancy is calculated using the age of the Participant in the year of death, reduced by one for each subsequent year.

(ii) If the Participant's surviving spouse is the Participant's sole designated Beneficiary, the remaining life expectancy of the surviving spouse is calculated for each distribution calendar year after the year of the Participant's death using the surviving spouse's age as of the spouse's birthday in that year. For distribution calendar years after the year of the surviving spouse's death, the remaining life expectancy of the surviving spouse is calculated using the age of the surviving spouse as of the spouse's birthday in the calendar year of the spouse's death, reduced by one for each subsequent calendar year.

(iii) If the Participant's surviving spouse is not the Participant's sole designated Beneficiary, the designated Beneficiary's remaining life expectancy is calculated using the age of the Beneficiary in the year following the year of the Participant's death, reduced by one for each subsequent year.

(B) *No Designated Beneficiary.* If the Participant dies on or after the date distributions begin and there is no designated Beneficiary as of September 30 of the year after the year of the Participant's death, the minimum amount that will be distributed for each distribution calendar year after the year of the Participant's death is the quotient obtained by dividing the Participant's Account balance by the Participant's remaining life expectancy calculated using the age of the Participant in the year of death, reduced by one for each subsequent year.

(2) Death Before Date Required Distributions Begin.

(A) *Participant Survived by Designated Beneficiary.* If the Participant dies before the date distributions begin and there is a designated Beneficiary, the minimum amount that will be distributed for each distribution calendar year after the year of the Participant's death is the quotient obtained by dividing the Participant's Account balance by the remaining life expectancy of the Participant's designated Beneficiary, determined as provided in Section 7.5(d)(1).

(B) *No Designated Beneficiary.* If the Participant dies before the date distributions begin and there is no designated Beneficiary as of September 30 of the year following the year of the Participant's death, distribution of the Participant's entire interest will be completed by December 31 of the calendar year containing the fifth anniversary of the Participant's death.

(C) *Death of Surviving Spouse Before Distributions to Surviving Spouse Are Required to Begin.* If the Participant dies before the date distributions begin, the Participant's surviving spouse is the Participant's sole designated Beneficiary, and the surviving spouse dies before distributions are required to begin to the surviving spouse under Section 7.5(b)(2)(A), this Section 7.5(d) will apply as if the surviving spouse were the Participant.

(e) **Definitions.**

(1) Designated Beneficiary. The individual who is designated as the Beneficiary under Section 7.6 of the Plan and is the designated Beneficiary under Section 401(a)(9) of the Code and Section 1.401(a)(9)-1, Q&A-4, of the Treasury regulations.

(2) Distribution Calendar Year. A calendar year for which a minimum distribution is required. For distributions beginning before the Participant's death, the first distribution calendar year is the calendar year immediately preceding the calendar year which contains the Participant's required beginning date. For distributions beginning after the Participant's death, the first distribution calendar year is the calendar year in which distributions are required to begin under Section 7.5(b)(2). The required minimum distribution for the Participant's first distribution calendar year will be made on or before the Participant's required beginning date. The required minimum distribution for other distribution calendar years, including the required minimum distribution for the distribution calendar year in which the Participant's required beginning date occurs, will be made on or before December 31 of that distribution calendar year.

(3) Life Expectancy. Life expectancy as computed by use of the Single Life Table in Section 1.401(a)(9)-9, Q&A-1, of the Treasury regulations.

(4) Participant's Account Balance. The Account balance as of the last valuation date in the calendar year immediately preceding the distribution calendar year (valuation calendar year) increased by the amount of any

contributions made and allocated or forfeitures allocated to the Account balance as of dates in the valuation calendar year after the valuation date and decreased by distributions made in the valuation calendar year after the valuation date. The Account balance for the valuation calendar year includes any amounts rolled over or transferred to

the Plan either in the valuation calendar year or in the distribution calendar year if distributed or transferred in the valuation calendar year.

(5) Required Beginning Date. The date specified in Section 7.2 of the Plan.

7.6 DESIGNATION OF BENEFICIARY. Each Participant shall designate a Beneficiary in a manner acceptable to the Administrator to receive payment of any death benefit payable hereunder if such Beneficiary should survive the Participant. However, no Participant who is married shall be permitted to designate a Beneficiary other than his spouse unless the Participant's spouse has signed a written consent, in a form acceptable to the Administrator and witnessed by a notary public, which provides for the designation of an alternate Beneficiary.

Subject to the above, Beneficiary designations may include primary and contingent Beneficiaries, and may be revoked or amended at any time in similar manner or form, and the most recent designation shall govern. A designation of a Beneficiary made by a Participant shall cease to be effective upon his marriage or remarriage. In addition, a spousal Beneficiary designation shall cease to be effective upon written notification to the Administrator of the divorce of the Participant and such spouse. In the absence of an effective designation of Beneficiary, or if no designated Beneficiary is surviving as of the date of the Participant's death, any death benefit shall be paid to the surviving spouse of the Participant, or, if no surviving spouse, to the Participant's estate. Notification to Participants of the death benefits under the Plan and the method of designating a Beneficiary shall be given at the time and in the manner provided by regulations and rulings under the Code.

In the event a Beneficiary survives the Participant, but dies before receipt of all payments due that Beneficiary hereunder, any benefits remaining to be paid to the Beneficiary shall be paid to the Beneficiary's estate.

7.7 ELIGIBLE ROLLOVER DISTRIBUTIONS. Notwithstanding the foregoing provisions of this Article Seven, the provisions of this Section 7.7 shall apply to distributions made under the Plan after December 31, 2001.

(a) A "distributee" (as hereinafter defined) may elect, at the time and in the manner prescribed by the Administrator, to have any portion of an "eligible rollover distribution" (as hereinafter defined) paid directly to an eligible retirement plan specified by the distributee in a direct rollover.

(b) Definitions:

(i) Eligible Rollover Distribution. An eligible rollover distribution is any distribution of all or any portion of the balance to the credit of the distributee, except that an eligible rollover distribution does not include: any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the distributee or the joint lives (or joint

life expectancies) of the distributee and the distributee's designated Beneficiary, or for a specified period of ten (10) years or more; any distribution to the extent such distribution is required under Section 401(a)(9) of the Code; and any hardship distribution described in Section 8.2. A portion of a distribution shall not fail to be an eligible rollover distribution merely because the portion consists of after-tax employee contributions which are not includible in gross income. However, such portion may be transferred only to an individual retirement account or annuity described in Section 408(a) or (b) of the Code (or described in Section 408A of the Code for "designated Roth contributions" (within the meaning of Section 402A of the Code)), or to a qualified defined contribution plan described in Section 401(a) or 403(a) of the Code that agrees to separately account for amounts so transferred, including separately accounting for the portion of such distribution which is includible in gross income and the portion of such distribution which is not so includible and, if applicable, as required under Section 402A of the Code.

(ii) Eligible Retirement Plan. An eligible retirement plan is an individual retirement account described in Section 408(a) of the Code, an individual retirement annuity described in Section 408(b) of the Code, an annuity plan described in Section 403(a) of the Code, a qualified trust described in Section 401(a) of the Code, an annuity contract described in Section 403(b) of the Code and an eligible plan under Section 457(b) of the Code which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state and which agrees to separately account for amounts transferred into such plan from this Plan, that accepts the distributee's eligible rollover distribution. The definition of eligible retirement plan shall

also apply in the case of a distribution to a surviving spouse, or to a spouse or former spouse who is the alternate payee under a qualified domestic relations order, as defined in Section 414(p) of the Code.

If any portion of an eligible rollover distribution is attributable to payments or distributions from a designated Roth account, an eligible retirement plan with respect to such portion shall include only another designated Roth account of the individual from whose account the payments or distributions were made, or a Roth IRA of such individual.

(iii) *Distributee*. A distributee includes an Employee or former Employee. In addition, the Employee's or former Employee's surviving spouse, the Employee's or former Employee's spouse or former spouse who is an alternate payee under a qualified domestic relations order, as defined in Section 414(p) of the Code, and any other Beneficiary of the Participant are distributees.

(iv) *Direct Rollover*. A direct rollover is a payment by the Plan to the eligible retirement plan specified by the distributee.

(c) Notwithstanding the foregoing, if the value of the Participant's Account exceeds \$5,000 and becomes distributable to the Participant on an immediate lump sum basis prior to the Participant's attaining age 65, no such distribution shall be made unless the Participant consents to the distribution, in accordance with rules and procedures established on a uniform and nondiscriminatory basis by the Administrator, no more than ninety (90) (effective January 1, 2008, one hundred eighty (180)) days and no less than thirty (30) days prior to the date of distribution. If a distribution is one to which Sections 401(a)(11) and 417 of the Code do not apply, such distribution may commence less than thirty (30) days after the notice required under Section 1.411(a)-11(c) of the Income Tax Regulations is given, provided that:

(i) the Administrator clearly informs the Participant that the Participant has a right to a period of at least thirty (30) days after receiving the notice to consider the decision of whether or not to elect a distribution (and, if applicable, a particular distribution option), and

(ii) the Participant, after receiving the notice, affirmatively elects a distribution.

ARTICLE EIGHT--LOANS AND IN-SERVICE WITHDRAWALS

8.1 LOANS

(a) *Permissible Amount and Procedures*. Upon the application of a Participant, the Administrator may, in accordance with a uniform and nondiscriminatory policy, direct the Trustee to grant a loan to the Participant, which loan shall be secured by the Participant's Account balance. The Participant's signature shall be required on a promissory note. The rate of interest on any such loan shall be equal to the "Prime Rate" (as reported in *The Wall Street Journal* on the date the loan is initiated) plus one percent 1%. Participant loans shall be treated as segregated investments, and interest repayments shall be credited only to the Participant's Account. Only Participants who are Employees or "parties in interest" (within the meaning of Section 3(14) of the Employee Retirement Income Security Act of 1974) are permitted to initiate loans. A Participant can have only one loan outstanding at any time, including any defaulted loans.

(b) *Limitation on Amount of Loans*. A Participant's loan shall not exceed the lesser of:

(1) \$50,000, which amount shall be reduced by the highest outstanding loan balance during the preceding twelve (12)-month period; or

(2) one-half (½) of the value of the Participant's Account, determined as of the Valuation Date preceding the date of the Participant's loan.

Any loan must be repaid within five (5) years (or such longer period permitted by law), unless made for the purpose of acquiring the primary residence of the Participant, in which case such loan may be repaid over a longer period of time not to exceed fifteen (15) years. The repayment of any loan must be made in at least quarterly installments of principal and interest; provided, however, that this requirement shall not apply for a period, not longer than one year, or such longer period as may apply under Section 414(u) of the Code, that a Participant is on a leave of absence ("Leave"), either without pay from the Employer or at a rate of pay (after income and employment tax withholding) that is less than the amount of the installment payments required under the terms of the loan. However, the loan must be repaid by the latest date permitted under Sections 72(p)(2)(B) and 414(u) of the Code and the installments due after the Leave ends (or, unless Section 414(u) of the Code applies, if earlier, upon the expiration of the first year of the Leave) must not be less than those required under the terms of the original loan.

If a Participant defaults on any outstanding loan, the unpaid balance, and any interest due thereon, shall become due and payable in accordance with the terms of the underlying promissory note; provided, however, that such foreclosure on the promissory note and attachment of security shall not occur until a distributable event occurs in accordance with the provisions of Article Seven.

If a Participant terminates employment while any loan balance is outstanding, the unpaid balance, and any interest due thereon, shall become due and payable in accordance with the terms of the

underlying promissory note. If such amount is not paid to the Plan, it shall be charged against the amounts that are otherwise payable to the Participant or the Participant's Beneficiary under the provisions of the Plan.

In the case of a Participant who has loans outstanding from other plans of the Employer (or a member of the Employer's related group (within the meaning of Section 2.5(b)), the loans shall be aggregated for purposes of applying the limits of Section 72(p) of the Code.

8.2 HARDSHIP DISTRIBUTIONS. A Participant who is an Employee may, in the case of a financial hardship resulting from a proven immediate and heavy financial need, receive a cash distribution not to exceed the lesser of (i) the value of the Participant's Account, without regard to earnings received on his elective deferrals (within the meaning of Section 4.1) after December 31, 1988, and without regard to any Fail-Safe Contributions or Qualified Matching Contributions (within the meaning of Section 10.2 below), or (ii) the amount necessary to satisfy the financial hardship. The amount of any such immediate and heavy financial need may include any amounts necessary to pay Federal, state or local income taxes reasonably anticipated to result from the distribution. Such distribution shall be made in accordance with nondiscriminatory and objective standards consistently applied by the Administrator.

Hardship distributions under this Section shall be deemed to be the result of an immediate and heavy financial need if such distribution is to: (a) pay expenses for (or to obtain) medical care that would be deductible under Section 213(d) of the Code determined without regard to whether the expenses exceed seven and one-half percent (7.5%) of adjusted gross income; (b) purchase the principal residence of the Participant (excluding mortgage payments); (c) pay tuition and related educational fees for the next twelve (12) months of post-secondary education for the Participant, Participant's spouse, or any of the Participant's dependents (as defined in Section 152 of the Code, and without regard to Section 152(b)(1), (b)(2) and (d)(1)(B) of the Code); (d) prevent the eviction of the Participant from his principal residence or foreclosure on the Participant's principal residence; (e) pay funeral or burial expenses for the Participant's deceased parent, spouse, children or dependents (as defined in Section 152 of the Code, and without regard to Section 152(d)(1)(B) of the Code); or (f) repair damage to the Participant's principal residence that would qualify for a casualty loss deduction under Section 165 of the Code (determined without regard to whether the loss exceeds ten percent (10%) of adjusted gross income). Distributions paid pursuant to this Section shall be deemed to be made as of the Valuation Date immediately preceding the hardship distribution, and the Participant's Account shall be reduced accordingly.

A distribution shall not be treated as necessary to satisfy an immediate and heavy financial need of a Participant to the extent the amount of the distribution is in excess of the amount required to relieve the financial need or to the extent the need may be satisfied from other resources that are reasonably available to the Participant. This determination shall generally be made on the basis of all relevant facts and circumstances. For purposes of this paragraph, the Participant's resources shall be deemed to include those assets of the Participant's spouse and minor children that are reasonably available to the Participant. A distribution generally shall be treated as necessary to satisfy a financial need if the Administrator relies upon the Participant's written

representation, unless the Administrator has actual knowledge to the contrary, that the need cannot reasonably be relieved:

(1) Through reimbursement or compensation by insurance or otherwise;

- (2) By liquidation of the Participant's assets;
- (3) By cessation of elective deferrals (within the meaning of Section 4.1) and any after-tax contributions under Section 4.5; or
- (4) By other distributions or nontaxable (at the time of the loan) loans from plans maintained by the Employer or by any other employer, or by borrowing from commercial sources on reasonable commercial terms, in an amount sufficient to satisfy the need.

For purposes of the foregoing paragraph, a need cannot reasonably be relieved by one of the actions listed above if the effect would be to increase the amount of the need. In making such determination, the Administrator may rely upon the Participant's written representation to such effect, unless the Administrator has actual knowledge to the contrary.

8.3 WITHDRAWALS AFTER AGE 59½. After attaining age fifty-nine and one-half (59½), a Participant who is an Employee may, by giving notice to the Administrator, withdraw from the Plan a sum (a) not in excess of the credit balance of his Account and (b) not less than such minimum amount as the Administrator may establish from time to time to facilitate administration of the Plan. Any such withdrawals shall be made in accordance with nondiscriminatory and objective standards consistently applied by the Administrator. To the extent the Participant's Account is invested in the Employer Stock Fund (within the meaning of Section 5.1(a)) or the Pfizer Stock Fund (within the meaning of Section 7.1), the withdrawal may be made in the form of whole shares of stock, with any fractional shares and the cash and cash equivalent portions of the underlying stock fund being withdrawn in cash.

8.4 NON-HARDSHIP WITHDRAWALS. Before attaining age fifty-nine and one-half (59½), a Participant who is an Employee may, by notice to the Administrator, withdraw from the Plan a sum (a) not in excess of the credit balance of the Participant's Account attributable to any after-tax contributions made to the Plan, including earnings thereon, any rollover contributions including earnings thereon, and any Employer matching contributions that have been held in his Account for at least two (2) years from the date of contribution (or, provided at least five (5) years have elapsed since his initial date of Plan participation, any Employer matching contributions credited to his Account), including earnings thereon, and (b) not less than such minimum amount as the Administrator may establish from time to time to facilitate administration of the Plan. Any such withdrawals shall be made in cash and in accordance with nondiscriminatory and objective standards consistently applied by the Administrator.

ARTICLE NINE --ADMINISTRATION OF THE PLAN

9.1 PLAN ADMINISTRATION. The Plan shall be administered by a Savings and Investment Plan Committee (the "Committee") consisting of at least three (3) persons, who may be Participants of the Plan, appointed by the Board of Directors of Minerals Technologies Inc. (the "Board"). Members of the Committee shall serve at the pleasure of the Board, and may resign at any time upon due notice in writing. The Committee shall act by a majority of its members, and the secretary thereof shall certify its action to the Trustee.

The Committee shall be the Plan Administrator and shall have fiduciary responsibility under the Employee Retirement Income Security Act of 1974, as amended, for the general operation of the Plan, and the exclusive authority and responsibility (i) to appoint and remove or select investment managers, if any, the Trustee or any successor Trustee under the Plan and the Trust and pooled investment vehicles and investment advisers thereof, (ii) to direct the segregation of all or a portion of the assets of the Trust into an investment manager account or accounts at any time and from time to time and to add or to withdraw assets from such investment manager account or accounts as it deems desirable or appropriate, (iii) to direct the Trustee to enter into a group annuity contract or contracts, in such form and on such terms as may be approved by the Committee to provide for annuity settlements under the Plan, and (iv) to direct the Trustee to enter into one (1) or more investment contracts with one or more insurance companies or financial institutions. The Committee may appoint or employ, and compensate such persons as it deems necessary to render advice with respect to any responsibility of the Committee under the Plan. The Committee may allocate to any one (1) or more of its members any responsibility that it may have under the Plan and may designate any other person or persons to carry out any responsibility of the Committee under the Plan. Any person may serve in more than one fiduciary capacity with respect to the Plan.

The Committee shall administer the Plan in accordance with its terms and shall have all powers necessary to carry out the provisions of the Plan not otherwise reserved to the Employer, the Board or the Trustee. The Committee shall have total and complete discretion to interpret the Plan and to determine all questions arising in the administration, interpretation and application of the Plan, including the power to construe and interpret the Plan; to decide questions relating to an individual's eligibility to participate in the Plan and/or eligibility for benefits and the amounts thereof; to have fact finder discretionary authority to decide all facts relevant to the determination of eligibility for benefits or participation; to make such adjustments as it deems necessary or desirable to correct any arithmetical or accounting errors; to determine the amount, form, and timing of any distribution to be made hereunder; to approve and enforce any loan hereunder including the repayment thereof; to resolve any conflict among Plan terms; and to establish any limitations and procedures relating to Participant investment allocations, distributions, and other Plan activities necessary to ensure compliance with the Employer's insider trading policy and applicable securities laws. The Committee shall have the discretion to make factual determinations relating to the amount and manner of any allocations and distributions of benefits. In making its decisions, the Committee shall be entitled to, but need not rely upon, information supplied by a Participant, Beneficiary or representative thereof. The Committee may correct any defect, supply any omission or reconcile any inconsistency in such manner and to such extent as

it shall deem necessary to carry out the purposes of the Plan. The Committee's decision in such matters shall be binding and conclusive as to all parties.

The Committee is authorized to make such uniform rules as may be necessary to carry out the provisions of the Plan and shall determine, in its sole discretion, any questions arising in the administration, interpretation and application of the Plan, which determination shall be conclusive and binding on all parties. In exercising such powers and authorities, the Committee shall at all times exercise good faith, apply standards of uniform application, and refrain from arbitrary action. The Committee is also authorized to adopt such uniform rules as it may consider necessary or desirable for the conduct of its affairs and the transaction of its business, including, but not limited to, the power on the part of the Committee to act without formally convening and to provide that action of the Committee may be expressed by written instruments signed by a majority of its members. It shall elect a secretary, who need not be a member of the Committee, who shall record the minutes of its proceedings and shall perform such other duties as may from time to time be assigned to him. The Committee may retain legal counsel (who may be the General Counsel or an Assistant General Counsel of Minerals Technologies Inc.) when and if it be found necessary or convenient to do so, and may also employ such other assistants, clerical or otherwise, as may be needed, and expend such monies as may be required for the proper performance of its work. Such costs and expenses shall be borne by the Employer.

To the extent permitted by law, the Committee, the Board, the Employer, and their respective officers, shall not be liable for the directions, actions or omissions of any agent, legal or other counsel, accountant or any other expert who has agreed to the performance of administrative duties in connection with the Plan or Trust. The Committee, the Board, and the Employer, and their respective officers, shall be entitled to rely upon all certificates, reports, data, statistics, analyses and opinions which may be made by such experts and shall be fully protected in respect to any action taken or suffered by them in good faith reliance upon any such certificates, reports, data, statistics, analyses or opinions; all actions so taken or suffered shall be conclusive upon each of them and upon all persons having or claiming to have any interest in or under the Plan.

Each member of the Committee shall be indemnified by the Employer against all costs and expenses (including counsel fees, but excluding any amount representing a settlement unless such settlement be approved by the Employer) reasonably incurred by or imposed upon him in connection with or resulting from any action, suit or proceeding to which he may be made a party by reason of his being or having been a member of the Committee (whether or not he continues to be a member of the Committee at the time when such cost or expense is incurred or imposed), to the full extent of the law. The foregoing rights of indemnification shall not be exclusive of other rights to which any member of the Committee may be entitled as a matter of law, contract or otherwise.

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9.2 CLAIMS PROCEDURE

(a) Pursuant to procedures established by the Administrator, claims for benefits under the Plan made by a Participant or Beneficiary (the "claimant") must be submitted in writing to the Plan Representative identified by the Administrator. Approved claims shall be

processed and instructions issued to the Trustee or custodian authorizing payment as claimed.

If a claim is denied in whole or in part, the Plan Representative shall notify the claimant within ninety (90) days after receipt of the claim (or within one hundred eighty (180) days, if special circumstances require an extension of time for processing the claim, and provided written notice indicating the special circumstances and the date by which a final decision is expected to be rendered is given to the claimant within the initial ninety (90) day period).

The notice of the denial of the claim shall be written in a manner calculated to be understood by the claimant and shall set forth the following:

- (i) the specific reason or reasons for the denial of the claim;
- (ii) the specific references to the pertinent Plan provisions on which the denial is based;
- (iii) a description of any additional material or information necessary to perfect the claim, and an explanation of why such material or information is necessary;
- (iv) a statement that any appeal of the denial must be made by giving to the Administrator, within sixty (60) days after receipt of the denial of the claim, written notice of such appeal, such notice to include a full description of the pertinent issues and basis of the claim; and
- (v) a statement about the claimant's right to bring civil action under Section 502(a) under ERISA if the claim is denied on review.

Upon denial of a claim in whole or part, the claimant (or his duly authorized representative) shall have the right to submit a written request to the Administrator for a full and fair review of the denied claim, to be permitted to review documents (free of charge) pertinent to the denial, and to submit issues and comments in writing. Any appeal of the denial must be given to the Administrator within the period of time prescribed under (a)(iv) above. If the claimant (or his duly authorized representative) fails to appeal the denial to the Administrator within the prescribed time, the Administrator's adverse determination shall be final, binding and conclusive.

The Administrator may hold a hearing or otherwise ascertain such facts as it deems necessary and shall render a decision which shall be binding upon both parties. The Administrator shall advise the claimant of the results of the review within sixty (60) days after receipt of the written request for the review, unless special circumstances require an extension of time for processing,

in which case a decision shall be rendered as soon as possible but not later than one hundred twenty (120) days after receipt of the request for review. If such extension of time is required, written notice of the extension shall be furnished to the claimant prior to the commencement of the extension. The decision of

the review shall be written in a manner calculated to be understood by the claimant and shall include specific reasons for the decision, specific references to the pertinent Plan provisions on which the decision is based, the claimant's right to receive free of charge upon written request, reasonable access to and copies of, all Plan documents, records, and other information relevant to the claim, and a statement about the claimant's right to bring a civil action under Section 502(a) of ERISA. The decision of the Administrator shall be final, binding and conclusive. Employees must pursue all claims procedures described herein before seeking any other legal recourse with respect to Plan benefits. In addition, any lawsuit must be filed within six months from the date of the denied appeal.

9.3 TRUST AGREEMENT. The Trust Agreement entered into by and between the Employer and the Trustee, including any supplements or amendments thereto, or any successor Trust Agreement, is incorporated by reference herein.

ARTICLE TEN--SPECIAL COMPLIANCE PROVISIONS

10.1 DISTRIBUTION OF EXCESS ELECTIVE DEFERRALS. Notwithstanding any other provision of the Plan, "Excess Elective Deferrals" (as defined below) (and income or loss allocable thereto, including all earnings, expenses and appreciation or depreciation in value, whether or not realized) shall be distributed no later than each April 15 to Participants who claim Excess Elective Deferrals for the preceding calendar year.

"Excess Elective Deferrals" shall mean the amount of Elective Deferrals (as defined below) for a calendar year that the Participant designates to the Plan pursuant to the following procedure. The Participant's designation shall be submitted to the Administrator in writing no later than March 1; shall specify the Participant's Excess Elective Deferrals for the preceding calendar year; and shall be accompanied by the Participant's written statement that if the Excess Elective Deferrals is not distributed, it will, when added to amounts deferred under other plans or arrangements described in Section 401(k), 408(k) or 403(b) of the Code, exceed the limit imposed on the Participant by Section 402(g) of the Code for the year in which the deferral occurred. Excess Elective Deferrals shall mean those Elective Deferrals that are includible in a Participant's gross income under Section 402(g) of the Code to the extent such Participant's Elective Deferrals for a taxable year exceed the dollar limitation under such Code section.

An Excess Elective Deferral, and the income or loss allocable thereto, may be distributed before the end of the calendar year in which the Elective Deferrals were made. A Participant who has an Excess Elective Deferral for a taxable year, taking into account only his Elective Deferrals under the Plan or any other plans of the Employer (including any member of the Employer's related group (within the meaning of Section 2.5(b))), shall be deemed to have designated the entire amount of such Excess Elective Deferral.

Excess Elective Deferrals shall be adjusted for any income or loss up to the date of distribution. For purposes of this Section 10.1, whenever reference is made to the income or loss allocable to an Excess Elective Deferral, such income or loss shall be determined as follows. The income or loss allocable to Excess Elective Deferrals allocated to each Participant is the sum of: (i) income or loss allocable to the Participant's deferred amounts for the Plan Year multiplied by a fraction, the numerator of which is the Excess Elective Deferrals made on behalf of the Participant for the Plan Year, and the denominator of which is the sum of the Participant's Account balances attributable to the Participant's Elective Deferrals on the last day of the Plan Year; and (ii) ten percent (10%) of the amount determined under (i) multiplied by the number of whole calendar months between the end of the Plan Year and the date of distribution, counting the month of distribution if distribution occurs after the fifteenth (15th) of such month.

For purposes of this Article Ten, "Elective Deferrals" shall mean any Employer contributions made to the Plan at the election of the Participant, in lieu of cash compensation, and shall include contributions made pursuant to a salary deferral reduction agreement or other deferral mechanism. With respect to any taxable year, a Participant's Elective Deferrals is the sum of all Employer contributions made on behalf of such Participant pursuant to an election to defer under any qualified cash or deferred arrangement described in Section 401(k) of the Code, any salary

reduction simplified employee pension described in Section 408(k)(6) of the Code, and SIMPLE IRA Plan described in Section 408(p) of the Code, any eligible deferred compensation plan under Section 457 of the Code, any plan described under Section 501(c)(18) of the Code, and any Employer contributions made on behalf of a Participant for the purchase of an annuity contract under Section 403(b) of the Code pursuant to a salary reduction agreement. Elective Deferrals shall not include any deferrals properly distributed as excess annual additions.

10.2 LIMITATIONS ON 401(k) CONTRIBUTIONS

(a) *Actual Deferral Percentage Test ("ADP Test")*. Amounts contributed as elective deferrals under Section 4.1(a) and, if so elected by the Employer, "Qualified Matching Contributions" (as defined below) and any Fail-Safe Contributions made under this Section, are considered to be amounts deferred pursuant to Section 401(k) of the Code. For purposes of this Section, these amounts are referred to as the "deferred amounts." For purposes of the "actual deferral percentage test" described below, (i) such deferred amounts must be made before the last day of the twelve (12)-month period immediately following the Plan Year to which the contributions relate, and (ii) the deferred amounts relate to Compensation that either (A) would have been received by the Participant in the Plan Year but for the Participant's election to make deferrals, or (B) is attributable to services performed by the Participant in the Plan Year and, but for the Participant's election to make deferrals, would have been received by the Participant within two and one-half (2½) months after the close of the Plan Year. The Employer shall maintain records sufficient to demonstrate satisfaction of the actual deferral percentage test and the deferred amounts used in such test.

For purposes of this Section, "Qualified Matching Contributions" shall mean matching contributions which are subject to the distribution and nonforfeiture requirements under Section 401(k) of the Code and satisfy Section 1.401(k)-2(a)(6) of the IRS Treasury regulations.

As of the last day of each Plan Year, the deferred amounts for the Participants who are Highly-Compensated Employees for the Plan Year shall satisfy either of the following tests:

- (1) The actual deferral percentage for the eligible Participants who are Highly-Compensated Employees for the Plan Year shall not exceed the actual deferral percentage for eligible Participants who are Nonhighly-Compensated Employees for the prior Plan Year multiplied by 1.25; or
- (2) The actual deferral percentage for eligible Participants who are Highly-Compensated Employees for the Plan Year shall not exceed the actual deferral percentage of eligible Participants who are Nonhighly-Compensated Employees for the prior Plan Year multiplied by two (2), provided that the actual deferral percentage for eligible Participants who are Highly-Compensated Employees for the Plan Year does not exceed the actual deferral percentage for eligible

Participants who are Nonhighly-Compensated Employees for the prior Plan Year by more than two (2) percentage points.

For purposes of the above tests, the "actual deferral percentage" shall mean for a specified group of Participants for a Plan Year, the average of the ratios (calculated separately for each Participant in such group) of (1) deferred amounts actually paid over to the Trust on behalf of such Participant for the Plan Year to (2) the Participant's "414(s) Compensation." For purposes hereof, 414(s) Compensation means compensation that satisfies the nondiscrimination requirements of Section 414(s) of the Code and the regulations thereunder. An Employer may limit the period taken into account for determining 414(s) Compensation to that part of the Plan Year or calendar year in which an Employee was a Participant in the component of the Plan being tested. The period used to determine 414(s) Compensation must be applied uniformly to all Participants for the Plan Year. Deferred amounts on behalf of any Participant shall include (1) any Elective Deferrals made pursuant to the Participant's deferral election (including Excess Elective Deferrals of Highly Compensated Employees), but excluding (a) Excess Elective Deferrals of Nonhighly-Compensated Employees that arise solely from Elective Deferrals made under the Plan or plans of this Employer and (b) Elective Deferrals that are taken into account in the actual contribution percentage test (provided the actual deferral percentage test is satisfied both with and without exclusion of these Elective Deferrals); and (2) Qualified Matching Contributions and Fail-Safe Contributions. For purposes of computing Actual Deferral Percentages, an Employee who would be a Participant but for failure to make Elective Deferrals shall be treated as a Participant on whose behalf no Elective Deferrals are made.

For purposes of this Section 10.2, the actual deferral percentage for any eligible Participant who is a Highly-Compensated Employee for the Plan Year and who is eligible to have Elective Deferrals allocated to his account under two (2) or more plans or arrangements described in Code Section 401(k) that are maintained by the Employer or any employer who is a related group member (within the meaning of Section 2.5(b)) shall be determined as if all such deferrals were made under a single arrangement. In the event that this Plan satisfies the requirements of Code Section 401(k), 401(a)(4) or 410(b) only if aggregated with one (1) or more other plans, or if one (1) or more other plans satisfy the requirements of such Sections of the Code only if aggregated with this Plan, then the provisions of this Section 10.2 shall be applied by determining the actual deferral percentage of eligible Participants as if all such plans were a single plan. Plans may be aggregated in order to satisfy Section 401(k) of the Code only if they have the same Plan Year and use the same actual deferral percentage testing method.

The determination and treatment of deferred amounts and the actual deferral percentage of any Participant shall be subject to the prescribed requirements of the Secretary of the Treasury.

In the event the actual deferral percentage test is not satisfied for a Plan Year, the Employer, in its discretion, may make a Fail-Safe Contribution for eligible Participants who are Nonhighly-Compensated Employees, equal to a specified percentage of

compensation; provided, however such percentage does not exceed the greater of five percent (5%) or two times the Plan's "representative contribution rate." For purposes of this paragraph:

1. "compensation" - shall mean compensation used for the actual deferral percentage test.
2. "representative contribution rate" - shall mean the greater of:

(A) the lowest applicable contribution rate (defined below) of any eligible Nonhighly-Compensated Employee among a group of eligible Nonhighly-Compensated Employees that consists of at least fifty percent (50%) of the total eligible Nonhighly-Compensated Employees for the Plan Year, or

(B) the lowest applicable contribution rate of any eligible Nonhighly-Compensated in the group of all eligible Nonhighly-Compensated Employees for the Plan Year and who is employed by the Employer on the last day of the Plan Year.

The applicable contribution rate for an eligible Nonhighly-Compensated Employee is the sum of the qualified matching contribution taken into account for the eligible Nonhighly-Compensated Employee for the Plan Year and the Fail-Safe Contribution made for the eligible Nonhighly-Compensated Employee for the Plan Year, divided by the eligible Nonhighly-Compensated Employee's compensation for the same period.

(b) Distributions of Excess Contributions.

(1) In General. If the actual deferral percentage test of Section 10.2(a) is not satisfied for a Plan Year, then the "excess contributions," and income allocable thereto, shall be distributed, to the extent required under Treasury regulations, no later than the last day of the Plan Year following the Plan Year for which the excess contributions were made.

(2) Excess Contributions. For purposes of this Section, "excess contributions" shall mean, with respect to any Plan Year, the excess of:

(A) The aggregate amount of Employer contributions actually taken into account in computing the numerator of the actual deferral percentage of Highly-Compensated Employees for such Plan Year, over

(B) The maximum amount of such contributions permitted by the ADP Test under Section 10.2(a) (determined by hypothetically reducing contributions made on behalf of Highly-Compensated Employees in order of the actual deferral percentages, beginning with the highest of such percentages).

Excess contributions shall be allocated to the Highly-Compensated Employees with the highest dollar amounts of contributions taken into account in calculating the actual deferral percentage test for the year in which the excess arose, beginning with the Highly-Compensated Employee with the highest dollar amount of such contributions and continuing in descending order until all the excess contributions have been allocated. For purposes of the preceding sentence, the "highest dollar amount" is determined after distribution of any excess contributions. Any employer matching contributions and earnings thereon that relate to such excess contributions shall be forfeited and applied in accordance with Section 6.2. To the extent a Highly-Compensated Employee has not reached his catch-up contribution limit (set forth in Section 4.1(e) of the Plan), excess contributions allocated to such Highly-Compensated Employee are catch-up contributions and will not be treated as excess contributions.

(3) Determination of Income. Excess contributions shall be adjusted for any income or loss up to the date of distribution. The income or loss allocable to excess contributions allocated to each Participant is the sum of: (i) income or loss allocable to the Participant's deferred amounts for the Plan Year multiplied by a fraction, the numerator of which is the excess contributions made on behalf of the Participant for the Plan Year, and the denominator of which is the sum of the Participant's Account balances attributable to the Participant's deferred amounts on the last day of the Plan Year; and (ii) ten percent (10%) of the amount determined under (i) multiplied by the number of whole calendar months between the end of the Plan Year and the date of distribution, counting the month of distribution if distribution occurs after the fifteenth (15th) of such month.

(4) Accounting for Excess Contributions. Excess contributions shall be distributed from that portion of the Participant's Account attributable to such deferred amounts to the extent allowable under Treasury regulations.

10.3 NONDISCRIMINATION TEST FOR EMPLOYER MATCHING CONTRIBUTIONS AND AFTER-TAX CONTRIBUTIONS

(a) Average Contribution Percentage Test ("ACP Test"). The provisions of this Section shall apply if Employer matching contributions are made in any Plan Year under Section 4.2(a) and such matching contributions are not used to satisfy the actual deferral percentage test of Section 10.2 and/or in the event Employee after-tax contributions are made to the Plan under Section 4.5. Any Employee after-tax contributions that are used to satisfy the average contribution percentage test shall satisfy the requirements of Section 1.401(m)-2(a)(6) of the IRS Treasury Regulations.

As of the last day of each Plan Year, the average contribution percentage for Highly-Compensated Employees for the Plan Year shall satisfy either of the following tests:

(1) The average contribution percentage for eligible Participants who are Highly-Compensated Employees for the Plan Year shall not exceed the average contribution percentage for eligible Participants who are Nonhighly-Compensated Employees for the prior Plan Year multiplied by 1.25; or

(2) The average contribution percentage for eligible Participants who are Highly-Compensated Employees for the Plan Year shall not exceed the average contribution percentage for eligible Participants who are Nonhighly-Compensated Employees for the prior Plan Year multiplied by two (2), provided that the average contribution percentage for eligible Participants who are Highly-Compensated Employees for the Plan Year does not exceed the average contribution percentage for eligible Participants who are Nonhighly-Compensated Employees for the prior Plan Year by more than two (2) percentage points.

For purposes of the above tests, the "average contribution percentage" shall mean the average (expressed as a percentage) of the contribution percentages of the "eligible Participants" in each group. The "contribution percentage" shall mean the ratio (expressed as a percentage) that the sum of Employer matching contributions, and, if applicable, Employee after-tax contributions, and elective deferrals under Section 4.1 (to the extent such elective deferrals are not used to satisfy the actual deferral percentage test of Section 10.2) under the Plan on behalf of the eligible Participant for the Plan Year bears to the eligible Participant's "414(s) Compensation." For purposes hereof, 414(s) Compensation means compensation that satisfies the nondiscrimination requirements of Section 414(s) of the Code and the regulations thereunder. An Employer may limit the period taken into account for determining 414(s) Compensation to that part of the Plan Year or calendar year in which an Employee was a Participant in the component of the Plan being tested. The period used to determine 414(s) Compensation must be applied uniformly to all Participants for the Plan Year. Such average contribution percentage shall be determined without regard to matching contributions that are used either to correct excess contributions hereunder or because contributions to which they relate are excess deferrals under Section 10.1 or excess contributions under Section 10.2. "Eligible Participant" shall mean each Employee who is eligible to receive Employer matching contributions or make after-tax contributions.

For purposes of this Section 10.3, the contribution percentage for any eligible Participant who is a Highly-Compensated Employee for the Plan Year and who is eligible to have Employer matching contributions, elective deferrals and/or after-tax contributions allocated to his account under two (2) or more plans described in Section 401(a) of the Code or under arrangements described in Section 401(k) of the Code that are maintained by the Employer or any member of the Employer's related group (within the meaning of Section 2.5(b)), shall be determined as if all such contributions were made under a single plan.

In the event that this Plan satisfies the requirements of Section 401(m), 401(a)(4) or 410(b) of the Code only if aggregated with one (1) or more other plans, or if one (1) or more other plans satisfy the requirements of such Sections of the Code only if aggregated

with this Plan, then the provisions of this Section 10.3 shall be applied by determining the contribution percentages of eligible Participants as if all such plans were a single plan. Plans may be aggregated in order to satisfy Section 401(m) of the Code only if they have the same Plan Year and use the same average contribution percentage testing method.

The determination and treatment of the contribution percentage of any Participant shall satisfy such other requirements as may be prescribed by the Secretary of the Treasury.

(b) Distribution of Excess Employer Matching Contributions.

(1) In General. If the nondiscrimination tests of Section 10.3(a) are not satisfied for a Plan Year, then the "excess aggregate contributions," and any income allocable thereto, shall be forfeited, if otherwise forfeitable, no later than the last day of the Plan Year following the Plan Year for which the nondiscrimination tests are not satisfied, and shall be used to reduce Employer matching contributions under Section 4.2. To the extent that such "excess aggregate contributions" are nonforfeitable, such excess contributions shall be distributed to the Participant on whose behalf the excess contributions were made no later than the last day of the Plan Year following the Plan Year for which such "excess aggregate contributions" were made. For purposes of the limitations of Section 11.1(b)(1) of the Plan, excess aggregate contributions shall be considered annual additions.

(2) Excess Aggregate Contributions. For purposes of this Section, "excess aggregate contributions" shall mean, with respect to any Plan Year, the excess of:

(A) The aggregate amount of Employer matching contributions and, if applicable, Employee after-tax contributions, and elective deferrals under Section 4.1 (to the extent not used to satisfy the actual deferral percentage test of Section 10.2) actually taken into account in computing the numerator of the actual contribution percentage of Highly-Compensated Employees for such Plan Year, over

(B) The maximum amount of such contributions permitted by the ACP Test under Section 10.3(a) (determined by hypothetically reducing contributions made on behalf of Highly-Compensated Employees in order of the actual contribution percentages, beginning with the highest of such percentages).

Excess contributions shall be allocated to the Highly-Compensated Employee with the largest "contribution percentage amounts" (as defined below) taken into account in calculating the average contribution percentage test for the year in which the excess arose, beginning with the Highly-Compensated Employee with the largest amount of such contribution percentage amounts and continuing in descending order until all the excess aggregate contributions have been allocated. For purposes of the preceding sentence, the "largest amount" is determined after distribution of any excess aggregate contributions.

For purposes of the preceding paragraph, "contribution percentage amounts" shall mean the sum of Employer matching contributions and, if applicable, Employee after-tax contributions, and elective deferrals (to the extent not used to satisfy the actual deferral percentage test of Section 10.2) made under the Plan on behalf of the Participant for the Plan Year.

(3) Determination of Income. Excess aggregate contributions shall be adjusted for an income or loss up to the date of distribution. The income or loss allocable to excess contributions allocated to each Participant is the sum of: (i) income or loss allocable to the Employer matching contributions and, if applicable, Employee after-tax contributions, and such elective deferrals for the Plan Year multiplied by a fraction, the numerator of which is the excess aggregate contributions on behalf of the Participant for the Plan Year, and the denominator of which is the sum of the Participant's Account balances attributable to Employer matching contributions and, if applicable, Employee after-tax contributions, and such elective deferrals (to the extent not used to satisfy the average actual percentage test of Section 10.2) on the last day of the Plan Year; and (ii) ten percent (10%) of the amount determined under (i) multiplied by the number of whole calendar months between the end of the Plan Year and the date of distribution, counting the month of distribution if distribution occurs after the fifteenth (15th) of such month.

Notwithstanding the foregoing, to the extent otherwise required to comply with the requirements of Section 401(a)(4), 401(k)(3), or 401(m)(3) of the Code and the regulations thereunder, matching contributions may be forfeited.

ARTICLE ELEVEN--LIMITATION ON ANNUAL ADDITIONS

11.1 RULES AND DEFINITIONS

(a) Rules. The following rules shall limit additions to Participants' Accounts:

(1) If the Participant does not participate, and has never participated, in another qualified plan maintained by the Employer, the amount of annual additions which may be credited to the Participant's Account for any limitation year shall not exceed the lesser of the "maximum permissible" amount (as hereafter defined) or any other limitation contained in this Plan. If the Employer contribution that would otherwise be allocated to the Participant's Account would cause the annual additions for the limitation year to exceed the maximum permissible amount, the amount allocated shall be reduced so that the annual additions for the limitation year shall equal the maximum permissible amount.

(2) Prior to determining the Participant's actual compensation for the limitation year, the Employer may determine the maximum permissible amount for a Participant on the basis of a reasonable estimation of the Participant's compensation for the limitation year, uniformly determined for all Participants similarly situated.

(3) As soon as is administratively feasible after the end of the limitation year, the maximum permissible amount for the limitation year shall be determined on the basis of the Participant's actual compensation for the limitation year.

(4) If, as a result of the allocation of forfeitures, a reasonable error in estimating a Participant's annual Compensation, or a reasonable error in determining elective deferrals (within the meaning of Section 4.1), the limitations of Section 415 of the Code are exceeded, such excess amount shall be disposed of as follows:

(A) Any nondeductible Employee after-tax contributions (plus attributable earnings) and, to the extent elected by the Administrator pursuant to a nondiscriminatory procedure, elective deferrals under Section 4.1(a) (plus attributable earnings), to the extent they would reduce the excess amount, shall be returned to the Participant.

(B) If an excess amount still exists after the application of subparagraph (A), and the Participant is covered by the Plan at the end of the limitation year, the excess amount in the Participant's Account shall be used to reduce Employer contributions (including any allocation of forfeitures, if applicable) for such Participant in the next limitation year, and each succeeding limitation year if necessary.

(C) If an excess amount still exists after the application of subparagraph (A), and the Participant is not covered by the Plan at the end of the limitation

year, the excess amount shall be held unallocated in a suspense account and applied to reduce future Employer contributions (including allocation of any forfeitures) for all remaining Participants in the next limitation year, and each succeeding limitation year if necessary. Excess amounts may not be distributed to Participants or former Participants.

(D) If a suspense account is in existence at any time during the limitation year pursuant to this Section 11.1(a)(4), it shall not participate in the allocation of the Trust's investment gains and losses. In addition, all amounts held in the suspense account shall be allocated and reallocated to Participants' Accounts before any Employer or Employee contributions may be made for the limitation year.

(5) If, in addition to this Plan, the Participant is covered under another defined contribution plan maintained by the Employer, or a welfare benefit fund, as defined in Code Section 419(e), maintained by the Employer, or an individual medical account, as defined in Code Section 415(1)(2), maintained by the Employer which provides an annual addition, the annual additions which may be credited to a Participant's account under all such plans for any such limitation year shall not exceed the maximum permissible amount. Benefits shall be reduced under any discretionary defined contribution plan before they are reduced under any other defined contribution plan. If both plans are discretionary contribution plans, they shall first be reduced under this Plan. Any excess amount attributable to this Plan shall be disposed of in the manner described in Section 11.1(a)(4).

(b) Definitions.

(1) Annual additions: The following amounts credited to a Participant's Account for the limitation year shall be treated as annual additions:

- (A) Employer contributions;
- (B) Elective deferrals (within the meaning of Section 4.1);
- (C) Employee after-tax contributions, if any;
- (D) Forfeitures, if any; and
- (E) Amounts allocated after March 31, 1984 to an individual medical account, as defined in Section 415(l)(2) of the Code, which is part of a pension or annuity plan maintained by the Employer. Also, amounts derived from contributions paid or accrued after December 31, 1985 in taxable years ending after such date which are attributable to post-retirement medical benefits allocated to the separate account of a Key Employee, as defined in Section 419A(d)(3), and amounts under a welfare benefit fund, as defined

in Section 419(e), maintained by the Employer, shall be treated as annual additions to a defined contribution plan.

Employer and employee contributions taken into account as annual additions shall include "excess contributions" as defined in Section 401(k)(8)(B) of the Code, "excess aggregate contributions" as defined in Section 401(m)(6)(B) of the Code, and "excess deferrals" as defined in Section 402(g) of the Code, regardless of whether such amounts are distributed, recharacterized or forfeited, unless such amounts constitute excess deferrals that were distributed to the Participant no later than April 15 of the taxable year following the taxable year of the Participant in which such deferrals were made.

For this purpose, any excess amount applied under Section 11.1(a)(4) in the limitation year to reduce Employer contributions shall be considered annual additions for such limitation year.

(2) Compensation: For purposes of determining maximum permitted benefits under this Section, compensation shall mean Compensation as defined in Article 1 of the Plan. Compensation shall be measured on the basis of compensation paid in the limitation year.

(3) Defined contribution dollar limitation: This shall mean \$40,000, as adjusted under Section 415(d) of the Code.

(4) Employer: This term refers to the Employer that adopts this Plan, and all members of a controlled group of corporations (as defined in Section 414(b) of the Code, as modified by Section 415(h)), commonly-controlled trades or businesses (as defined in Section 414(c), as modified by Section 415(h)), or affiliated service groups (as defined in Section 414(m)) of which the Employer is a part, or any other entity required to be aggregated with the Employer under Code Section 414(o).

(5) Limitation year: This shall mean the Plan Year, unless the Employer elects a different twelve (12) consecutive month period. The election shall be made by the adoption of a Plan amendment by the Employer. If the limitation year is amended to a different twelve (12) consecutive month period, the new limitation year must begin on a date within the limitation year in which the amendment is made.

(6) Maximum permissible amount: Except to the extent permitted under Section 4.1(e) and Section 414(v) of the Code, if applicable, this shall mean an amount equal to the lesser of the defined contribution dollar limitation or one hundred percent (100%) of the Participant's compensation for the limitation year. If a short limitation year is created because of an amendment changing the limitation year to a different twelve (12)-consecutive month period, the maximum permissible amount shall not exceed the defined contribution dollar limitation multiplied by the following fraction:

Number of months in the short limitation year

ARTICLE TWELVE--AMENDMENT AND TERMINATION

12.1 AMENDMENT. The Employer reserves the right to amend or modify the Plan at any time, or from time to time, in whole or in part. However, the Committee (within the meaning of Section 9.1) may make administrative changes to the Plan so as to conform with or take advantage of governmental requirements, statutes or regulations. Any such amendment shall become effective under its terms upon adoption by the Employer or the Committee, as the case may be. However, no amendment affecting the duties, powers or responsibilities of the Trustee may be made without the written consent of the Trustee. No amendment shall be made to the Plan which shall:

(a) make it possible (other than as provided in Section 14.3) for any part of the corpus or income of the Trust Fund (other than such part as may be required to pay taxes and administrative expenses) to be used for or diverted to purposes other than the exclusive benefit of the Participants or their Beneficiaries;

(b) decrease a Participant's account balance or eliminate an optional form of payment (unless permitted by applicable law) with respect to benefits accrued as of the later of (i) the date such amendment is adopted, or (ii) the date the amendment becomes effective; or

(c) alter the schedule for vesting in a Participant's Account with respect to any Participant with three (3) or more Years of Service without his consent or deprive any Participant of any nonforfeitable portion of his Account.

Notwithstanding the other provisions of this Section or any other provisions of the Plan, any amendment or modification of the Plan may be made retroactively if necessary or appropriate within the remedial amendment period to conform to or to satisfy the conditions of any law, governmental regulation, or ruling, and to meet the requirements of the Employee Retirement Income Security Act of 1974, as it may be amended.

If any corrective amendment (within the meaning of Section 1.401(a)(4)-11(g) of the Treasury Regulations) is made after the end of a Plan Year, such amendment shall satisfy the requirements of Section 1.401(a)(4)-11(g)(3) and (4) of the Treasury Regulations.

12.2 TERMINATION OF THE PLAN. The Employer, by resolution of its board of directors, reserves the right at any time and in its sole discretion to discontinue payments under the Plan and to terminate the Plan. In the event the Plan is terminated, or upon complete discontinuance of contributions under the Plan by the Employer, the rights of each Participant to his Account on the date of such termination or discontinuance of contributions, to the extent of the fair market value under the Trust Fund, shall remain fully vested and nonforfeitable. The Employer shall direct the Trustee to distribute the Trust Fund in accordance with the Plan's distribution provisions to the Participants and their Beneficiaries, each Participant or Beneficiary receiving a portion of the Trust Fund equal to the value of his Account as of the date of distribution. These distributions may be implemented by the continuance of the Trust and the distribution of the Participants' Account shall be made at such time and in such manner as though the Plan had not

terminated, or by any other appropriate method, including rollover into Individual Retirement Accounts. Upon distribution of the Trust Fund, the Trustee shall be discharged from all obligations under the Trust and no Participant or Beneficiary shall have any further right or claim therein. In the event of the partial termination of the Plan, the Accounts of all affected Participants shall remain fully vested and nonforfeitable and the provisions of the preceding paragraph shall apply with respect to such Participants' Accounts.

In the event of the termination of the Plan, any amounts to be distributed to Participants or Beneficiaries who cannot be located shall be handled in accordance with the provisions of applicable law (which may include the establishment of an account for such Participant or Beneficiary).

ARTICLE THIRTEEN--TOP-HEAVY PROVISIONS

13.1 APPLICABILITY. The provisions of this Article shall become applicable only for any Plan Year in which the Plan is a Top-Heavy Plan (as defined in Section 13.2(b)). Notwithstanding the foregoing, this Article shall not apply in any Plan Year in which the Plan consists solely of a cash or deferred arrangement which meets the requirements of Section 401(k)(12) of the Code and matching contributions with respect to which the requirements of Section 401(m)(11) of the Code are met.

13.2 DEFINITIONS. For purposes of this Article, the following definitions shall apply:

(a) **"Key Employee":** "Key Employee" shall mean any Employee or former Employee (including any deceased Employee) who, at any time during the Plan Year that includes the determination date, was an officer of the Employer having annual compensation greater than \$130,000 (as adjusted under Section 416(i)(1) of the Code for Plan Years beginning after December 31, 2002), a five percent (5%) owner of the Employer, or a one percent (1%) owner of the Employer having annual compensation of more than \$150,000. For this purpose, annual compensation shall mean compensation as defined in Section 11.1(b)(2) of the Plan. The determination of who is a Key Employee (including the terms "5% owner" and "1% owner") shall be made in accordance with Section 416(i)(1) of the Code and the applicable regulations and other guidance of general applicability issued thereunder.

(b) **"Top-Heavy Plan":**

(1) The Plan shall constitute a "Top-Heavy Plan" if any of the following conditions exist:

(A) The top-heavy ratio for the Plan exceeds sixty percent (60%) and the Plan is not part of any required aggregation group or permissive aggregation group of plans; or

(B) The Plan is part of a required aggregation group of plans (but is not part of a permissive aggregation group) and the top-heavy ratio for the group of plans exceeds sixty percent (60%); or

(C) The Plan is a part of a required aggregation group of plans and part of a permissive aggregation group and the top-heavy ratio for the permissive aggregation group exceeds sixty percent (60%).

(2) If the Employer maintains one (1) or more defined contribution plans (including any simplified employee pension plan funded with individual retirement accounts or annuities) and the Employer maintains or has maintained one (1) or more defined benefit plans which have covered or could cover a Participant in this Plan,

the top-heavy ratio is a fraction, the numerator of which is the sum of account balances under the defined contribution plans for all Key Employees and the actuarial equivalents of accrued benefits under the defined benefit plans for all Key Employees, and the denominator of which is the sum of the account balances under the defined contribution plans for all Participants and the actuarial equivalents of accrued benefits under the defined benefit plans for all Participants. Both the numerator and denominator of the top-heavy ratio shall include any distribution of an account balance or an accrued benefit made in the one (1)-year period ending on the determination date and any contribution due to a defined contribution pension plan but unpaid as of the determination date. In determining the accrued benefit of a non-Key Employee who is participating in a plan that is part of a required aggregation group, the method of determining such benefit shall be either (i) in accordance with the method, if any, that uniformly applies for accrual purposes under all plans maintained by the Employer or any member of the Employer's related group (within the meaning of Section 2.5(b)), or (ii) if there is no such

method, as if such benefit accrued not more rapidly than the slowest accrual rate permitted under the fractional accrual rate of Code Section 411(b)(1)(C).

(3) For purposes of (1) and (2) above, the value of account balances and the actuarial equivalents of accrued benefits shall be determined as of the most recent Valuation Date that falls within or ends with the twelve (12)-month period ending on the determination date. The account balances and accrued benefits of a Participant who is not a Key Employee but who was a Key Employee in a prior year shall be disregarded. The accrued benefits and account balances of Participants who have performed no service with any Employer maintaining the plan for the one (1)-year period ending on the determination date shall be disregarded. The calculations of the top-heavy ratio, and the extent to which distributions, rollovers, and transfers are taken into account shall be made under Section 416 of the Code and regulations issued thereunder. Deductible Employee contributions shall not be taken into account for purposes of computing the top-heavy ratio. When aggregating plans, the value of account balances and accrued benefits shall be calculated with reference to the determination dates that fall within the same calendar year.

(4) Definition of terms for Top-Heavy status:

(A) "**Top-heavy ratio**" shall mean the following:

(1) If the Employer maintains one or more defined contribution plans (including any simplified employee pension plan funded with individual retirement accounts or annuities) and the Employer has never maintained any defined benefit plans which have covered or could cover a Participant in this Plan, the top-heavy ratio is a fraction, the numerator of which is the sum of the account balances of all Key Employees as of the determination date, and the

denominator of which is the sum of the account balances of all Participants as of the determination date. Both the numerator and the denominator shall be increased by any contributions due but unpaid to a defined contribution pension plan as of the determination date.

(B) "**Permissive aggregation group**" shall mean the required aggregation group of plans plus any other plan or plans of the Employer which, when considered as a group with the required aggregation group, would continue to satisfy the requirements of Sections 401(a)(4) and 410 of the Code.

(C) "**Required aggregation group**" shall mean (i) each qualified plan of the Employer (including any terminated plan) in which at least one Key Employee participates, and (ii) any other qualified plan of the Employer which enables a plan described in (i) to meet the requirements of Section 401(a)(4) or 410 of the Code.

(D) "**Determination date**" shall mean, for any Plan Year subsequent to the first Plan Year, the last day of the preceding Plan Year. For the first Plan Year of the Plan, "determination date" shall mean the last day of that Plan Year.

(E) "**Valuation Date**" shall mean the last day of the Plan Year.

(F) Actuarial equivalence shall be based on the interest and mortality rates utilized to determine actuarial equivalence when benefits are paid from any defined benefit plan. If no rates are specified in said plan, the following shall be utilized: pre- and post-retirement interest -- five percent (5%); post-retirement mortality based on the Unisex Pension (1984) Table as used by the Pension Benefit Guaranty Corporation on the date of execution hereof.

13.3 ALLOCATION OF EMPLOYER CONTRIBUTIONS AND FORFEITURES FOR A TOP-HEAVY PLAN YEAR.

(a) Except as otherwise provided below, in any Plan Year in which the Plan is a Top-Heavy Plan, the Employer contributions and forfeitures allocated on behalf of any Participant who is a non-Key Employee shall not be less than the lesser of three percent (3%) of such Participant's compensation (as defined in Section 11.1(b)(2) and as limited by Section 401(a)(17) of the Code) or the largest percentage of Employer contributions, elective deferrals (within the meaning of Section 4.1), and forfeitures as a percentage of the Key Employee's compensation (as defined in Section 11.1(b)(2) and as limited by Section 401(a)(17) of the Code), allocated on behalf of any Key Employee for that Plan Year. This minimum allocation shall be made even though, under other Plan provisions, the Participant would not otherwise be entitled to receive an allocation or would have

received a lesser allocation for the Plan Year because of insufficient Employer contributions under Section 4.2, the Participant's failure to make elective deferrals under Section 4.1 or compensation is less than a stated amount.

(b) The minimum allocation under this Section shall not apply to any Participant who was not employed by the Employer on the last day of the Plan Year.

(c) Elective deferrals may not be taken into account for the purpose of satisfying the minimum allocation. However, Employer matching contributions may be taken into account for the purpose of satisfying the minimum allocation.

(d) For purposes of the Plan, a non-Key Employee shall be any Employee or Beneficiary of such Employee, any former Employee, or Beneficiary of such former Employee, who is not or was not a Key Employee during the Plan Year ending on the determination date.

(e) If no defined benefit plan has ever been part of a permissive or required aggregation group of plans of the Employer, the contributions and forfeitures under this step shall be offset by any allocation of contributions and forfeitures under any other defined contribution plan of the Employer with a Plan Year ending in the same calendar year as this Plan's Valuation Date.

(f) There shall be no duplication of the minimum benefits required under Code Section 416. Benefits shall be provided under defined contribution plans before under defined benefit plans. If a defined benefit plan (active or terminated) is part of the permissive or required aggregation group of plans, the allocation method of subparagraph (a) above shall apply, except that "3%" shall be increased to "5%."

13.4 VESTING. The provisions contained in Section 6.1 relating to vesting shall continue to apply in any Plan Year in which the Plan is a Top-Heavy Plan, and apply to all benefits within the meaning of Section 411(a)(7) of the Code except those attributable to Employee contributions and elective deferrals under Section 4.1, including benefits accrued before the effective date of Section 416 and benefits accrued before the Plan became a Top-Heavy Plan.

Payment of a Participant's Account balance under this Section shall be made in accordance with the provisions of Article Seven.

ARTICLE FOURTEEN--MISCELLANEOUS PROVISIONS

14.1 PLAN DOES NOT AFFECT EMPLOYMENT. Neither the creation of this Plan, any amendment thereto, the creation of any fund nor the payment of benefits hereunder shall be construed as giving any legal or equitable right to any Employee or Participant against the Employer, its officers or Employees, or against the Trustee. All liabilities under this Plan shall be satisfied, if at all, only out of the Trust Fund held by the Trustee. Participation in the Plan shall not give any Participant any right to be retained in the employ of the Employer, and the Employer hereby expressly retains the right to hire and discharge any Employee at any time with or without cause, as if the Plan had not been adopted, and any such discharged Participant shall have only such rights or interests in the Trust Fund as may be specified herein.

14.2 SUCCESSOR TO THE EMPLOYER. In the event of the merger, consolidation, reorganization or sale of assets of the Employer, under circumstances in which a successor person, firm, or corporation shall carry on all or a substantial part of the business of the Employer, and such successor shall employ a substantial number of Employees of the Employer and shall elect to carry on the provisions of the Plan, such successor shall be substituted for the Employer under the terms and provisions of the Plan upon the filing in writing with the Trustee of its election to do so.

14.3 REPAYMENTS TO THE EMPLOYER. Notwithstanding any provisions of this Plan to the contrary:

(a) Any monies or other Plan assets attributable to any contribution made to this Plan by the Employer because of a mistake of fact shall be returned to the Employer within one (1) year after the date of contribution.

(b) Any monies or other Plan assets attributable to any contribution made to this Plan by the Employer shall be refunded to the Employer, to the extent such contribution is predicated on the deductibility thereof under the Code and the income tax deduction for such contribution is disallowed. Such amount shall be refunded within one (1) taxable year after the date of such disallowance or within one (1) year of the resolution of any judicial or administrative process with respect to the disallowance. All Employer contributions hereunder are expressly contributed based upon such contributions' deductibility under the Code.

14.4 BENEFITS NOT ASSIGNABLE. Except as provided in Section 414(p) of the Code with respect to "qualified domestic relations orders," or except as provided in Section 401(a)(13)(C) of the Code with respect to certain judgments and settlements, the rights of any Participant or his Beneficiary to any benefit or payment hereunder shall not be subject to voluntary or involuntary alienation or assignment.

With respect to any "qualified domestic relations order" relating to the Plan, the Plan shall permit distribution to an alternate payee under such order at any time, irrespective of whether the Participant has attained his "earliest retirement age" (within the meaning of Section 414(p)(4)(B) of the Code) under the Plan. A distribution to an alternate payee prior to the Participant's attainment of his earliest retirement age shall, however, be available only if the order specifies distribution at that time or permits an agreement between the Plan and the alternate payee to authorize an earlier distribution. Nothing in this paragraph shall, however, give a Participant a right to receive distribution at a time otherwise not permitted under the Plan nor does it permit the alternate payee to receive a form of payment not otherwise permitted under the Plan or under said Section 414(p) of the Code.

14.5 MERGER OF PLANS. In the case of any merger or consolidation of this Plan with, or transfer of the assets or liabilities of the Plan to, any other plan, the terms of such merger, consolidation or transfer shall be such that each Participant would receive (in the event of termination of this Plan or its successor immediately thereafter) a benefit which is no less than what the Participant would have received in the event of termination of this Plan immediately before such merger, consolidation or transfer.

14.6 INVESTMENT EXPERIENCE NOT A FORFEITURE. The decrease in value of any Account due to adverse investment experience shall not be considered an impermissible "forfeiture" of any vested balance.

14.7 CONSTRUCTION. Wherever appropriate, the use of the masculine gender shall be interpreted to include the feminine and/or neuter or vice versa; and the singular form of words shall be interpreted to include the plural or vice versa.

14.8 GOVERNING DOCUMENTS. A Participant's rights shall be determined under the terms of the Plan as in effect at the Participant's date of termination from employment, or, if later, and to the extent permitted by applicable law, as determined under the terms of the Plan.

14.9 GOVERNING LAW. The provisions of this Plan shall be construed under the laws of the State of New York, except to the extent such laws are preempted by Federal law.

14.10 HEADINGS. The Article headings and Section numbers are included solely for ease of reference. If there is any conflict between such headings or numbers and the text of the Plan, the text shall control.

14.11 COUNTERPARTS. This Plan may be executed in any number of counterparts, each of which shall be deemed an original; said counterparts shall constitute but one and the same instrument, which may be sufficiently evidenced by any one counterpart.

14.12 LOCATION OF PARTICIPANT OR BENEFICIARY UNKNOWN. In the event that all or any portion of the distribution payable to a Participant or to a Participant's Beneficiary hereunder shall, at the expiration of five (5) years after it shall become payable, remain unpaid solely by reason of the inability of the Administrator to ascertain the whereabouts of such Participant or Beneficiary, after sending a registered letter, return receipt requested, to the last known address, and after further diligent effort, the amount so distributable shall be forfeited and used to pay Plan administrative expenses and/or used to reduce future Employer contributions. In the event a Participant or Beneficiary is located subsequent to the forfeiture of his Account balance, such Account balance shall be restored.

14.13 DISTRIBUTION TO MINOR OR LEGALLY INCAPACITATED. In the event any benefit is payable to a minor or to a person deemed to be incompetent or to a person otherwise under legal disability, or who is by sole reason of advanced age, illness, or other physical or mental incapacity incapable of handling the disposition of his property, the Administrator, may direct the Trustee to make payment of such benefit to the guardian, committee, or other legal representative, wherever appointed, of such person, or if none in the case of a minor Beneficiary, to a parent of such Beneficiary, or to the custodian for such Beneficiary under the Uniform Gift to Minors Act, if such is permitted by the laws of the state in which said Beneficiary resides. The receipt of any such payment or distribution shall be a complete discharge of liability for Plan obligations.

APPENDIX A

Participating Affiliates

Barretts Minerals Inc.
Specialty Minerals Inc.
MINTEQ International Inc.
MINTEQ Shapes and Services Inc.
Specialty Minerals (Michigan) Inc.
Specialty Minerals Mississippi, Inc.
Synsil Products Inc.

IN WITNESS WHEREOF, the Board of Directors of Minerals Technologies Inc. has authorized the undersigned to execute this amended and restated Plan document, and the undersigned has executed the Plan on this 13th day of December, 2007.

MINERALS TECHNOLOGIES INC.

By /s/ Kirk Forrest

Kirk Forrest
General Counsel

By /s/ Gordon Borteck

Gordon Borteck
Vice-President, Organization and Human Resources

SUBSIDIARIES OF THE COMPANY

| <u>Name of the Company</u> | <u>Jurisdiction of Organization</u> |
|---|-------------------------------------|
| APP China Specialty Minerals Pte Ltd. | Singapore |
| ASMAS Agir Sanayi Malzemeleri Imal ve Tic. A.S. | Turkey |
| Barretts Minerals Inc. | Delaware |
| ComSource Trading Ltd. | Delaware |
| Ferrotron Technologies GmbH | Germany |
| Gold Lun Chemicals (Zhenjiang). | China |
| Gold Sheng Chemicals (Zhenjiang) Co., Ltd. | China |
| Gold Zuan Chemicals (Suzhou). | China |
| Hi-Tech Specialty Minerals Company, Limited | Thailand |
| Minerals Technologies do Brasil Comercio é Industria de Mineraias Ltda. | Brazil |
| Minerals Technologies Europe N.V. | Belgium |
| Minerals Technologies Holdings Ltd. | United Kingdom |
| Minerals Technologies Mexico Holdings, S. de R. L. de C.V. | Mexico |
| Minerals Technologies South Africa (Pty) Ltd. | South Africa |
| Mintech Canada Inc. | Canada |
| Mintech Japan K.K. | Japan |
| Minteq Australia Pty Ltd. | Australia |
| Minteq B.V.. | The Netherlands |
| Minteq Europe Limited. | Ireland |
| Minteq India Private Limited | India |
| Minteq International GmbH | Germany |
| Minteq International Inc. | Delaware |
| Minteq International (Suzhou) Co., Ltd. | China |
| Minteq Italiana S.p.A. | Italy |
| Minteq Korea Inc. | Korea |
| Minteq Kosovo LLC. | Kosovo |
| Minteq Magnesite Limited | Ireland |
| Minteq Metallurgical Materials (Suzhou) Co., Ltd. | China |
| Minteq Shapes and Services Inc. | Delaware |
| Minteq UK Limited. | United Kingdom |
| MTI Holdings GmbH | Germany |
| MTX Finance Inc. | Delaware |
| MTX Finance Ireland | Ireland |
| PT Sinar Mas Specialty Minerals | Indonesia |
| Rijnstaal U.S.A., Inc. | Pennsylvania |
| RL Vision Tech OY | Finland |
| SMI Poland Sp. z o.o. | Poland |
| Specialty Minerals Benelux | Belgium |
| Specialty Minerals FMT K.K. | Japan |
| Specialty Minerals France s.p.a.s. | France |
| Specialty Minerals GmbH | Germany |
| Specialty Minerals Inc. | Delaware |
| Specialty Minerals International Inc. | Delaware |
| Specialty Minerals Israel Limited | Israel |
| Specialty Minerals Malaysia Sdn. Bhd. | Malaysia |
| Specialty Minerals (Michigan) Inc. | Michigan |
| Specialty Minerals Mississippi Inc. | Delaware |
| Specialty Minerals Nordic Oy Ab | Finland |
| Specialty Minerals (Portugal) Especialidades Mineraias, S.A. | Portugal |
| Specialty Minerals S.A. de C.V. | Mexico |
| Specialty Minerals Servicios S. de R. L. de C.V. | Mexico |
| Specialty Minerals Slovakia, spol. sr.o. | Slovakia |
| Specialty Minerals South Africa (Pty) Limited | South Africa |
| Specialty Minerals (Thailand) Limited | Thailand |
| Specialty Minerals UK Limited | United Kingdom |
| Synsil Products Inc. | Delaware |
| Tecnologias Minerales de Mexico, S.A. de C.V. | Mexico |

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Minerals Technologies Inc.:

We consent to the incorporation by reference in the registration statements (No. 33-59080, 333-62739, and 333-138245) on Form S-8 of Minerals Technologies Inc. of our reports dated February 27, 2008, with respect to the consolidated balance sheets as of December 31, 2007 and 2006, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2007, and the related financial statement schedule and the effectiveness of internal control over financial reporting as of December 31, 2007, which reports appear in the December 31, 2007 annual report on Form 10-K of Minerals Technologies Inc.

Our report refers to the adoption in 2007 of FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes." In addition, our report refers to the adoption in 2006 of Statement of Financial Accounting Standards ("SFAS") No. 123R, "Share-Based Payment," SFAS No. 151, "Inventory Costs - an Amendment of ARB No. 43, Chapter 4," Emerging Issues Task Force Issue No. 04-06, "Accounting for Stripping Costs Incurred During Production in the Mining Industry," and SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Post Retirement Plans - An Amendment of FASB Statements No. 87, 88, 106, and 132(R)."

/s/ KPMG LLP

New York, New York
February 27, 2008

RULE 13a-14(a)/15d-14(a) CERTIFICATION

I, Joseph C. Muscari, certify that:

1. I have reviewed this Annual Report on Form 10-K of Minerals Technologies Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 27, 2008

/s/Joseph C. Muscari
Joseph C. Muscari
Chairman of the Board
and Chief Executive Officer

RULE 13a-14(a)/15d-14(a) CERTIFICATION

I, John A. Sorel, certify that:

1. I have reviewed this Annual Report on Form 10-K of Minerals Technologies Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 27, 2008

/s/John A. Sorel

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

SECTION 1350 CERTIFICATION

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350 of Chapter 63 of Title 18, United States Code), each of the undersigned officers of Minerals Technologies Inc., a Delaware corporation (the "Company"), does hereby certify that:

The Annual Report on Form 10-K for the year ended December 31, 2007 (the "Form 10-K") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 27, 2008

/s/ Joseph C. Muscari
Joseph C. Muscari
Chairman of the Board and
Chief Executive Officer

Dated: February 27, 2008

/s/ John A. Sorel
John A. Sorel
Senior Vice President-Finance and
Chief Financial Officer

The foregoing certification is being furnished solely pursuant to Exchange Act Rule 13a-14(b); is not deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of that section; and is not deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Exchange Act of 1934.

