

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, 1996

Commission file number 1-3295

MINERALS TECHNOLOGIES INC.

(Exact name of registrant as specified in its charter)

| | |
|---|--|
| Delaware | 25-1190717 |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification Number) |
| The Chrysler Building 405 Lexington Avenue New York, New York | 10174-1901 |
| (address of principal executive office) | (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 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. 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 February 25, 1997 was approximately \$518.4 million. Shares of common stock held by each officer and director and by each person who owns 5% 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 March 3, 1997, the Registrant had outstanding 22,579,502 shares of common stock, all of one class.

DOCUMENTS INCORPORATED BY REFERENCE

| | |
|--------------------------------------|----------|
| Proxy Statement dated March 31, 1997 | Part III |
|--------------------------------------|----------|

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1996 FORM 10-K ANNUAL REPORT
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PART I

Item 1. Business

Minerals Technologies Inc. ("the Company") is a resource- and technology-based company that develops, produces and markets on a worldwide basis a broad range of specialty mineral, mineral-based and synthetic mineral products. The Company's principal products are: precipitated calcium carbonate ("PCC"), used primarily by paper producers in the alkaline papermaking process; monolithic and shaped refractory materials, used primarily by the steel, cement and glass industries; and natural mineral and mineral-based products, used primarily in the building materials, steel, paints and coatings, glass, ceramic, polymers, food and pharmaceutical industries. The Company focuses on research and development. The level of the Company's research and development spending as well as its history of developing and introducing technologically advanced new products has enabled the Company to anticipate and satisfy changing customer requirements and create new market opportunities through new product development and product application innovations.

PCC PRODUCTS AND MARKETS

PCC Products.

Paper can be produced under either acid or alkaline conditions. Historically, in North America, paper was primarily

produced using acid technologies. In the mid-1980's, North American producers of uncoated wood-free paper encountered significant increases in the cost of wood fiber and other materials, such as titanium dioxide, which are necessary in greater quantities in the acid process. In response, these paper producers sought to convert their paper production to lower cost alkaline-based technologies, which permit mineral fillers to be substituted for more expensive wood fiber and pigments used to increase brightness, resulting in significant cost savings. As a result of these conditions, the Company believed that a significant opportunity existed to provide paper producers with a high performance filler product that could facilitate the transition to the alkaline papermaking process. The Company's four-year development effort culminated in the construction of the first commercial satellite PCC plant at the Wisconsin Rapids paper mill of Consolidated Papers, Inc. in 1986. The Company believes the competitive advantages offered by the improved economics and superior optical characteristics of the paper produced using the PCC products manufactured by the Company's satellite PCC plants resulted in the rapid growth in the number of the Company's satellite PCC plants among uncoated wood-free paper producers. The following table shows the number of satellite PCC plants operated by the Company at the end of the periods indicated. For information with respect to the locations of the Company's satellite PCC plants at December 31, 1996, see "Item 2--Properties" below.

| Satellite PCC Plants at End of Quarter | | | | |
|---|-------|--------|-------|--------|
| Calendar Year | First | Second | Third | Fourth |
| 1992 | 25 | 25 | 26 | 29 |
| 1993 | 30 | 31 | 31 | 34 |
| 1994 | 36 | 36 | 36 | 36 |
| 1995 | 37 | 37 | 38 | 38 |
| 1996 | 41 | 42 | 43 | 44 |

In 1996, the Company commenced operations at six new satellite PCC plants. Three of these satellite PCC plants are in Brazil, one in Thailand, one in Israel and another in the United States.

During 1996 the Company signed contracts to construct three new satellite PCC plants. These satellite plants are located in Slovakia, Indonesia and the United States.

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The Company staffs, operates and maintains all of its satellite PCC plants and owns the related technology used at its satellite PCC plants. The Company and its paper mill customers enter into long-term agreements, generally ten years in length, pursuant to which the Company supplies substantially all of a customer's precipitated calcium carbonate filler requirements. The Company is generally permitted to sell to third parties PCC produced at a satellite plant in excess of the host paper mill's requirements. The Company's satellite PCC customers are listed in Item 2--"Properties".

The Company currently manufactures several customized PCC product forms through proprietary processes at its satellite PCC plants, each designed to provide optimum brightness, opacity, bulking and/or paper strength. While focusing on expanding sales at its existing satellite PCC plants, the Company's research and development and technical service staffs have pioneered a number of ancillary new technologies. These include acid-tolerant PCC, which allows PCC to be introduced to the large wood-containing segment of the printing and writing papers market, and production of PCC crystal morphologies for coating paper. The Company expects that research and development in coating technology will open up a larger market for PCC that will build slowly as paper companies begin to include PCC in their proprietary coating formulations.

The Company also produces a full range of slurry and dry PCC products sold on a merchant basis. In the paper industry, the Company's merchant PCC is used as a coating pigment and as a filler in the production of coated and uncoated wood-free printing and writing papers. The Company sells surface-treated and untreated grades of PCC to the polymers industry for use in

rigid polyvinyl chloride products (pipe and profiles), thermoset polyesters (automotive body parts), sealants (automotive and construction applications), adhesives, printing inks and coatings. The Company's PCC is 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 also sells PCC on a merchant basis to the paints and coatings industry.

The Company's PCC product line net sales were \$263.1 million, \$226.6 million and \$196.6 million for the years ended December 31, 1996, 1995 and 1994, respectively. See "Item 7--Management's Discussion and Analysis of Financial Condition and Results of Operations."

Key Markets.

The principal market for the Company's satellite PCC products is the paper industry. The Company also produces PCC on a merchant basis for sale to companies in the polymers, food and pharmaceutical and paints and coatings industries.

Sales of PCC to the paper industry have accounted for a steadily increasing percentage of the Company's total sales in the past five years, a trend the Company expects to continue. The Company's sales of PCC have been and are expected to continue to be made to the printing and writing papers segment of the paper industry. The Company's products are currently used primarily by paper mills producing uncoated wood-free paper.

North American Wood-Free Printing and Writing Papers. In the mid-1980's, North American producers of uncoated wood-free paper encountered significant increases in the cost of wood fiber and other materials. In response, these paper producers sought to convert their paper production to lower cost alkaline-based technologies, thereby resulting in significant cost savings. Ground chalk has historically been used by European alkaline-based paper producers as a low-cost substitute for wood fiber. In North America, however, the use of ground chalk is not practical as there is no naturally occurring chalk.

PCC must compete with other fillers, such as ground limestone and clay, on a cost-effective basis. PCC costs more to produce than ground limestone or clay since the production process is inherently more complex. Limestone is mined, crushed and ground; clay is mined, ground and perhaps calcined. PCC is manufactured via a chemical process which takes lime (which itself is produced by calcining a mined product, limestone), dissolves it, combines it with carbon dioxide and separates the final product. Drying and transportation can add over \$100 per ton to the product cost. If shipped wet, additional freight costs would be incurred. The Company believes that in many cases this added cost makes PCC from merchant plants non-cost-competitive with other fillers.

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In response to these conditions and as a result of a concentrated research and development effort, the Company developed the satellite PCC plant concept. The Company's satellite PCC plants have facilitated the conversion of a substantial percentage of the North American uncoated wood-free printing and writing paper producers to alkaline papermaking. The Company estimates that during 1996, more than 80% of North American wood-free paper was produced employing alkaline technology.

The Company currently owns and operates 33 commercial satellite PCC plants located at paper mills that produce wood-free printing and writing papers in North America. Based upon its experience, the Company anticipates that the aggregate volume of PCC used by these 33 paper mills will increase. The Company also estimates that approximately five additional North American paper mills producing wood-free paper are both suitable for conversion to the more economical, and in the Company's view, more ecologically sound, alkaline method and

large enough to support a satellite PCC plant.

The Company is also placing increased emphasis on the use of PCC to coat paper. PCC increases gloss and printability of the sheet while decreasing paper's cost-per-ton. The coating market is large and the Company believes it will continue to grow at a higher average growth rate than the uncoated market, and therefore provides a substantial market opportunity for the Company. PCC coating products can be produced at satellite PCC plants.

Worldwide Wood-Containing Printing and Writing Papers. To date, the Company's PCC products have primarily been used in wood-free alkaline papermaking processes. The wood-containing segments of the paper industry still generally employ acid papermaking technology. The conversion to alkaline technology by these segments has been hampered by the phenomenon of alkaline darkening, 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 process for the manufacture of an acid-tolerant form of PCC (AT-PCC) that provides enhanced brightness and opacity properties without the undesirable darkening phenomenon. During 1996, the Company had commercial sales of AT-PCC to several customers in different parts of the world. The Company presently provides the equivalent of one "satellite unit" of AT-PCC to these customers from existing satellite PCC plants and its merchant plant in Massachusetts. (A satellite unit is equivalent to annual production capacity of between 25,000 and 35,000 tons of PCC.) In February 1997, the Company's majority-owned joint venture signed an agreement to construct its first on-site dedicated acid-tolerant PCC plant at the Myllykoski Paper Oy paper mill in Anjalankoski, Finland. The Company estimates the wood-containing segment of the printing and writing papers market on a worldwide basis represents more than half of the worldwide paper market.

The Company believes PCC filler levels for uncoated wood-containing paper generally will be less than those for uncoated wood-free paper. There can be no assurance as to the number of producers of wood-containing paper that will contract with the Company to purchase AT-PCC.

International Wood-Free Printing and Writing Papers. The Company estimates the production of uncoated wood-free printing and writing papers outside of North America that can be served by its satellite PCC operations is approximately the same size (measured in tons of paper produced) as the North American uncoated wood-free paper market currently served by the Company. A number of factors have influenced the acceptance of the Company's satellite PCC technology in foreign markets. Although European wood-free paper producers predominantly use alkaline papermaking processes, PCC is not in prevalent use in this market. Ground chalk is readily available in Europe and commonly used as a low-cost filler product in alkaline systems. In addition, supplies of lime suitable for the manufacture of PCC generally are not available at attractive prices. However, the Company believes that the superior brightness and opacity characteristics offered by its PCC products should allow it to compete with suppliers of ground chalk and other filler products in certain locations in this market. In Latin America and Asia, ground chalk is not readily available, while supplies of lime suitable for PCC production are generally available at attractive prices.

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REFRACTORY PRODUCTS AND MARKETS

Refractory Products.

The Company offers a broad range of monolithic refractory products, as well as pre-cast monolithic refractory shapes and insulating bricks. Product sales are usually combined with Company-supplied proprietary applications equipment and on-site technical services support. The Company's proprietary applications 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. Robotic-type shooters, including the Company's proprietary SEQUAD(r) sprayer, allow for remote-controlled applications 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 by steel mills on increased productivity, the SEQUAD(r) sprayer and the related technologically advanced blast furnace maintenance 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. This also results in a lower overall refractory cost to steel makers per ton of steel produced. The Company's experienced technical service staff and advanced applications equipment provide greater assurance that the desired productivity objectives of customers are achieved. In addition, laser measurement of refractory wear is conducted by the Company's technicians in certain plants. The Company believes that these services, together with its refractory product offerings, provide the Company with a strategic marketing advantage.

The Company has patented a new technology in the refractory product line. The KILNTEQ(r) refractory technology system is a new concept for lining the interior of lime and cement kilns. The KILNTEQ(r) system calls for lining the huge, tube-like kilns with refractory material in a polygonal shape. This shape, rather than the circular linings now generally used, is believed to increase raw material throughput and to decrease energy use. This technology was introduced to the marketplace in the third quarter of 1996.

The Company's refractory products are sold in the following three product groups:

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

Specialty Products for 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 is one of the few monolithic refractory companies offering a full line of materials to satisfy all continuous casting refractory applications. This full line consists of gunnable, sprayable, trowellable and vibratable materials as well as refractory shapes and permanent linings.

The Company uses proprietary processes to produce a number of products that are technologically enhanced. These include calcium metal, metallurgical wire and a number of metal treatment specialties. The Company manufactures calcium metal at its Canaan, Connecticut, facility and purchases calcium in international markets. Calcium metal is used in the manufacture of batteries and magnets. The Company sells metallurgical wires and fluxes for use in the production of steel. The Company's metallurgical wires are injected into molten steel to reduce imperfections. The steel produced is used for high-pressure pipeline and other premium-grade steel applications. The Company's fluxes are mineral products used to help purify steel.

Non-Steel Refractory Products. This product line encompasses refractory shapes and linings that are sold to the glass, cement, aluminum, petrochemical and other non-steel industries.

The Company's refractory net sales were \$192.2 million, \$202.5 million and \$180.8 million for the years ended December 31, 1996, 1995 and 1994, respectively. See "Item 7--Management's Discussion and Analysis of Financial Condition and Results of

Operations."

Key Markets.

The principal market for the Company's refractory products is the steel industry. For the year ended December 31, 1996, approximately 90% of the Company's sales of refractory products was to the steel industry. Raw steel production on a worldwide basis has shown only modest growth in the past ten years. However, management believes that certain trends in the steel-making industry will continue to provide growth opportunities for the Company. These trends include the development of improved manufacturing processes such as continuous casting, the need of steel producers for increased productivity and higher grade refractories as well as a modest shift toward electric steel making.

The use of the continuous casting method, measured in tons of steel cast on a worldwide basis, has more than doubled in the past ten years. The need for high quality refractory products for this process has generated new market opportunities for the Company's refractory products. Product offerings for continuous casting include advanced maintenance coatings and original linings for tundishes and robotic applications equipment. The Company believes that the trend toward electric steel-making mini-mills and away from integrated steel mills has facilitated the acceptance of new refractory products and technologies. Mini-mills require a broad line of refractory products and certain metallurgical products that are also produced by the Company.

PROCESSED MINERAL PRODUCTS AND MARKETS

The Company mines and processes natural mineral products, limestone and talc, and manufactures lime, a mineral-based product. The Company also produces a number of technology-based products, including pyrolytic graphite.

Over 60% of the Company's sales of limestone in 1996 were filler-grade material, i.e., limestone having sufficient purity and color to enable it to be utilized as a pigment and filler in building materials, paints and coatings, polymers and joint compounds.

Talc is mined, beneficiated and processed at the Company's Barretts site, located near Dillon, Montana, and is sold worldwide in finely ground form for paints and coatings, ceramics and polymers applications. Because of the exceptional chemical purity of the Barretts ore, virtually all of the automotive catalytic converter ceramic substrates manufactured in the United States, Japan and Western Europe utilize the Company's Barretts talc.

Limestone and talc are mined, crushed, screened and beneficiated and, on occasion, subjected to surface chemical modification.

Lime, a mineral-based product, is sold commercially to the steel and chemical industries and used as a raw material for the manufacture of PCC at the Company's Adams, Massachusetts, facility.

The Company's net sales of processed mineral products were \$100.7 million, \$95.4 million and \$95.2 million for the years ended December 31, 1996, 1995 and 1994, respectively. See "Item 7--Management's Discussion and Analysis of Financial Condition and Results of Operations."

The Company's natural mineral products are supported by the Company's limestone reserves, which the Company believes are strategically located in the western, midwestern and eastern parts of the United States, and talc reserves, which the Company believes are of outstanding quality. The Company estimates these reserves, at current usage levels, to be from 40 to over 70 years at its limestone production facilities and in excess of 40 years at its talc production facilities.

MARKETING AND SALES

The Company principally relies on its worldwide direct sales force to market its products. The direct sales force is augmented by worldwide technical service teams, employees who are familiar with the industries to which the Company markets its products, and 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 North American paper producers in their conversion to alkaline papermaking and provides post-conversion assistance to customers. In addition, the Company's technical service personnel advise with respect to the use of monolithic refractory materials and, in many cases, apply the refractory materials to the customers' furnaces and other vessels pursuant to service agreements. 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 the customers' requirements are satisfied and often trains and supports customer personnel in the use of the Company's products. The Company conducts domestic marketing and sales from its headquarters in New York and from regional sales offices in the eastern and western United States. The Company's international marketing effort is directed from Brussels, Belgium; Tokyo, Japan and Singapore. The Company believes its refractory manufacturing facilities are strategically located to satisfy the stringent delivery requirements of the steel industry. The Company also believes that its worldwide network of sales personnel and manufacturing facilities will facilitate the international expansion of its satellite PCC operations.

RAW MATERIALS

The Company uses lime in the production of PCC, and is a significant purchaser of lime in North America. Generally, lime is purchased from unaffiliated suppliers located in close geographic proximity to the Company's satellite PCC plants, pursuant to long-term contracts, and to a lesser extent, supplied by the Company from its Adams, Massachusetts, facility. In the Great Lakes region of the United States, a key papermaking area, the availability of lime of a quality suitable for the manufacture of PCC is limited. This led to the Company's acquisition of the limestone reserves formerly belonging to Inland Steel Company in Gulliver, Michigan. The Company now ships selectively mined high-grade limestone to a number of lime producers in the Great Lakes region which, as a result, are now able to produce and supply to the Company lime suitable for the manufacture of PCC. If there were to be an interruption in the supply of lime from any particular lime supplier to the Company, the Company believes that it would be able to obtain suitable lime from alternate sources, but at an increased cost (resulting primarily from increased transportation costs). Pursuant to the Company's contracts with its paper mill customers, this increased cost would be effectively assumed by the host paper mills. Accordingly, the Company believes that alternative sources of lime will be available in the event of supply interruptions at effectively the same cost to the Company. In Europe, supplies of lime suitable for the manufacture of PCC are generally available but not at prices that are as attractive as those prevailing in North America.

The principal raw materials used in the Company's monolithic refractories products are refractory-grade magnesia and various forms of aluminosilicates. The Company also purchases calcium metal, calcium silicide, graphite, calcium carbide and various alloys for use in the production of metallurgical wires and uses lime and aluminum in the production of calcium metal. The Company purchases a significant portion of its magnesite requirements from sources in the People's Republic of China. During 1994, the Ministry of Foreign Trade and Economic Cooperation of the People's Republic of China instituted a system under which Chinese exporters must purchase, through competitive bidding, licenses to export specified commodities,

including magnesia. The exporters holding such licenses generally attempt to pass the cost of the license fee on to their customers. This license fee was increased significantly as of January 1995, resulting in turn in increased worldwide prices for Chinese magnesia. The Company had initiated price increases in refractory products and had located lower cost alternative sources of supply of magnesia. However, the price increases were not sufficient to fully offset the higher cost of magnesia, and thus far alternative sources of supply of magnesia have been limited. During the second half of 1996, worldwide prices of Chinese magnesia have decreased from peak prices and appear to have stabilized. See "Item 7--Management's Discussion and Analysis of Financial Condition and Results of Operations."

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Except as noted above, the Company believes that it could obtain adequate supplies from alternate sources in the event of supply interruptions of its raw material requirements.

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, in certain circumstances, to position itself as a market leader.

With respect to its PCC products, the Company competes for sales to the paper industry based in large part upon technological know-how, patents and processes that allow the Company to deliver PCC that the Company believes imparts superior brightness and opacity properties to paper on an economical basis. The Company is the leading manufacturer and supplier of PCC to the North American paper industry. It competes with certain companies both in North America and abroad that sell PCC or offer alternative products for use in paper filling and coating applications. Competition with respect to the Company's PCC sales is based upon price, availability of materials and optical characteristics such as brightness, opacity and paper strength.

With respect to the Company's refractory products, competitive conditions vary by geographic region. Competition is based upon price, the performance characteristics of the product (including strength, quality and consistency and ease of application) and the availability of technical support. The Company competes with different companies in different geographic areas and in separate aspects of its product line.

The Company competes in sales of its limestone and talc based primarily upon product quality and the geographic location of the purchaser.

RESEARCH AND DEVELOPMENT

Many of the Company's product lines are technology-based, and 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 effort have been the satellite PCC plant concept, acid-tolerant PCC, production of PCC crystal morphologies for coating paper and the SEQUAD(r) sprayer, the KILNTEQ(r) system and numerous new refractory products.

The Company maintains research facilities in Bethlehem and Easton, Pennsylvania, with more than 170 employees engaged in research and development. Expertise in inorganic chemistry, crystallography and structural analysis, fine particle technology and other aspects of materials science applies to and supports all of the Company's product lines.

For the years ended December 31, 1996, 1995 and 1994, the Company expended approximately \$19.7 million, \$19.7 million and \$18.2 million, respectively, on research and development. The Company believes, based upon its review of publicly available information regarding the reported research and

development spending of certain of its competitors, that its investment in research and development as a percentage of net sales exceeds comparable industry norms by a substantial margin. Based upon such review, the reported average research and development spending by competitors equals approximately 2% of net sales. The Company's research and development spending for 1996 approximated 3.6% of net sales.

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PATENTS AND TRADEMARKS

The Company owns or has the right to use approximately 341 patents and approximately 560 trademark registrations 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. From time to time various types of insurance for companies in the specialty minerals business have been very expensive or, in some cases, unavailable. Environmental impairment liability insurance falls into this category. There is no assurance that in the future the Company will be able to maintain the coverage initially obtained or that the premiums therefore will not increase substantially.

EMPLOYEES

At December 31, 1996, the Company employed approximately 2,250 persons, of whom approximately 600 were employed by the Company outside the United States. The Company believes its relationships with its employees are good.

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 are classified as toxic or hazardous substances 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 which should have a material effect on the Company. Despite these compliance efforts, some risk of environmental and other damage is inherent in the operation of the business of the Company, as it is with other companies engaged in similar businesses, and there can be no assurance that material damage 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. However, future events, such as changes in or modifications of interpretations of existing laws and regulations or enforcement policies 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. The Company has a right of indemnification for certain potential environmental, health and safety liabilities under agreements entered into between the Company and Pfizer Inc ("Pfizer") or Quigley Company, Inc. ("Quigley"), a wholly-owned subsidiary of Pfizer, in connection with the reorganization. See "Certain Relationships and Related Transactions" in Item 13.

ITEM 2. PROPERTIES

Set forth below is the location of, and customer served by, each of the Company's satellite PCC plants at December 31, 1996. 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 runs concurrently with the term of the PCC production and sale agreement between the Company and the host paper mill.

| Location ----- | Customer ----- |
|--------------------------------|---|
| Alabama, Mobile | International Paper Company |
| Alabama, Selma | International Paper Company |
| Arkansas, Ashdown | Georgia-Pacific Corporation |
| Brazil, Jacarei | Votorantim Celulose e Papel |
| Brazil, Luiz Antonio | Votorantim Celulose e Papel |
| Brazil, Suzano | Cia Suzano de Papel e Celulose |
| California, Anderson | Simpson Paper Company |
| Canada, Cornwall, Ontario | Domtar Inc. |
| Canada, Dryden, Ontario | Avenor Inc. |
| Canada, St. Jerome, Quebec | Rolland Paper Inc. |
| Canada, Windsor, Quebec | Domtar Inc. |
| Finland, Aankoski (2) | Metsa-Serla Group |
| Finland, Lappeenranta (1) (2) | Enzo-Gutzeit Group |
| Finland, Tervakoski (2) | Enzo-Gutzeit Group |
| France, Saillat Sur Vienne | Aussedat Rey (a subsidiary of International Paper Company) |
| Israel, Hadera | American Israeli Paper Mills, Ltd. |
| Kentucky, Wickliffe | Westvaco Corporation |
| Louisiana, Port Hudson | Georgia-Pacific Corporation |
| Maine, Jay | International Paper Company |
| Mexico, Chihuahua | Corporativo Copamex, S.A. de C.V. |
| Michigan, Plainwell | Simpson Plainwell Paper Company (a division of Simpson Paper Company) |
| Michigan, Quinnesec | Champion International Corporation |
| Minnesota, Cloquet | Potlatch Corporation |
| Minnesota, International Falls | Boise Cascade Corporation |
| New York, Oswego | International Paper Company |
| New York, Ticonderoga | International Paper Company |
| North Carolina, Plymouth | Weyerhaeuser Company |
| Ohio, Chillicothe | The Mead Corporation |
| Ohio, West Carrollton | Appleton Papers Inc. |
| Pennsylvania, Erie | International Paper Company |
| Pennsylvania, Lock Haven | International Paper Company |
| Poland, Kwidzyn | International Paper Company |
| Portugal, Figueira da Foz (2) | Soporcel - Sociedade Portuguesa de Celulose, S.A. |
| South Carolina, Eastover | Union Camp Corporation |
| Tennessee, Kingsport | Willamette Industries Inc. |
| Texas, Pasadena | Simpson Pasadena Paper Company (a division of Simpson Paper Company) |
| Thailand, Tha Toom (2) | Advance Agro Public Co. Ltd. |
| Virginia, Franklin | Union Camp Corporation |
| Washington, Camas | James River Corporation |
| Washington, Longview | Weyerhaeuser Company |
| Washington, Wallula | Boise Cascade Corporation |
| Wisconsin, Kimberly | Repap Wisconsin Inc. (a subsidiary of Repap Enterprises Corp., Inc.) |
| Wisconsin, Park Falls | Cross Pointe Paper Corporation |
| Wisconsin, Wisconsin Rapids | Consolidated Papers, Inc. |

(1) This PCC plant is not located on-site at the paper mill.

(2) These plants are owned through a joint venture.

The Company also owns six plants engaged in the mining, processing and/or production of lime, limestone and talc and directly or indirectly owns or leases approximately 15 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.

| Location ----- | Facility ----- | Product Line ----- |
|-----------------------------|--|--|
| United States ----- | | |
| Arizona, Pima County | Plant; Quarry | Limestone |
| California, Los Angeles | Sales Office(1) | PCC, Lime, Limestone, Talc |
| California, Lucerne Valley | Plant; Quarry | Limestone |
| Connecticut, Canaan | Plant; Quarry | Limestone, Metallurgical Wire/Calcium |
| Indiana, Highland | Plant | Monolithic Refractories |
| Massachusetts, Adams | Plant; Quarry | Limestone, Lime, PCC |
| Michigan, Gulliver | Plant; Quarry | Limestone |
| Montana, Dillon | Plant; Quarry | Talc |
| New Jersey, Old Bridge | Plant | Monolithic Refractories/ Shapes |
| New York, New York | Headquarters(1); Sales Offices(1) | All Company Products |
| Ohio, Bryan | Plant | Monolithic Refractories |
| Ohio, Dover | Plant | Refractories |
| Pennsylvania, Bethlehem | Research Laboratories; Sales Offices | PCC, Lime, Limestone, Talc, Pyrolytic Graphite |
| Pennsylvania, Easton | Research Laboratories; Plant | PCC, Lime, Limestone, Talc, Pyrolytic Graphite, Refractories, Metallurgical Wire |
| Pennsylvania, Slippery Rock | Plant | Refractory Shapes |
| International ----- | | |
| Australia, Carlingford | Sales Office(1) | Monolithic Refractories |
| Belgium, Brussels | Sales Office(1) | Monolithic Refractories/PCC |
| Brazil, Belo Horizonte | Sales Office(1) | Monolithic Refractories |
| Brazil, Sao Paulo | Sales Office(1) | PCC |
| Brazil, Volta Redonda | Sales Office(1) | Monolithic Refractories |
| Canada, Lachine | Plant | Refractory Shapes |
| China, Huzhou | Plant(2) | Monolithic Refractories |
| Ireland, Cork | Plant; Sales Office(1) | Monolithic Refractories/ Metallurgical Wire |
| Italy, Brescia | Sales Office; Plant | Monolithic Refractories/ Shapes |
| Japan, Gamagori | Plant | Monolithic Refractories/ Shapes, Calcium |
| Japan, Tokyo | Sales Office(1) | Monolithic Refractories/ Shapes, Calcium, |

| | | |
|--------------------------------|-----------------|---|
| Mexico, Gomez Palacio | Plant(1) | PCC, Talc Monolithic Refractories |
| Singapore | Sales Office(1) | PCC |
| Spain, Santander | Sales Office(1) | Monolithic Refractories |
| South Africa, Pietermaritzburg | Plant | Monolithic Refractories |
| South Korea, Yangsan | Plant(3) | Monolithic Refractories |
| South Korea, Seoul | Sales Office(1) | Monolithic Refractories |
| United Kingdom, Rotherham | Plant | Monolithic Refractories/ Shapes |

(1) 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 and sales offices in New York, New York are held under a lease which expires in 2010.

(2) This plant is leased through a joint venture.

(3) This plant is owned through a joint venture.

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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 in respect of these assets, and for liabilities which are likely to arise from its operations.

ITEM 3. LEGAL PROCEEDINGS

The Company is a defendant in a lawsuit captioned Eaton Corporation v. Pfizer Inc., Minerals Technologies Inc. and Specialty Minerals Inc. pending in the U.S. District Court for the Western District of Michigan. The suit alleges that certain materials sold to Eaton for use in truck transmissions were defective, necessitating repairs for which Eaton now seeks reimbursement. The suit was filed on July 31, 1996. The Company has evaluated the claims of this lawsuit to the extent possible, believes the claims to be without merit, and intends to contest them vigorously.

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

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 1996.

EXECUTIVE OFFICERS OF THE REGISTRANT

Set forth below are the names and ages of all Executive Officers of the Registrant, as of December 31, 1996, 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.

| Name | Age | Position |
|--------------------|-----|--|
| ---- | --- | ----- |
| Jean-Paul Valles | 60 | Chairman of the Board and Chief Executive Officer |
| Paul R. Saueracker | 55 | Vice President of the Company and President, Specialty Minerals Inc. |
| Anton Dulski | 55 | Vice President of the Company and President, MINTEQ(r) International Inc.(effective January 1, 1996) |
| S. Garrett Gray | 58 | Vice President, General Counsel and Secretary |
| John R. Stack | 60 | Vice President, Finance and |

| | | |
|---------------------|----|--|
| Howard R. Crabtree | 52 | Chief Financial Officer Vice President, Organization & Human Resources |
| William A. Kromberg | 51 | Vice President, Taxes |
| Mario J. DiNapoli | 61 | Controller |
| Stephen E. Hluchan | 55 | Treasurer |

Jean-Paul Valles, PhD., has served as Chairman of the Board and a director of the Company since April 1989. He was elected Chief Executive Officer in August 1992. Until the completion of the initial public offering, Dr. Valles served as a Vice-Chairman of Pfizer, a position he had held since March 1992. At Pfizer, Dr. Valles had been responsible for a number of Pfizer's businesses, including, since 1989, the operations that comprise the Company, and had served in a number of other executive positions, including Executive Vice President from 1991 to 1992. Dr. Valles continues to serve as a director of Pfizer. In addition, he is a member of the board of trustees of the American Management Association, a director of Junior Achievement of New York, Inc. and of The New York Chapter of the French-American Chamber of Commerce in the U.S., Inc., and a member of the American Economic Association and the Financial Executives Institute.

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Paul R. Saueracker has served as Vice President of the Company and President of Specialty Minerals Inc. since February 1994. Prior to that time, he had been Executive Vice President of Specialty Minerals Inc. since October 1993. Since 1989, he served as Vice President of Marketing and Sales of Specialty Minerals Inc. Mr. Saueracker is a former President of the Pulverized Limestone Division of the National Stone Association and a member of the Technical Association of the Pulp and Paper Industry and the Paper Industry Management Association.

Anton Dulski was appointed President of Minteq International Inc. effective January 1, 1996. Previously, he served as Senior Vice President of Minteq with responsibility for European operations from 1993 to 1995; as Vice President of Minteq with responsibility for sales and marketing in Europe from 1992 to 1993; and as President of the Minteq's operations in Japan from 1984 to 1992.

S. Garrett Gray has served as Vice President and Secretary of the Company since April 1989. In August 1992, Mr. Gray was appointed General Counsel of the Company. Prior to August 1992, Mr. Gray served as a member of the legal staff of Pfizer as Assistant General Counsel, since 1989.

John R. Stack has served as Vice President-Finance and Chief Financial Officer of the Company since August 1992. Prior to that time, Mr. Stack was Vice President and Controller of the operations that comprise Specialty Minerals Inc. and Barretts Minerals Inc. from 1987 to August 1992.

Howard R. Crabtree was appointed Vice President-Organization & Human Resources of the Company in January 1997, having served as Vice President-Human Resources since August 1992. Prior to joining the Company, he held a number of positions at Pfizer, including: Vice President Personnel, Medical Devices from January 1992 to August 1992.

William A. Kromberg has served as Vice President-Taxes of the Company since February 1993. From May 1989 to that time, he was Vice President-Taxes of Culbro Corporation, a distributor and manufacturer of consumer and industrial products.

Mario J. DiNapoli has served as Controller of the Company since August 1992. He served as the Director of Finance of the operations that comprise Specialty Minerals Inc. and Barretts Minerals Inc. from January to August 1992.

Stephen E. Hluchan has served as Treasurer of the Company since August 1992. Prior to that time, Mr. Hluchan held the following positions for the operations that comprise Minteq:

Controller and Vice President, Planning from January 1992 to August 1992; and Vice President, Strategic Planning and Business Development, May 1989 to January 1992.

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PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Company's common stock is traded on the NYSE under the symbol "MTX".

Information on market prices and dividends is set forth below:

| 1996 Quarters ----- | First ----- | Second ----- | Third ----- | Fourth ----- |
|------------------------------------|----------------|-----------------|----------------|-----------------|
| Market Price Range of Common Stock | | | | |
| High | \$37 3/4 | \$39 3/8 | \$40 | \$41 3/8 |
| Low | \$30 1/4 | \$33 | \$34 1/8 | \$36 3/8 |
| Close | \$34 5/8 | \$34 1/4 | \$36 5/8 | \$41 |
| Dividends paid per common share | | | | |
| | \$.025 | \$.025 | \$.025 | \$.025 |

| 1995 Quarters ----- | First ----- | Second ----- | Third ----- | Fourth ----- |
|------------------------------------|----------------|-----------------|----------------|-----------------|
| Market Price Range of Common Stock | | | | |
| High | \$32 1/2 | \$36 1/8 | \$38 1/4 | \$43 1/4 |
| Low | \$27 1/4 | \$30 3/4 | \$34 5/8 | \$34 |
| Close | \$32 1/4 | \$36 | \$37 5/8 | \$36 1/2 |
| Dividends paid per common share | | | | |
| | \$.025 | \$.025 | \$.025 | \$.025 |

On March 3, 1997, the last reported sale price on the NYSE was \$37 1/4 per share. As of March 3, 1997, there were approximately 323 holders of record of the common stock.

On January 23, 1997, the Company's Board of Directors declared a quarterly dividend on its common stock of \$.025 per share in respect of the quarter ended December 31, 1996. Subject to satisfactory financial results and declaration by the Board, the Company currently intends to pay quarterly cash dividends on its common stock of at least \$.025 per share. Although the Company believes its historical earnings indicate that this dividend policy is appropriate, it will be reviewed by the Board from time to time in light of the Company's financial condition, results of operations, current and anticipated capital requirements, contractual restrictions and other factors deemed relevant by the Board. No dividend will be payable unless declared by the Board and unless funds are legally available for payment thereof.

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ITEM 6. SELECTED FINANCIAL DATA

| Thousands of Dollars, Except Per Share Data | 1996 ----- | 1995 ----- | 1994 ----- | 1993 ----- | 1992 ----- |
|---|---------------|---------------|---------------|---------------|---------------|
| Income Statement Data: | | | | | |
| Net sales | \$555,988 | \$524,451 | \$472,637 | \$428,313 | \$394,046 |
| Cost of goods sold | 396,345 | 375,655 | 335,327 | 302,810 | 285,350 |
| Marketing, distribution and administrative expenses | 72,485 | 70,464 | 66,533 | 63,053 | 58,691 |
| Research and development expense | 19,740 | 19,658 | 18,187 | 16,082 | 14,357 |
| Income from operations | 67,418 | 58,674 | 52,590 | 46,368 | 35,648 |

| | | | | | |
|--|-----------|-----------|-----------|-----------|-----------|
| Income before cumulative effect of accounting change | 43,097 | 39,529 | 33,346 | 28,973 | 24,216 |
| Cumulative effect of accounting change (A) | -- | -- | -- | -- | 1,362 |
| Net income | \$ 43,097 | \$ 39,529 | \$ 33,346 | \$ 28,973 | \$ 25,578 |

Earnings per share (B):

| | | | | | |
|--|---------|---------|---------|---------|---------|
| Income before cumulative effect of accounting change | \$ 1.91 | \$ 1.75 | \$ 1.48 | \$ 1.25 | \$ 0.97 |
| Cumulative effect of accounting change (A) | -- | -- | -- | -- | 0.05 |
| Net income | \$ 1.91 | \$ 1.75 | \$ 1.48 | \$ 1.25 | \$ 1.02 |

| | | | | | |
|-------------------------------------|--------|--------|--------|--------|--------|
| Weighted average shares outstanding | 22,621 | 22,633 | 22,603 | 23,186 | 25,000 |
|-------------------------------------|--------|--------|--------|--------|--------|

| | | | | | |
|-------------------------------------|---------|---------|---------|---------|----|
| Dividends declared per common share | \$ 0.10 | \$ 0.10 | \$ 0.10 | \$ 0.10 | -- |
|-------------------------------------|---------|---------|---------|---------|----|

Balance Sheet Data:

| | | | | | |
|------------------------------------|-----------|-----------|-----------|-----------|-----------|
| Working capital (C) (D) | \$115,540 | \$ 86,746 | \$135,844 | \$112,238 | \$ 95,716 |
| Total assets | 713,861 | 649,144 | 588,124 | 549,160 | 496,528 |
| Long-term debt | 104,900 | 67,927 | 83,031 | 79,030 | 14,045 |
| Total debt | 130,239 | 95,817 | 83,031 | 79,030 | 16,761 |
| Total shareholders' equity (D) (E) | 448,250 | 416,153 | 381,098 | 343,005 | 372,540 |

(A) Reflects adoption, as of January 1, 1992, of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes".

(B) Assumes 25 million shares of Common Stock were issued and outstanding for all periods presented prior to the initial public offering.

(C) Includes amounts due to affiliated companies.

(D) In 1992, approximately \$129 million of amounts due to affiliated companies were converted into shareholders' equity.

(E) In 1993, the Company purchased 2.5 million shares of treasury stock.

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, | 1996 | 1995 | 1994 |
| | ---- | ---- | ---- |
| Net sales | 100.0% | 100.0% | 100.0% |
| Cost of goods sold | 71.3 | 71.6 | 70.9 |
| Marketing, distribution and administrative expenses | 13.0 | 13.4 | 14.1 |
| Research and development expenses | 3.6 | 3.8 | 3.9 |
| | ----- | ----- | ----- |
| Income from operations | 12.1 | 11.2 | 11.1 |
| Net income | 7.8% | 7.5% | 7.1% |
| | ===== | ===== | ===== |

OVERVIEW OF 1996 AND OUTLOOK

In 1996, the Company adhered to its strategy of expanding its precipitated calcium carbonate ("PCC") product line. The Company commenced operations at six new satellite PCC plants. Three of these satellite PCC plants are in Brazil, one in Thailand, one in Israel and another in the United States. Together, these plants have production capacity equivalent to approximately twelve "satellite units." (A satellite unit is

equivalent to annual production capacity of between 25,000 and 35,000 tons of PCC.) The Company also expanded production capacity at several satellite PCC plants at various locations around the world in 1996. As a result, sales of PCC as a percentage of the Company's total net sales, which were 37.4% in 1992, had risen to 47.3% by 1996. The Company expects this trend to continue as volume growth of PCC sales continues to outpace growth in the processed minerals, formerly named other minerals, and refractory product lines.

Presently, the Company is operating 44 satellite PCC plants, including 33 in North America. The Company expects volume growth to continue in 1997 as three new satellite PCC plants are now under construction. These satellite PCC plants are located in Slovakia, Indonesia and the United States and have combined production capacity equivalent to approximately five satellite units. The Company expects additional expansions at existing satellite PCC plants to occur in 1997 and also expects to sign contracts for additional satellite PCC plants in the United States and abroad.

In 1997, the Company expects to continue its focus on the following growth strategies for the PCC product line:

- Continued efforts to increase market penetration in North America, Europe, Latin America, the Pacific Rim and elsewhere.
- Continued expansions of the capacity of existing plants in response to increased demand, resulting from increased PCC filler levels in paper.
- Continued research and development and marketing efforts of acid-tolerant PCC, coating PCC and other products.

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

The Company's sales of PCC are predominantly pursuant to long-term agreements, generally ten years in length, with paper mills at which the Company operates satellite PCC plants. The terms of many of these agreements have been extended, often in connection with an expansion of the satellite PCC plant. To date, the Company's experience with extensions and renewals of its satellite PCC agreements has been favorable. There is no assurance, however, that these contracts will be renewed prior to their respective expiration dates.

The Company will continue to emphasize specialty products, such as the KILNTEQ(r) system, in its refractory product line and commercialize products, processes and equipment through research and development efforts.

As the Company expands its operations overseas, it faces the increased risks of doing business abroad, including exchange rate fluctuations, nationalization, expropriation, limits on repatriation of funds and other factors. In addition, the Company's performance depends to some extent on that of the industries it serves, particularly the paper, steel and construction industries.

During 1994, the Ministry of Foreign Trade and Economic Cooperation of the People's Republic of China instituted a system under which Chinese exporters must purchase, through competitive bidding, licenses to export specified commodities, including magnesia, the principal raw material used in the Company's refractory products. The exporters holding such licenses generally attempted to pass the cost of the license fee on to their customers. This license fee was increased significantly as of January 1995, resulting in increased worldwide prices for Chinese magnesia. The Company had initiated price increases in refractory products and had located lower cost alternative sources of supply of magnesia. However, the price increases were not sufficient to fully offset the higher cost of magnesia, and thus far alternative sources of supply of magnesia have been limited. During the second half of 1996, worldwide prices of Chinese magnesia have decreased from peak prices and appear to have stabilized.

RESULTS OF OPERATIONS

| Net Sales In Millions | 1996 | Growth | 1995 | Growth | 1994 |
|--------------------------|---------|--------|---------|--------|---------|
| ----- | ----- | ----- | ----- | ----- | ----- |
| Net sales | \$556.0 | 6.0% | \$524.5 | 11.0% | \$472.6 |

Worldwide net sales in 1996 increased 6% over the previous year to \$556.0 million. Higher volumes in the PCC and processed minerals product lines were the primary contributors to the sales growth. The stronger U.S. dollar had an unfavorable impact of approximately \$7 million on sales growth. In 1995, worldwide net sales increased 11.0% over the prior year to \$524.5 million. This increase was primarily attributed to growth in the PCC and refractory product lines.

Worldwide net sales of PCC in 1996 increased 16.1% to \$263.1 million from \$226.6 million in the prior year. This increase was primarily attributed to the startup of six new satellite PCC plants, significant growth from one satellite plant that began operations in the third quarter of 1995 and expansion of production capacity at several locations. PCC sales in 1995 increased 15.2% to \$226.6 million from \$196.6 million in 1994. This increase was primarily attributed to the start of operations at two new satellite plants during 1995 and several expansions of production capacity at existing satellite PCC plants.

Net sales of processed minerals increased 5.6% to \$100.7 million in 1996. The sales growth was primarily attributable to higher volumes. In 1995, processed mineral products net sales rose slightly to \$95.4 million. Sales growth was tempered by a slowdown in the automotive and construction industries in 1995.

Net sales of refractory products decreased 5.1% to \$192.2 million from \$202.5 million in 1995. However, profitability increased significantly due to continued emphasis on higher margin specialty products. The decrease in refractory products sales was primarily attributable to volume declines and unfavorable foreign exchange rates. In addition, in 1995, the Company brought forward the financial close of certain international subsidiaries to a current calendar month. This resulted in an unfavorable impact on the 1996 sales growth. In 1995, refractory product net sales increased 12.0%. Strong volume growth in refractory products was driven by a vibrant steel sector in North America and Europe for most of 1995, partially offset by difficult conditions in Asia.

Net sales in the United States in 1996 increased 6.3% to \$383.0 million from \$360.2 million in 1995. This increase was attributed to the growth in the PCC and processed minerals product lines. Foreign sales in 1996 increased 5.3% to \$173.0 million. This increase was primarily attributed to the overseas expansion of the Company's PCC product line, partially offset by the aforementioned prior year's accounting lag elimination. In 1995, net sales in the United States were 8.2% higher than in the prior year. Foreign sales in 1995 were 17.6% higher than in the prior year, primarily due to the international expansion of the PCC product line and growth in the refractory product line in Europe.

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| Operating Costs and Expenses In Millions | 1996 | Growth | 1995 | Growth | 1994 |
|---|---------|--------|---------|--------|---------|
| ----- | ----- | ----- | ----- | ----- | ----- |
| Cost of goods sold | \$396.3 | 5.5% | \$375.7 | 12.0% | \$335.3 |
| Marketing, distribution and administrative | \$ 72.5 | 2.9% | 70.5 | 5.9% | \$ 66.5 |
| Research and development | \$ 19.7 | 0.4% | \$ 19.7 | 8.1% | \$ 18.2 |

Cost of goods sold was 71.3% of sales. This ratio was slightly lower than the prior year and was primarily attributed

to improved profitability in the refractory product line. Cost of goods sold in 1995 was 71.6% of sales which was higher than the prior year. This was primarily attributable to the substantial increase in the cost of magnesia, the principal raw material used in the Company's refractory products.

Marketing, distribution and administrative costs increased 2.9% to \$72.5 million and were 13.0% of sales, a slight reduction from the 1995 ratio. In 1995, marketing, distribution and administrative costs increased 5.9% to \$70.5 million and were 13.4% of sales.

Research and development expenses during 1996 were \$19.7 million representing 3.6% of sales, a slight reduction from the 1995 ratio. This reduction reflects a more efficient use of resources due to the increasing worldwide infrastructure which allows the Company to support trials and new plants at a lower cost while continuing its commitment to research, particularly in the PCC product line. In 1995, research and development spending increased 8.1% to \$19.7 million.

| Income from Operations | | | | | |
|------------------------|---------|--------|---------|--------|---------|
| In Millions | 1996 | Growth | 1995 | Growth | 1994 |
| ----- | ----- | ----- | ----- | ----- | ----- |
| Income from operations | \$ 67.4 | 14.9% | \$ 58.7 | 11.6% | \$ 52.6 |

Income from operations in 1996 increased 14.9% to \$67.4 million from \$58.7 million in 1995. Strong operating earnings growth was achieved through higher sales volumes in the PCC product line, improved profitability in the refractory product lines and an overall containment of costs and expenses. Operating profits were impacted negatively by the higher cost of magnesia and significant startup costs associated with the six new satellite PCC plants. In 1995, income from operations rose 11.6% to \$58.7 million from \$52.6 million. This growth was achieved through higher sales volume in the PCC and refractory product lines.

| Non-Operating Deductions | | | | | |
|-------------------------------|----------|--------|----------|---------|----------|
| In Millions | 1996 | Growth | 1995 | Growth | 1994 |
| ----- | ----- | ----- | ----- | ----- | ----- |
| Non-operating deductions, net | \$ (4.8) | 615.5% | \$ (0.7) | (79.8)% | \$ (3.3) |

Interest expense increased in 1996 primarily as a result of higher interest costs associated with additional borrowings. Interest income and other income were significantly higher in the prior year due to higher levels of cash-on-hand and a non-recurring foreign exchange gain, respectively. In 1995, non-operating deductions decreased as a result of foreign exchange gains and higher capitalized interest costs associated with the significant growth in capital spending.

| Provision for Taxes on Income | | | | | |
|-------------------------------|---------|--------|---------|--------|---------|
| In Millions | 1996 | Growth | 1995 | Growth | 1994 |
| ----- | ----- | ----- | ----- | ----- | ----- |
| Provision for taxes on income | \$ 19.5 | 3.4% | \$ 18.9 | 16.5% | \$ 16.2 |

The effective tax rate was 31.1% in 1996. The reduction from the prior year was primarily due to higher depletion and utilization of foreign tax credits. In 1995, the effective tax rate was 32.5%.

| Net Income | | | | | |
|-------------|---------|--------|---------|--------|---------|
| In Millions | 1996 | Growth | 1995 | Growth | 1994 |
| ----- | ----- | ----- | ----- | ----- | ----- |
| Net income | \$ 43.1 | 9.0% | \$ 39.5 | 18.5% | \$ 33.3 |

Net income increased 9.0% in 1996 to \$43.1 million. The income from operations growth was reduced by a significant increase in non-operating deductions. In 1995, net income increased 18.5% to \$39.5 million. Operating income growth was leveraged by a significant reduction in non-operating deductions, as discussed above.

LIQUIDITY AND CAPITAL RESOURCES

The Company's financial position remained strong during 1996. Cash flows in 1996 were provided principally from operations and long-term financing, and were applied primarily to fund \$97.3 million of capital expenditures. In addition, the Company remitted its initial required principal payment of \$13 million under the Company's Guaranteed Senior Notes due June 11, 2000. Cash provided from operating activities was the primary source of liquidity and amounted to \$69.9 million in 1996, \$58.3 million in 1995 and \$66.8 million in 1994.

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

The Company had available approximately \$120 million in uncommitted, short-term bank credit lines of which \$12.0 million and \$13.5 million were in use at December 31, 1996 and 1995, respectively. The interest rates on these borrowings were 6.93% and 6.20%, respectively at December 31, 1996 and 1995. The Company anticipates that capital expenditures for 1997 will be approximately \$100 million, principally related to the construction of satellite PCC plants and expansion projects at existing satellite PCC plants and other opportunities which meet the strategic growth objectives of the Company. The Company expects to meet its long-term capital requirements from internally generated funds, the aforementioned uncommitted bank credit lines and, where appropriate, project financing of certain satellite plants.

INFLATION

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

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial information required by Item 8 is contained in Item 14 of Part IV of this report.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information concerning the Company's Board of Directors required by this Item is incorporated herein by reference to the Company's Proxy Statement.

The information concerning the Company's Executive Officers required by this Item is incorporated herein by reference to the Section in Part I under the caption "Executive Officers of the Registrant."

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.

ITEM 11. EXECUTIVE COMPENSATION

The information appearing in the Company's Proxy Statement under the caption "Compensation of Executive Officers," excluding the information under the captions "Performance Graph" and "Report of the Compensation Committee on Executive Compensation," is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS
AND MANAGEMENT

The information appearing under the caption "Security Ownership of Certain Beneficial Owners and Management as of February 25, 1997" set forth in the Company's Proxy Statement is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

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

Under the terms of certain agreements entered into in connection with the reorganization, 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 on-site remedial waste site claims and for other claims that may be made in the future with respect to wastes disposed of 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 that may arise or accrue within ten years after the closing of the initial public offering with respect to remediation of on-site conditions existing at the time of the closing of the initial public offering. The Company will be 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. Further, Pfizer and Quigley agreed to indemnify the Company for non-remedial environmental claims resulting from activities or conditions occurring or existing prior to the closing of the initial public offering that are in excess of \$10,000 and that are received within two years after the closing of the initial public offering, exclusive of compliance costs and consequential damages.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULE AND REPORTS
ON FORM 8-K

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

1. Financial Statements. The following Consolidated Financial Statements of Minerals Technologies Inc. and Independent Auditors' Report are set forth on pages F-1 to F-19.

Consolidated Balance Sheet as of December 31, 1996
and 1995

Consolidated Statement of Income for the years
ended December 31, 1996, 1995 and 1994

Consolidated Statement of Cash Flows for the years
ended December 31, 1996, 1995 and 1994

Consolidated Statement of Shareholders' Equity for
the years ended December 31, 1996, 1995 and 1994

Notes to the Consolidated Financial Statement

Independent Auditors' Report

2. Financial Statement Schedule. The following financial

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

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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*
- 3.2 - Restated By-Laws of the Company*
- 3.3 - Certificate of Designations authorizing issuance and establishing designations, preferences and rights of Series A Junior Preferred Stock of the Company**
- 4.1 - Specimen Certificate of Common Stock**
- 10.1 - Asset Purchase Agreement, dated as of September 28, 1992, by and between Specialty Refractories Inc. and Quigley Company Inc.*
- 10.1(a) - Agreement dated October 22, 1992 between Specialty Refractories Inc. and Quigley Company Inc., amending Exhibit 10.1**
- 10.1(b) - Letter Agreement dated October 29, 1992 between Specialty Refractories Inc. and Quigley Company Inc., amending Exhibit 10.1**
- 10.2 - Reorganization Agreement, dated as of September 28, 1992, by and between the Company and Pfizer Inc*
- 10.2(a) - Letter Agreement dated October 29, 1992 between the Company and Pfizer Inc, amending Exhibit 10.2**
- 10.3 - Asset Contribution Agreement, dated as of September 28, 1992, by and between Pfizer Inc and Specialty Minerals Inc.*
- 10.4 - Asset Contribution Agreement, dated as of September 28, 1992, by and between Pfizer Inc and Barretts Minerals Inc.*
- 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**
- 10.8 - Company Nonfunded Deferred Compensation and Unit Award Plan for Non-Employee Directors, as amended January 25, 1996++++
- 10.9 - Company Employee Protection Plan, as amended August 25, 1994
- 10.10 - Form of Employment Agreement,* together with schedule relating to executed Employment Agreements**
- 10.10(a) - Schedule relating to additional executed Employment Agreements****
- 10.10(b) - Schedule relating to additional executed Employment Agreements++++
- 10.11 - Form of Severance Agreement, together with schedule relating to executed Severance Agreements
- 10.12 - Indenture, dated July 22, 1963, between the Cork Harbour Commissioners and Roofchrome Limited*
- 10.13 - Rights Agreement, dated as of October 26, 1992, by and between the Company and Chemical Bank, as Rights Agent***
- 10.14 - Form of Stock Purchase Agreement between the Company and Pfizer Inc. **
- 10.15 - Agreement of Lease, dated as of May 24, 1993, between the Company and Cooke Properties Inc*****
- 10.16 - Note Purchase Agreement, dated as of June 28, 1993, between the Company and Metropolitan Life Insurance Company with respect to the Company's issuance of \$65,000,000 in aggregate principal amount of its 6.04% Guaranteed Senior Notes Due June 11, 2000; together with a schedule regarding other contracts substantially identical in all material respects to the foregoing*****
- 10.17 - Company Retirement Annuity Plan, as amended May 25, 1995++++
- 10.18 - Company Nonfunded Supplemental Retirement Plan, as amended October 27, 1994+

- 10.19 - Company Savings and Investment Plan, as amended December 19, 1994+
- 10.20 - Company Nonfunded Deferred Compensation and Supplemental Savings Plan, as amended October 27, 1994+
- 10.21 - Grantor Trust Agreement, dated as of December 29, 1994, between the Company and The Bank of New York, as Trustee+
- 10.22 - Company Stock and Incentive Plan, as amended and restated as of May 25, 1995++

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- 10.23 - Note Purchase Agreement, dated as of July 24, 1996, between the Company and Metropolitan Life Insurance Company with respect to the Company's issuance of \$50,000,000 in aggregate principal amount of its 7.49% Guaranteed Senior Notes due July 24, 2006 +++
- 11.1 - Schedule re: Computation of earnings per common share.
- 21.1 - Subsidiaries of the Company
- 23.1 - Report and Consent of Independent Auditors
- 27 - Financial Data Schedule

* Incorporated by reference to the exhibit bearing the same exhibit number filed with the Registrant's Registration Statement on Form S-1 (Registration No. 33-51292), originally filed on August 25, 1992.

** Incorporated by reference to the exhibit bearing the same exhibit number filed with the Registrant's Registration Statement on Form S-1 (Registration No. 33-59510), originally filed on March 15, 1993.

*** Incorporated by reference to Exhibit 1 filed with the Registrant's Current Report on Form 8-K, dated November 6, 1992.

**** Incorporated by reference to the exhibit bearing the same exhibit number filed with the Registrant's Annual Report on Form 10-K for the year ended December 31, 1993.

***** Incorporated by reference to Exhibit 10 filed with the Registrant's Quarterly Report on Form 10-Q for the quarter ended July 4, 1993.

+ Incorporated by reference to the exhibit bearing the same exhibit number filed with the Registrant's Annual Report on Form 10-K for the year ended December 31, 1994.

++ Incorporated by reference to Exhibit 4 filed with the Registrant's Registration Statement on Form S-8 (Registration No. 33-96558), originally filed September 1, 1995.

+++ Incorporated by reference to Exhibit 10.1 filed with the Registrant's Quarterly Report in Form 10-Q for the quarter ended June 30, 1996.

++++ Incorporated by reference to the exhibit bearing the same exhibit number filed with the Registrant's Annual Report on Form 10K for the year ended December 31, 1995.

(b) Reports on Form 8-K

There were no reports on Form 8-K filed by the Company during the fourth quarter of 1996.

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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.

Minerals Technologies Inc.

By: /s/Jean-Paul Valles

Jean-Paul Valles
Chairman of the Board and
Chief Executive Officer

March 19, 1997

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.

| SIGNATURE | TITLE | DATE |
|-----------|-------|-------|
| ----- | ----- | ----- |

/s/Jean-Paul Valles

| | | |
|------------------|--|----------------|
| Jean-Paul Valles | Chairman of the Board and Chief Executive Officer (principal executive officer) and Director | March 19, 1997 |
|------------------|--|----------------|

/s/John R. Stack

| | | |
|---------------|---|----------------|
| John R. Stack | Vice President-Finance and Chief Financial Officer (principal financial officer) | March 19, 1997 |
|---------------|---|----------------|

/s/Mario J. DiNapoli

| | | |
|-------------------|---|----------------|
| Mario J. DiNapoli | Controller and Chief Accounting Officer (principal accounting officer) | March 19, 1997 |
|-------------------|---|----------------|

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/s/John B. Curcio

| | | |
|----------------|----------|----------------|
| John B. Curcio | Director | March 19, 1997 |
|----------------|----------|----------------|

/s/Steven J. Golub

| | | |
|-----------------|----------|----------------|
| Steven J. Golub | Director | March 19, 1997 |
|-----------------|----------|----------------|

/s/William L. Lurie

| | | |
|------------------|----------|----------------|
| William L. Lurie | Director | March 19, 1997 |
|------------------|----------|----------------|

/s/Paul M. Meister

| | | |
|-----------------|----------|----------------|
| Paul M. Meister | Director | March 19, 1997 |
|-----------------|----------|----------------|

/s/Michael F. Pasquale

| | | |
|---------------------|----------|----------------|
| Michael F. Pasquale | Director | March 19, 1997 |
|---------------------|----------|----------------|

/s/William C. Steere, Jr.

| | | |
|------------------------|----------|----------------|
| William C. Steere, Jr. | Director | March 19, 1997 |
|------------------------|----------|----------------|

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Audited Financial Statements:

| | |
|---|------|
| Consolidated Balance Sheet as of December 31, 1996 and 1995 | F-2 |
| Consolidated Statement of Income for the years ended December 31, 1996, 1995 and 1994 | F-3 |
| Consolidated Statement of Cash Flows for the years ended December 31, 1996, 1995 and 1994 | F-4 |
| Consolidated Statement of Shareholders' Equity for the years ended December 31, 1996, 1995 and 1994 | F-5 |
| Notes to Consolidated Financial Statements | F-6 |
| Independent Auditor's Report | F-18 |

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

| December 31, ----- | 1996 ----- | 1995 ----- |
|---|---------------|---------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 15,446 | \$ 11,318 |
| Accounts receivable, less allowance for doubtful accounts: 1996--\$2,497; 1995--\$3,088 | 102,494 | 100,473 |
| Inventories | 70,438 | 64,637 |
| Other current assets | 13,902 | 5,997 |
| | ----- | ----- |
| Total current assets | 202,280 | 182,425 |
| Property, plant and equipment, less accumulated depreciation and depletion | 501,067 | 455,809 |
| Other assets and deferred charges | 10,514 | 10,910 |
| | ----- | ----- |
| Total assets | \$713,861 | \$649,144 |
| | ===== | ===== |
| Liabilities and Shareholders' Equity | | |
| Current liabilities: | | |
| Short-term debt | \$ 12,339 | \$ 14,890 |
| Current maturities of long-term debt | 13,000 | 13,000 |
| Accounts payable | 29,223 | 30,405 |
| Income taxes payable | 6,609 | 6,697 |
| Accrued compensation and related items | 12,673 | 16,572 |
| Other current liabilities | 12,896 | 14,115 |
| | ----- | ----- |
| Total current liabilities | 86,740 | 95,679 |
| Long-term debt | 104,900 | 67,927 |
| Accrued postretirement benefits | 20,047 | 20,230 |
| Deferred taxes on income | 39,238 | 37,064 |
| Other noncurrent liabilities | 10,052 | 9,922 |
| Minority interests | 4,634 | 2,169 |
| | ----- | ----- |
| Total liabilities | 265,611 | 232,991 |
| | ----- | ----- |
| Commitments and contingent liabilities | | |
| Shareholders' equity: | | |
| Preferred stock, without par value; 1,000,000 shares authorized; none issued | -- | -- |
| Common stock at par, \$0.10 par value; 100,000,000 shares authorized; issued 25,259,876 shares in 1996 and 25,153,015 shares in 1995 | 2,526 | 2,515 |
| Additional paid-in capital | 135,676 | 133,221 |
| Retained earnings | 364,210 | 323,375 |
| Currency translation adjustment | 11,560 | 16,931 |
| Unrealized holding gains | 163 | 111 |

| | | |
|--|-----------|-----------|
| | ----- | ----- |
| | 514,135 | 476,153 |
| Less common stock held in treasury, at cost; 2,660,017 shares in 1996 and 2,500,000 shares in 1995 | 65,885 | 60,000 |
| | ----- | ----- |
| Total shareholders' equity | 448,250 | 416,153 |
| Total liabilities and shareholders' equity | \$713,861 | \$649,144 |
| | ===== | ===== |

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

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

| | Year ended December 31, | | |
|--|-------------------------|------------------------|------------------------|
| | ----- 1996 ----- | ----- 1995 ----- | ----- 1994 ----- |
| Net sales | \$555,988 | \$524,451 | \$472,637 |
| Operating costs and expenses: | | | |
| Cost of goods sold | 396,345 | 375,655 | 335,327 |
| Marketing, distribution and administrative expenses | 72,485 | 70,464 | 66,533 |
| Research and development expenses | 19,740 | 19,658 | 18,187 |
| | ----- | ----- | ----- |
| Income from operations | 67,418 | 58,674 | 52,590 |
| | ----- | ----- | ----- |
| Interest income | 966 | 1,984 | 1,951 |
| Interest expense | (5,899) | (3,467) | (4,789) |
| Other income | 916 | 1,868 | 266 |
| Other deductions | (777) | (1,055) | (748) |
| | ----- | ----- | ----- |
| Non-operating deductions, net | (4,794) | (670) | (3,320) |
| | ----- | ----- | ----- |
| Income before provision for taxes on income and minority interests | 62,624 | 58,004 | 49,270 |
| Provision for taxes on income | 19,488 | 18,850 | 16,180 |
| Minority interests | 39 | (375) | (256) |
| | ----- | ----- | ----- |
| Net income | \$ 43,097 | \$ 39,529 | \$ 33,346 |
| Earnings per common share | \$ 1.91 | \$ 1.75 | \$ 1.48 |

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

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

| | Year ended December 31, | | |
|---|-------------------------|------------------------|------------------------|
| | ----- 1996 ----- | ----- 1995 ----- | ----- 1994 ----- |
| Operating Activities | | | |
| Net income | \$ 43,097 | \$ 39,529 | \$ 33,346 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation, depletion and amortization | 46,183 | 40,330 | 35,800 |
| Loss on disposal of property, plant and equipment | 786 | 243 | 946 |
| Deferred income taxes | 3,361 | 5,925 | 3,430 |

| | | | |
|--|-----------|-----------|-----------|
| Other | (1,500) | (1,818) | (448) |
| Changes in operating assets and liabilities: | | | |
| Accounts receivable | (4,699) | (9,406) | (875) |
| Inventories | (6,977) | (20,505) | 2,470 |
| Other current assets | (7,672) | (2,807) | 575 |
| Accounts payable and accrued liabilities | (2,744) | 2,591 | (3,468) |
| Income taxes payable | (269) | 3,182 | (2,395) |
| Other | 382 | 999 | (2,532) |
| | ----- | ----- | ----- |
| Net cash provided by operating activities | 69,948 | 58,263 | 66,849 |
| | ----- | ----- | ----- |
| Investing Activities | | | |
| Purchases of property, plant and equipment | (97,308) | (115,051) | (51,643) |
| Proceeds from disposal of property, plant and equipment | 1,073 | 1,003 | 830 |
| Other | -- | -- | (1,100) |
| | ----- | ----- | ----- |
| Net cash used in investing activities | (96,235) | (114,048) | (51,913) |
| | | | |
| Financing Activities | | | |
| Proceeds from issuance of short-term and long-term debt | 111,659 | 14,890 | 4,000 |
| Repayment of short-term and long-term debt | (77,237) | (2,100) | -- |
| Purchase of common shares for treasury | (5,885) | -- | -- |
| Cash dividends paid | (2,262) | (2,264) | (2,260) |
| Proceeds from issuance of stock under stock option plan | 2,466 | 711 | 144 |
| Proceeds from minority interests | 2,500 | 816 | -- |
| | ----- | ----- | ----- |
| Net cash provided by financing activities | 31,241 | 12,053 | 1,884 |
| | ----- | ----- | ----- |
| Effect of exchange rate changes on cash and cash equivalents | (826) | (1,190) | 1,312 |
| | ----- | ----- | ----- |
| Net increase (decrease) in cash and cash equivalents | 4,128 | (44,922) | 18,132 |
| Cash and cash equivalents at beginning of year | 11,318 | 56,240 | 38,108 |
| | ----- | ----- | ----- |
| Cash and cash equivalents at end of year | \$ 15,446 | \$ 11,318 | \$ 56,240 |
| | ===== | ===== | ===== |

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

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MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
(In thousands)

| | Common Shares | Additional Stock Par Value | Paid-in Capital | Retained Earnings | Currency Translation Adjustment | Unrealized Holdings Gains | Treasury Shares | Stock Cost | Total |
|-------------------------------|---------------|----------------------------|-----------------|-------------------|---------------------------------|---------------------------|-----------------|------------|-----------|
| | ----- | ----- | ----- | ----- | ----- | ----- | ----- | ----- | ----- |
| Balance as of January 1, 1994 | 25,084 | \$2,508 | \$131,446 | \$255,024 | \$14,027 | \$-- | (2,500) | \$60,000 | \$343,005 |
| Net income | -- | -- | -- | 33,346 | -- | -- | -- | -- | 33,346 |
| Dividends declared | -- | -- | -- | (2,260) | -- | -- | -- | -- | (2,260) |
| Employee benefit transactions | 26 | 3 | 688 | -- | -- | -- | -- | -- | 691 |

| | | | | | | | | | |
|---------------------------------|--------|---------|-----------|-----------|----------|-------|---------|------------|-----------|
| Currency translation adjustment | -- | -- | -- | -- | 6,195 | -- | -- | -- | 6,195 |
| Unrealized holding gains, net | -- | -- | -- | -- | -- | 121 | -- | -- | 121 |
| Balance as of December 31, 1994 | 25,110 | 2,511 | 132,134 | 286,110 | 20,222 | 121 | (2,500) | (60,000) | 381,098 |
| Net income | -- | -- | -- | 39,529 | -- | -- | -- | -- | 39,529 |
| Dividends declared | -- | -- | -- | (2,264) | -- | -- | -- | -- | (2,264) |
| Employee benefit transactions | 43 | 4 | 1,087 | -- | -- | -- | -- | -- | 1,091 |
| Currency translation adjustment | -- | -- | -- | -- | (3,291) | -- | -- | -- | (3,291) |
| Unrealized holding losses, net | -- | -- | -- | -- | -- | (10) | -- | -- | (10) |
| Balance as of December 31, 1995 | 25,153 | 2,515 | 133,221 | 323,375 | 16,931 | 111 | (2,500) | (60,000) | 416,153 |
| Net income | -- | -- | -- | 43,097 | -- | -- | -- | -- | 43,097 |
| Dividends declared | -- | -- | -- | (2,262) | -- | -- | -- | -- | (2,262) |
| Employee benefit transactions | 107 | 11 | 2,455 | -- | -- | -- | -- | -- | 2,466 |
| Currency translation adjustment | -- | -- | -- | -- | (5,371) | -- | -- | -- | (5,371) |
| Purchase of common stock | -- | -- | -- | -- | -- | -- | (160) | (5,885) | (5,885) |
| Unrealized holding gains, net | -- | -- | -- | -- | -- | 52 | -- | -- | 52 |
| Balance as of December 31, 1996 | 25,260 | \$2,526 | \$135,676 | \$364,210 | \$11,560 | \$163 | (2,660) | \$(65,885) | \$448,250 |

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

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

Use of Estimates

The Company employs accounting policies that are in accordance with generally accepted accounting principles in the United States and require management to make estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements. Actual results could differ from those estimates.

Business

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

Cash Equivalents

The Company considers all highly liquid investments with maturities of three months or less at the date of purchase to be cash equivalents. Cash equivalents amounted to \$6.0 million and \$6.5 million at December 31, 1996 and 1995, respectively.

Inventories

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

Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Significant improvements are capitalized. In general, the straight line method of depreciation is used for financial reporting purposes and accelerated methods are used for U.S. and certain foreign tax reporting purposes. The annual rates of depreciation are 4%-5% for buildings, 8%-12% for machinery and equipment and 8%-12% for furniture and fixtures.

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

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

Long -Lived Assets

In March 1995, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" ("SFAS 121"). This statement requires that long-lived assets and certain intangibles be reviewed for impairment whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable. This statement also requires that long-lived assets and certain intangible assets to be disposed of be reported at the lower of their carrying amount or fair value less costs to sell. The adoption of this statement had no material effect on the financial statements of the Company.

Foreign Currency

The assets and liabilities of most of the Company's international subsidiaries are translated into U.S. dollars using current exchange rates at the respective balance sheet date. Income statement items are generally translated at average exchange rates prevailing during the period. The resulting translation adjustments are recorded in the currency translation adjustment account in shareholders' equity. Other foreign currency gains and losses are included in net income.

International subsidiaries operating in highly inflationary economies translate non-monetary assets at historical rates, while net monetary assets are translated at current rates, with the resulting translation adjustments included in net income.

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Income Taxes

Income taxes are provided for based on the asset and liability method of accounting pursuant to Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("SFAS 109"). Under SFAS 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 basis. 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 109, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

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

Stock Based Compensation

The Company has adopted Statement of Financial Accounting Standards No. 123, "Accounting for Stock Based Compensation" ("SFAS 123"), which requires expanded disclosures of stock-based compensation arrangements with employees. SFAS No. 123 establishes an alternative method of accounting for stock-based compensation awarded to employees which provides for the recognition of compensation cost to be measured based on the fair value of the equity instrument awarded. The Company, however, has elected to continue to recognize compensation cost based on the intrinsic value of the equity instrument awarded as promulgated in Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees." The Company has disclosed below under "Capital Stock -- Stock and Incentive Plan" the pro forma effect of the fair value method on net income and earnings per share.

Postretirement Benefits

The Company accrues the cost of postretirement benefits during the employee's active working career as required by Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits other than Pensions" ("SFAS 106").

Earnings Per Common Share

Earnings per common share are based upon the weighted average number of common shares outstanding during the period. The incremental impact of common stock equivalents was not material and, accordingly, were not considered in the calculation of earnings per common share.

Income Taxes

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

| Thousands of Dollars | 1996 | 1995 | 1994 |
|---|-----------|-----------|-----------|
| Domestic | \$ 47,410 | \$ 42,799 | \$ 39,745 |
| Foreign | 15,214 | 15,205 | 9,525 |
| Total income before provision for taxes on income | \$ 62,624 | \$ 58,004 | \$ 49,270 |

The provision for taxes on income consists of the following:

| Thousands of Dollars | 1996 | 1995 | 1994 |
|-------------------------|-----------|-----------|-----------|
| Domestic | | | |
| Taxes currently payable | | | |
| Federal | \$ 7,845 | \$ 6,455 | \$ 5,658 |
| State and local | 3,593 | 2,044 | 1,987 |
| Deferred income taxes | 3,291 | 5,746 | 3,985 |
| Domestic tax provision | 14,729 | 14,245 | 11,630 |
| Foreign | | | |
| Taxes currently payable | 4,689 | 4,426 | 5,105 |
| Deferred income taxes | 70 | 179 | (555) |
| Foreign tax provision | 4,759 | 4,605 | 4,550 |
| Total tax provision | \$ 19,488 | \$ 18,850 | \$ 16,180 |

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 | 1996 | 1995 | 1994 |
|---|-------|--------|-------|
| | ----- | ----- | ----- |
| U.S. statutory tax rate | 35.0% | 35.0% | 35.0% |
| Depletion | (5.5) | (4.7) | (6.1) |
| Difference between tax provided on foreign earnings and the U.S. statutory rate | (0.9) | (1.2) | 2.4 |
| State and local taxes | 3.9 | 3.5 | 4.2 |
| Tax credits | (2.4) | (0.3) | (2.0) |
| Other | 1.0 | 0.2 | (0.7) |
| | ----- | ----- | ----- |
| Consolidated effective tax rate | 31.1% | 32.5% | 32.8% |
| | ===== | ===== | ===== |

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

| Thousands of Dollars | 1996 | 1995 |
|---|-----------|-----------|
| | ----- | ----- |
| Deferred tax assets: | | |
| Pension and postretirement benefits cost reported for financial statement purposes in excess of amounts deductible for tax purposes | \$ 8,775 | \$ 9,191 |
| State and local taxes | 2,650 | 2,708 |
| Tax credits | -- | 912 |
| Accrued expenses | 2,684 | 2,414 |
| Alternative minimum tax | 8,324 | 10,043 |
| Other | 1,818 | 2,067 |
| | ----- | ----- |
| Total deferred tax assets | 24,251 | 27,335 |
| | ----- | ----- |
| Deferred tax liabilities: | | |
| Plant and equipment, principally due to differences in depreciation | 61,353 | 63,669 |
| Other | 2,136 | 730 |
| | ----- | ----- |
| Total deferred tax liabilities | 63,489 | 64,399 |
| | ----- | ----- |
| Net deferred tax liability | \$ 39,238 | \$ 37,064 |
| | ===== | ===== |

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

Net cash paid for income taxes was \$15.4 million, \$11.0 million and \$13.4 million for the years ended December 31, 1996, 1995 and 1994, respectively.

Foreign Operations

The Company has not provided for U.S. federal and foreign withholding taxes on \$53.9 million of foreign subsidiaries' undistributed earnings as of December 31, 1996 because such earnings, for the most part, are intended to be reinvested overseas. To the extent the parent company has received foreign earnings as dividends, the foreign taxes paid on those earnings have generated tax credits which have substantially offset related U.S. income taxes. On repatriation certain foreign countries impose withholding taxes. The amount of withholding tax that would be payable on remittance of the entire amount of undistributed earnings would approximate \$1.8 million.

Net foreign currency exchange gains (losses), included in other income (deductions) in the Consolidated Statement of Income, were \$296,000, \$1,620,000 and \$(145,000) for the years end December 31, 1996, 1995 and 1994, respectively.

Changes in the currency translation adjustment included in the shareholders' equity section of the Consolidated Balance Sheet are as follows:

| Thousands of Dollars | 1996 | 1995 |
|---|-----------|-----------|
| | ----- | ----- |
| Currency translation adjustment, January 1 | \$ 16,931 | \$ 20,222 |
| Translation adjustments and hedges | (5,371) | (3,291) |
| | ----- | ----- |
| Currency translation adjustment, December 31 | \$ 11,560 | \$ 16,931 |
| | ===== | ===== |

Inventories

The following is a summary of inventories by major category:

| Thousands of Dollars | 1996 | 1995 |
|------------------------|-----------|-----------|
| | ----- | ----- |
| Raw materials | \$ 23,585 | \$ 17,919 |
| Work in process | 8,513 | 9,757 |
| Finished goods | 20,670 | 20,575 |
| Packaging and supplies | 17,670 | 16,386 |
| | ----- | ----- |
| Total inventories | \$ 70,438 | \$ 64,637 |

Property, Plant and Equipment

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

| Thousands of Dollars | 1996 | 1995 |
|---|-----------|-----------|
| | ----- | ----- |
| Land | \$ 22,503 | \$ 20,211 |
| Quarries/mining properties | 23,143 | 21,480 |
| Buildings | 107,578 | 90,742 |
| Machinery and equipment | 569,066 | 476,572 |
| Construction in progress | 43,429 | 78,375 |
| Furniture and fixtures and other | 47,163 | 44,094 |
| | ----- | ----- |
| | 812,882 | 731,474 |
| | ----- | ----- |
| Less: Accumulated depreciation and depletion | 311,815 | 275,665 |
| | ----- | ----- |
| | \$501,067 | \$455,809 |

Financial Instruments and Concentrations of Credit Risk

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

Cash and cash equivalents, accounts receivable and payable, and accrued liabilities:

The carrying amounts approximate fair value because of the short maturity of those instruments.

Available-for-sale securities:

The available-for-sale securities are presented in accordance with SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities." The fair values are based on quoted market prices and are as follows:

| Thousands of Dollars | 1996 | 1995 | 1994 |
|----------------------|-------|-------|-------|
| | ----- | ----- | ----- |
| Gross | | Gross | Gross |

| | Market Value | Unrealized Holding Gains | Market Value | Unrealized Holding Gains | Market Value | Unrealized Holding Gains |
|--------------|--------------|--------------------------|--------------|--------------------------|--------------|--------------------------|
| | ----- | ----- | ----- | ----- | ----- | ----- |
| Common Stock | \$558 | \$340 | \$427 | \$231 | \$449 | \$245 |

The unrealized holding gains, net of taxes, were \$163,000, \$111,000 and \$121,000, respectively, at December 31, 1996, 1995 and 1994 are included as a separate component of stockholders' equity.

Short-term debt and other liabilities:

The carrying amounts of short-term debt and other liabilities approximate fair value because of the short maturity of those 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 which 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.

The Company enters into forward exchange contracts to hedge foreign currency transactions on a continuing basis for periods consistent with its committed exposures. It does not engage in speculation. The effect of this practice is to delay on a rolling basis the impact of foreign exchange rate movements on the Company's operating results. The Company's foreign exchange contracts do not subject the Company to risk from exchange rate movements because gains and losses on these contracts offset losses and gains on the assets, liabilities and transactions being hedged. At December 31, 1996 and 1995, the Company had open forward exchange contracts to sell \$1.1 million and \$5.6 million, respectively, of foreign currencies. The difference between these contract values and the fair value of these instruments was not significant at December 31, 1996 and 1995.

Credit risk:

Substantially all of the Company's accounts receivable are due from companies in the paper, construction and steel industries. Credit risk results from the possibility that a loss may occur from the failure of another party to perform according to the terms of the contract. The Company regularly monitors the 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 not required. Credit losses are provided for in the financial statements and consistently have been within management's expectations.

Long-Term Debt and Commitments

The following is a summary of long-term debt:

| Thousands of Dollars | 1996 | 1995 |
|--|-----------|-----------|
| | ----- | ----- |
| 7.70% Industrial Development Revenue Bond Series 1990 Due 2009 (secured) | \$ 7,300 | \$ 7,300 |
| 7.75% Economic Development Revenue Bonds Series 1990 Due 2010 (secured) | 4,600 | 4,600 |
| Variable/Fixed Rate Industrial Development Revenue Bonds Due 2009 | 4,000 | 4,000 |
| 6.04% Guaranteed Senior Notes Due June 11, 2000 | 52,000 | 65,000 |
| 7.49% Guaranteed Senior Notes Due July 24, 2006 | 50,000 | -- |
| Other borrowings | -- | 27 |
| | ----- | ----- |
| | 117,900 | 80,927 |
| Less: Current maturities | 13,000 | 13,000 |
| | ----- | ----- |
| Long-term debt | \$104,900 | \$ 67,927 |
| | ===== | ===== |

The 7.70% Industrial Development Revenue Bond Due 2009 is a tax exempt, 19-year instrument issued to finance a PCC plant in Mobile, Alabama. The bond is dated August 1, 1990 with a mandatory put by the purchaser on August 1, 2002 and an optional put by the purchaser following a downgrade in the rating of the bond below "A". The bond is subject to redemption in whole or in part by the Development Board on or after August 1, 1997 at varying prices. Pfizer Inc ("Pfizer") is a guarantor on this bond.

The 7.75% Economic Development Revenue Bonds Due 2010 are tax exempt, 20-year instruments issued to finance a PCC plant in Eastover, South Carolina. The bonds are dated September 1, 1990 with a mandatory put on September 1, 2000 and an optional put by the purchaser following a downgrade in the rating of the bonds below "A". Pfizer is a guarantor on these bonds.

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 average interest rates on these borrowings were 3.64% and 4.20% for the years ended December 31, 1996 and 1995, respectively.

On June 28, 1993, through a private placement, the Company issued \$65 million of 6.04% Guaranteed Senior Notes (the "Notes") due June 11, 2000. The proceeds from the sale of the Notes were used to refinance the \$60 million bridge loan facility with Chemical Bank originally incurred to finance the purchase of 2.5 million shares of treasury stock, and for other corporate purposes. Interest on the Notes is payable semi-annually. Required principal payments, in equal installments of \$13 million per annum, commenced in 1996.

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

On December 31, 1996 the Company was contingently liable for guarantees of third party indebtedness in the amount of \$1.6 million.

The Company had available approximately \$120 million in uncommitted, short-term bank credit lines of which \$12.0 million and \$13.5 million were in use at December 31, 1996 and 1995, respectively. The interest rates on these borrowings were approximately 6.93% and 6.20%, respectively, at December 31, 1996 and 1995.

During 1996, 1995 and 1994, respectively, the Company incurred interest costs of \$8,417,000, \$5,308,000, and \$5,317,000, including \$2,518,000, \$1,841,000, and \$528,000 which were capitalized. Interest paid approximated the incurred interest costs.

Benefit Plans

Pension Plans

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

The components of net periodic pension cost are as follows:

| Millions of Dollars | 1996 | 1995 | 1994 |
|---------------------------------|-------|-------|-------|
| | ----- | ----- | ----- |
| Service cost -- benefits earned | | | |

| | | | |
|--|--------|--------|--------|
| during the period | \$ 4.6 | \$ 3.8 | \$ 3.9 |
| Interest cost on projected benefit obligations | 5.0 | 4.3 | 3.9 |
| Actual return on plan assets | (7.7) | (9.9) | (0.3) |
| Net amortization and deferral | 3.5 | 6.8 | (2.7) |
| | ----- | ----- | ----- |
| Net periodic pension cost | \$ 5.4 | \$ 5.0 | \$ 4.8 |
| | ===== | ===== | ===== |

The long-term rate of return on plan assets used in the determination of net periodic pension cost was 9% for 1996, 10% for 1995 and 9% for 1994 .

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Actuarial assumptions used in the measurement of the projected benefit obligations for U.S. plans were:

| | | | |
|-----------------------------------|-------|-------|-------|
| | 1996 | 1995 | 1994 |
| | ----- | ----- | ----- |
| Discount rate | 7.75% | 7.25% | 8.50% |
| Rate of increase in salary levels | 4.75% | 4.50% | 5.50% |

The funded status of the Company's pension plans at December 31, 1996 and 1995 is as follows:

Millions of Dollars

| | | | | |
|--|------------------|-------------------|------------------|-------------------|
| | 1996 | 1996 | 1995 | 1995 |
| | Overfunded Plans | Underfunded Plans | Overfunded Plans | Underfunded Plans |
| | ----- | ----- | ----- | ----- |
| Actuarial present value of accumulated benefit obligations: | | | | |
| Vested | \$ (43.6) | \$ (8.7) | \$ (3.3) | \$ (45.9) |
| Non-vested | (8.2) | (1.7) | (0.1) | (9.4) |
| | ----- | ----- | ----- | ----- |
| Total | (51.8) | (10.4) | (3.4) | (55.3) |
| Effect of future salary increases | (6.1) | (2.6) | (1.1) | (9.9) |
| | ----- | ----- | ----- | ----- |
| Projected benefit obligations | (57.9) | (13.0) | (4.5) | (65.2) |
| Plan assets at fair value | 65.4 | 4.4 | 6.4 | 45.9 |
| | ----- | ----- | ----- | ----- |
| Plan assets in excess of/(less than) projected benefit obligations | 7.5 | (8.6) | 1.9 | (19.3) |
| Unrecognized under-funding at date of adoption | 3.8 | 0.4 | (0.3) | 5.4 |
| Unrecognized net (gains)/losses | (5.6) | 1.0 | (0.3) | 2.1 |
| Unrecognized prior service costs | 2.1 | 1.1 | 0.1 | 2.5 |
| Additional minimum liability | -- | (0.8) | -- | (1.5) |
| | ----- | ----- | ----- | ----- |
| Net pension asset/(liability) included in Consolidated Balance Sheet | \$ 7.8 | \$ (6.9) | \$ 1.4 | \$ (10.8) |
| | ===== | ===== | ===== | ===== |

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

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

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 contributions amounted to \$3.0 million, \$3.0 million and \$2.9 million for the years ended December 31, 1996, 1995 and 1994, respectively.

Postretirement Benefits

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

The components of the net periodic postretirement benefit cost are as follows:

| Millions of Dollars | 1996 | 1995 | 1994 |
|---|----------|----------|----------|
| | ----- | ----- | ----- |
| Service cost-benefits earned during the year | \$ 0.8 | \$ 0.7 | \$ 0.7 |
| Interest cost on accumulated postretirement benefit obligations | 0.8 | 0.7 | 0.7 |
| Amortization of prior service cost | (1.7) | (1.7) | (1.7) |
| | ----- | ----- | ----- |
| Net periodic postretirement benefits cost | \$(0.1) | \$(0.3) | \$(0.3) |
| | ===== | ===== | ===== |

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The actuarial and recorded liabilities for postretirement benefits, none of which have been funded, are as follows:

| Millions of Dollars | 1996 | 1995 |
|--|-----------|-----------|
| | ----- | ----- |
| Accumulated postretirement benefit obligation: | | |
| Retirees | \$(1.22) | \$(1.24) |
| Fully eligible active plan participants | (4.44) | (3.55) |
| Other active plan participants | (6.51) | (6.90) |
| Total | (12.17) | (11.69) |
| Unrecognized prior service cost | (8.89) | (10.60) |
| Unrecognized net loss | 1.01 | 2.06 |
| Accrued postretirement benefit liability | \$(20.05) | \$(20.23) |

The weighted average discount rate used in determining the accumulated postretirement benefit obligation was 7.75% and 7.25% at December 31, 1996 and 1995, respectively. Compensation levels are assumed to increase at a rate of 4.75% and 4.5%, respectively, at December 31, 1996 and 1995.

For measurement purposes, a health care cost trend rate of approximately 11.2% for pre-age-65 benefits and 8.9% for post-age-65 benefits was used. This trend rate will decrease to 5.3% in the year 2005 and thereafter.

A 1% increase in this annual trend rate would have increased the accumulated postretirement benefit obligation at December 31, 1996 by approximately \$100,000 and the aggregate of the service and interest cost components of net periodic postretirement benefit cost for the year then ended by approximately \$6,000.

Lease Commitments

Rent expense for the years ended December 31, 1996, 1995 and 1994, amounted to approximately \$4.2 million, \$4.3 million and \$3.3 million, respectively. Total future minimum rental commitments under all noncancellable leases for the years 1997 through 2001 and thereafter are approximately \$2.3 million, \$2.1 million, \$2.0 million, \$1.8 million, \$1.8 million and \$18.5 million respectively.

Litigation

Under the terms of certain agreements entered into in connection with the reorganization prior to the initial public offering of the Company's common stock in October 1992, 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 on-site remedial waste site claims and for other claims that may be made in the future with respect to wastes disposed of 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 that may arise or accrue within ten years after the closing of the initial public offering with respect to remediation of on-site conditions existing at the time of the closing of the initial public offering. The Company will be responsible for the first \$1 million of such liabilities, 50% of such liabilities in excess of \$1 million up to \$10 million, and all such liabilities in excess of \$10 million. Further, Pfizer and Quigley agreed to indemnify the Company for non-remedial environmental claims resulting from activities or conditions occurring or existing prior to the closing of the initial public offering that are in excess of \$10,000 and that were received within two years after the closing of the initial public offering, exclusive of compliance costs and consequential damages.

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The transfer by Quigley of certain real property in New Jersey to the Company pursuant to the reorganization, including the former Quigley facility in Old Bridge, triggered certain obligations under the New Jersey Environmental Cleanup Responsibility Act ("ECRA"). Quigley retained liability for compliance with ECRA including the assessment and, if necessary, remediation of the Old Bridge property. Quigley's obligations under ECRA are embodied in an Administrative Consent Order with the New Jersey Department of Environmental Protection and Energy ("NJDEPE") that requires Quigley to perform any necessary remediation and to provide financial assurance of its ability to cover the costs of remediation as estimated by NJDEPE with no obligation to the Company.

The Company is a defendant in a lawsuit captioned Eaton Corporation v. Pfizer Inc, Minerals Technologies Inc. and Specialty Minerals Inc. pending in the U.S. District Court for the Western District of Michigan. The suit alleges that certain materials sold to Eaton for use in truck transmissions were defective, necessitating repairs for which Eaton now seeks reimbursement. The suit was filed on July 31, 1996. The Company has evaluated the claims of this lawsuit to the extent possible, believes the claims to be without merit, and intends to contest them vigorously.

CAPITAL STOCK

The Company's authorized capital stock consists of 100 million shares of common stock, par value \$.10 per share, of which 22,599,859 shares and 22,653,015 shares were outstanding at December 31, 1996 and 1995, respectively, and one million shares of preferred stock, none of which were issued and outstanding.

Cash Dividends

Cash dividends of \$2.3 million or \$.10 per common share were paid during 1996. In January 1997, a cash dividend of approximately \$565,000 or \$.025 per share, was declared, payable in the first quarter of 1997.

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 which would result in the acquisition of 30% or more thereof. If the rights become exercisable, separate certificates evidencing the rights will be distributed, and each right will entitle the holder to purchase from the Company a new series of preferred stock, designated as Series A Junior Preferred Stock, at a predefined price. The rights also entitle the holder to purchase shares in a change-of-control situation. The preferred stock, in addition to a preferred dividend and liquidation right, will entitle the holder to vote on a pro rata basis with the Company's common stock.

The rights are redeemable by the Company at a fixed price until 10 days, or longer as determined by the Board, after certain defined events or at any time prior to the expiration of the rights on October 26, 2002 if such events do not occur.

Stock and Incentive Plan

The Company has adopted a Stock and Incentive Plan (the "Plan") which provides for grants of incentive and nonqualified 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.

In 1995, the Shareholders approved an amendment to the Plan to increase the number of shares of common stock available under the Plan by an additional one million.

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The following table summarizes stock option activity for the Plan:

| | Under Option | | |
|---------------------------|----------------------------|-----------|--|
| | Shares Available for Grant | Shares | Weighted Average Exercise Price Per Share (\$) |
| Balance January 1, 1994 | 879,142 | 1,120,858 | 22.625 |
| Granted | (55,500) | 55,500 | 25.5625 |
| Exercised | -- | (6,458) | 22.625 |
| Canceled | 57,486 | (57,486) | 22.625 |
| Balance December 31, 1994 | 881,128 | 1,112,414 | 22.77 |
| Authorized | 1,000,000 | -- | -- |
| Granted | (8,000) | 8,000 | 29.75 |
| Exercised | -- | (34,960) | 22.625 |
| Canceled | 17,805 | (17,805) | 22.625 |
| Balance December 31, 1995 | 1,890,933 | 1,067,649 | 22.83 |
| Granted | (804,111) | 804,111 | 30.625 |
| Exercised | -- | (108,911) | 22.90 |
| Canceled | 15,069 | (15,069) | 30.06 |
| Balance December 31, 1996 | 1,101,891 | 1,747,780 | 26.36 |

In 1996, the Company adopted the disclosure provisions of SFAS No. 123, "Accounting for Stock Based Compensation." The weighted-average fair value per option at the date of the grant for options granted during 1996 was \$9.64. The fair value was estimated using the Black-Scholes option pricing model, modified for dividends, and the following weighted-average assumptions:

1996

| | |
|-------------------------|--------|
| Expected life (years) | 5 |
| Interest rate | 6.20% |
| Volatility | 21.53% |
| Expected dividend yield | 0.33% |

Pro forma net income and earnings per share reflecting compensation cost for the fair value of stock options awarded in 1996 were as follows:

| (Millions of dollars, except per share amounts) | | 1996 |
|---|-------------|--------|
| Net income | As reported | \$43.1 |
| | Pro forma | \$41.6 |
| Earnings per share | As reported | \$1.91 |
| | Pro forma | \$1.84 |

The amounts disclosed may not be representative of the effects on reported net income for future years. The effect on reported net income for 1995 was not material, and, accordingly, was not disclosed.

The following table summarizes information concerning Plan options outstanding at December 31, 1996:

| Options Outstanding | | | Options Exercisable | | |
|--------------------------|---|---------------------------------|--------------------------------|---------------------------------|---------|
| Range of Exercise Prices | Weighted Average Remaining Contractual Term (Years) at 12/31/96 | Weighted Average Exercise Price | Number Exercisable at 12/31/96 | Weighted Average Exercise Price | |
| \$22.625-\$29.75 | 954,377 | 6.2 | 933,211 | \$22.83 | \$22.83 |
| \$30.625 | 793,403 | 9.1 | -- | \$30.625 | \$ -- |

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Geographic Data

The Company operates in one segment, i.e. specialty minerals. This segment includes the sale of mineral-based products and services to the paper, iron and steel, construction, paint and automotive industries.

The Company's consolidated operations outside the United States are organized into geographic regions. All intercompany transactions have been eliminated.

Identifiable assets are those assets applicable to the respective geographic locations.

(Thousands of Dollars)

| | United States | Europe | Asia | Canada/Latin America | Africa | Eliminations | Consolidated |
|------------------------------|---------------|----------|----------|----------------------|----------|--------------|--------------|
| 1996 | | | | | | | |
| Net sales | \$383,033 | \$69,540 | \$44,059 | \$52,282 | \$ 7,074 | \$ -- | \$555,988 |
| Inter-company sales | 20,307 | 735 | -- | -- | -- | \$(21,042) | -- |
| Total Income from operations | \$ 44,463 | \$ 5,767 | \$ 4,416 | \$11,466 | \$ 1,306 | \$ -- | \$67,418 |

| | | | | | | | | |
|--------|-----------|----------|----------|----------|----------|-------|-----------|--|
| liable | | | | | | | | |
| assets | \$480,550 | \$99,064 | \$70,055 | \$59,432 | \$ 4,760 | \$ -- | \$713,861 | |

1995

| | | | | | | | | |
|---------|-----------|----------|----------|----------|----------|------------|-----------|--|
| Net | | | | | | | | |
| sales | \$360,171 | \$61,494 | \$54,102 | \$37,873 | \$10,811 | \$ -- | \$524,451 | |
| Inter- | | | | | | | | |
| company | | | | | | | | |
| sales | 15,585 | -- | -- | -- | -- | \$(15,585) | -- | |
| | ----- | ----- | ----- | ----- | ----- | ----- | ----- | |
| Total | \$375,756 | \$61,494 | \$54,102 | \$37,873 | \$10,811 | \$(15,585) | \$524,451 | |
| Income | | | | | | | | |
| from | | | | | | | | |
| opera- | | | | | | | | |
| tions | \$39,080 | \$3,746 | \$1,692 | \$11,687 | \$ 2,469 | \$ -- | \$58,674 | |
| Identi- | | | | | | | | |
| fiable | | | | | | | | |
| assets | \$432,090 | \$91,635 | \$72,971 | \$45,009 | \$ 7,439 | \$ -- | \$649,144 | |

1994

| | | | | | | | | |
|---------|-----------|----------|----------|----------|----------|------------|-----------|--|
| Net | | | | | | | | |
| sales | \$332,890 | \$53,971 | \$45,733 | \$32,924 | \$ 7,119 | \$ -- | \$472,637 | |
| Inter- | | | | | | | | |
| company | | | | | | | | |
| sales | 11,702 | -- | -- | -- | -- | (11,702) | -- | |
| | ----- | ----- | ----- | ----- | ----- | ----- | ----- | |
| Total | \$344,592 | \$53,971 | \$45,733 | \$32,924 | \$ 7,119 | \$(11,702) | \$472,637 | |
| Income | | | | | | | | |
| from | | | | | | | | |
| opera- | | | | | | | | |
| tions | \$ 37,729 | \$ 1,240 | \$ 3,996 | \$ 7,987 | \$1,638 | \$ -- | \$52,590 | |
| Identi- | | | | | | | | |
| fiable | | | | | | | | |
| assets | \$424,144 | \$59,401 | \$67,566 | \$31,934 | \$5,079 | \$ -- | \$588,124 | |
| | ===== | ===== | ===== | ===== | ===== | ===== | ===== | |

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

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

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

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

The Audit Committee of the Board of Directors is composed solely of outside directors. The Audit Committee meets periodically with our independent auditors, internal auditors and management to review accounting, auditing, internal control and financial reporting matters. Recommendations made by the

independent auditors and the Company's internal auditors are considered and appropriate action is taken with respect to these recommendations. Both our independent auditors and internal auditors have free access to the Audit Committee.

Jean-Paul Valles
Chairman of the Board and Chief Executive Officer

John R. Stack
Vice President, Finance and Chief Financial Officer

Mario J. DiNapoli
Controller and Chief Accounting Officer

February 4, 1997

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Independent Auditor's Report

The Board of Directors and Shareholders
Minerals Technologies Inc.:

We have audited the accompanying consolidated balance sheet of Minerals Technologies Inc. and subsidiary companies as of December 31, 1996 and 1995 and the related consolidated statements of income, shareholders' equity and cash flows for each of the years in the three-year period ended December 31, 1996. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Minerals Technologies Inc. and subsidiary companies as of December 31, 1996 and 1995 and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1996 in conformity with generally accepted accounting principles.

KPMG PEAT MARWICK LLP

New York, New York
February 4, 1997

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Quarterly Financial Data (unaudited)

Thousands of Dollars, Except Per Share Amounts

| 1996 Quarters | First | Second | Third | Fourth |
|---------------------------|-----------|-----------|-----------|-----------|
| Net sales | \$128,109 | \$140,466 | \$144,121 | \$143,292 |
| Gross profit | 35,032 | 41,109 | 41,581 | 41,921 |
| Net income | 8,547 | 10,807 | 11,890 | 11,853 |
| Earnings per common share | 0.38 | 0.48 | 0.53 | 0.52 |

| | | | | |
|------------------------------------|--------|--------|--------|--------|
| Market Price Range of Common Stock | | | | |
| High | 37 3/4 | 39 3/8 | 40 | 41 3/8 |
| Low | 30 1/4 | 33 | 34 1/8 | 36 3/8 |
| Close | 34 5/8 | 34 1/4 | 36 5/8 | 41 |

| | | | | |
|---------------------------------|---------|---------|---------|---------|
| Dividends paid per common share | \$.025 | \$.025 | \$.025 | \$.025 |
|---------------------------------|---------|---------|---------|---------|

Thousands of Dollars, Except Per Share Amounts

| | | | | |
|---------------------------|-----------|-----------|-----------|-----------|
| 1995 Quarters | First | Second | Third | Fourth |
| | ----- | ----- | ----- | ----- |
| Net sales | \$120,205 | \$138,617 | \$135,795 | \$129,834 |
| Gross profit | 34,519 | 38,592 | 37,912 | 37,773 |
| Net income | 9,014 | 9,886 | 10,567 | 10,062 |
| Earnings per common share | 0.40 | 0.44 | 0.47 | 0.44 |

| | | | | |
|------------------------------------|----------|----------|----------|----------|
| Market Price Range of Common Stock | | | | |
| High | \$32 1/2 | \$36 1/8 | \$38 1/4 | \$43 1/4 |
| Low | \$27 1/4 | \$30 3/4 | \$34 5/8 | \$34 |
| Close | \$32 1/4 | \$36 | \$37 5/8 | \$36 1/2 |

| | | | | |
|---------------------------------|---------|---------|---------|---------|
| Dividends paid per Common share | \$.025 | \$.025 | \$.025 | \$.025 |
|---------------------------------|---------|---------|---------|---------|

F-19

MINERALS TECHNOLOGIES INC. & SUBSIDIARY COMPANIES
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
(thousands of dollars)

| Description | Balance at Beginning of Period | Additions Charged to Costs and Expenses | Deductions (a) (b) | Balance at end of Period |
|---|--------------------------------|---|--------------------|--------------------------|
| ----- | ----- | ----- | ----- | ----- |
| Year ended December 1996 | | | | |
| Valuation and qualifying accounts deducted from assets to which they apply | | | | |
| Allowance for doubtful accounts | \$3,088 | \$ 79 | \$670 | \$2,497 |
| | ===== | === | === | ===== |
| Year ended December 1995 | | | | |
| Valuations and qualifying accounts deducted from assets to which they apply | | | | |
| Allowance for doubtful accounts | \$2,786 | \$448 | \$146 | \$3,088 |
| Year ended December 1994 | | | | |
| Valuations and qualifying accounts deducted from assets to which they apply | | | | |
| Allowance for doubtful accounts | \$2,906 | \$817 | \$937 | \$2,786 |

- (a) Includes impact of translation of foreign currencies.
(b) Uncollectible accounts charged against allowance accounts.

MINERALS TECHNOLOGIES INC.

EMPLOYEE PROTECTION PROGRAM

1. Establishment of the Program

This Employee Protection Program was established by the Board of Directors of Minerals Technologies Inc. (the "Company") at its meeting of October 22, 1992, (the "Effective Date"). It was subsequently amended and renewed by the Board of Directors, at its meeting of August 23, 1996 for an additional two-year term commencing October 22, 1996, pursuant to the provisions of Section 10 hereof. This Employee Protection Program as amended and renewed from time to time (the "Program") has been established for the benefit of the Participants, as defined herein.

2. Purposes

The purposes of the Program are to attract and retain valued employees, allay job security fears and concerns, improve employee morale and dedication to the Company, increase productivity by eliminating extraneous distractions and anxieties, and help ensure that employees receive the benefits they legitimately earn in the normal course of their employment. The accomplishment of these purposes is in the best interest of the Company and its stockholders.

3. Definitions

For purposes of this Program, the following terms shall have the meanings provided below:

Change in Control shall mean a change in control of the Company of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), whether or not the Company is then subject to such reporting requirement; provided that, without limitation, such a Change in Control shall be deemed to have occurred if (A) any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes the "beneficial owner" (as determined for purpose of Regulation 13D-G under the Exchange Act as currently in effect), directly or indirectly, of securities of the Company representing 15% or more of the combined voting power of the Company's then outstanding securities; or (B) during any period of two consecutive years (not including any period prior to the execution of this Agreement), individuals who at the beginning of such period constitute the Board and any new director, whose election to the Board or nomination for election to the Board by the Company's stockholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority of the Board; or (C) the stockholders of the Company approve a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the holders of the voting securities of the Company outstanding immediately prior thereto holding immediately thereafter securities representing more than 80% of the combined voting power of the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation; or (D) the stockholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets.

The foregoing notwithstanding, no Change in Control shall be deemed to have occurred for purposes of this Program if: (A) that certain Rights Agreement dated as of October 26, 1992, by and between the Company and Chemical Bank shall be in effect at the time such "person" becomes the "beneficial owner", directly or indirectly, of 15% or more of the combined voting power of the Company's then outstanding securities; (B) there are then in office at least two Continuing Directors; and (C) the Board of Directors, including a majority of the Continuing Directors,

determines that such person has become an Acquiring Person inadvertently and such person divests as promptly as practicable a sufficient number of shares of the Company's voting securities so that such person would no longer be an Acquiring Person. For purposes hereof, the terms "Continuing Director" and "Acquiring Person" shall have the meanings set forth in Section 1 of the Rights Agreement.

Compensation shall mean the annual base salary and bonus rate of a Participant (as defined herein), as in effect as of the Participant's Employment Termination (as defined herein).

Constructive Termination with respect to a Participant shall mean the resignation of such Participant from employment with the Company or a Participating Subsidiary, as the case may be, after a Change in Control on account of (i) demotion, (ii) decrease in salary, (iii) a material change in reporting responsibilities or employment duties or status inconsistent with the Participant's pre-Change in Control employment or status, (iv) involuntary relocation or transfer, (v) discontinuance of medical, health or life insurance benefits or any retirement plan in which such Participant participated before the Change in Control (without equivalent compensating remuneration or replacement by a plan providing substantially similar benefits) or any action that materially reduces such Participant's benefits or payment under such plans, or (vi) any other action which has an equivalent adverse economic effect on such Participant.

Disability shall mean such condition of disability as would permit an employee to obtain disability benefits under the disability insurance or other disability benefits program of the Company or a Subsidiary applicable to such Participant.

Employment Termination shall mean the cessation of a Participant's employment with the Company or a Participating Subsidiary, as the case may be, after a Change in Control, other than by reason of death, Disability, Retirement, voluntary resignation not constituting a Constructive Termination, or as a result of a valid Summary Dismissal.

Participant shall mean any employee of the Company or of a Participating Subsidiary.

Participating Subsidiary shall mean any corporation owned, in whole or in part, by the Company which adopts this Program for the benefit of its employees.

Retirement shall mean retirement at or after a Participant's normal retirement date as determined in accordance with the Retirement Annuity Plan of Minerals Technologies Inc. ("MRAP") or the pension plan or policy of a Participating Subsidiary in which such Participant participates or pursuant to early retirement as permitted by MRAP or any such pension plan or policy.

Subsidiary shall mean any corporation a majority of the voting stock of which is or was owned, directly or indirectly, by the Company.

Severance Pay shall mean the cash severance payments payable to a Participant under this Program pursuant to the schedule set forth in Section 5 of this Program.

Summary Dismissal shall mean the discharge of a Participant from employment with the Company or a Participating Subsidiary, as the case may be, for cause, including but not limited to an act or acts of dishonesty which result in improper personal enrichment of the Participant at the expense of the Company or any Subsidiary, as the case may be, including a resignation in lieu of such dismissal.

4. Eligibility

All U.S. employees of the Company or of a Participating Subsidiary other than an employee who is party to an Executive Severance Agreement substantially in the form approved by the Board of Directors on May 23, 1996 and other than an employee covered by a collective bargaining agreement that does not provide for participation in the Program shall be eligible to participate in the Program. Employees outside the U.S. shall be treated similarly to those in the U.S. with appropriate offsets being made for severance arrangements that exist by reason of

local plan or practice or applicable law.

5. Severance Pay

If a Participant incurs an Employment Termination within a two-year period following a Change in Control, the Participant shall become entitled to Severance Pay in an amount equal to four weeks' Compensation for each full year of employment service of such Participant to either the Company, any Participating Subsidiary, or Pfizer Inc or any of its affiliates but in no event more than twice the Participant's annual compensation.

Severance Pay shall be paid in a lump sum as soon as practicable after Employment Termination and shall be in lieu of any cash severance payments otherwise payable to such Participant on account of the Participant's separation from service, unless otherwise provided by a written agreement between such Participant and the Company or a Participating Subsidiary. Any amount payable pursuant to any such agreement shall reduce the amount payable under this Program on a dollar-for-dollar basis unless otherwise explicitly provided in such agreement.

No benefits shall be payable hereunder unless there shall have been a Change in Control of the Company.

6. Administration

The Board of Directors of the Company or a committee thereof shall appoint a committee to administer the Program (the "Administrative Committee") consisting of at least three Participants, one of whom shall be the Vice President - Human Resources, who shall act as chairman. The committee shall have the authority to adopt such rules and procedures as it deems necessary or appropriate for the implementation of this Program and to interpret and apply this Program in order to carry out its purposes.

7. Dispute Resolution

In the event a dispute arises between a Participant and the Company or a Participating Subsidiary, as the case may be, relating to any matter under this Program, the Participant (including the Participant's duly authorized representative) shall have the option (a) to file an appeal of the Participant's denied claim with the Administrative Committee (or any committee of the Board of Directors of the Company authorized by the Board of Directors of the Company to act on such matters) which shall be the Participant's named fiduciary for review of denied claims under Sections 402(a)(2) and 503(2) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), or (b) submit such denied claim to an arbitration panel for decision. If a Participant chooses to prosecute an appeal as contemplated by clause (a) of the foregoing sentence, the Participant shall be entitled to a full and fair review in conformance with Section 2560.503-1(g) and (h) of Chapter 29 of the Code of Federal Regulations. If a Participant chooses to submit the denied claim to an arbitration panel, it shall be heard, promptly, before a panel of three independent arbitrators, one selected by the Company or Participating Subsidiary, as the case may be, one selected by the Participant, and a third selected by the two other arbitrators. In the event that agreement cannot be reached on the selection of the third arbitrator, such arbitrator shall be selected by the American Arbitration Association ("AAA"). Any such arbitration shall be conducted in accordance with the rules of the AAA. All matters presented to a panel shall be decided by majority vote. All decisions of either the named fiduciary for review of denied claims or the arbitration panel shall be conclusive and binding upon the Company or Participating Subsidiary, as the case may be, the Participant and any other interested parties. (If a Participant believes the dispute resolution mechanism provided by this Program would be futile or cause such Participant irreparable harm, the Participant may, in the Participant's sole discretion, elect to enforce the Participant's rights under the Program pursuant to Section 502 of ERISA.)

8. Expenses

All Program administration expenses incurred by the Administrative Committee shall be borne by the Company and all other administration expenses incurred by the Company or any

Participating Subsidiary shall be borne by the Company or such Participating Subsidiary, as appropriate. All expenses of a Participant reasonably incurred in successfully enforcing the Participant's rights under this Program, including, without limitation, attorney's fees and disbursements, if any, shall be borne by the Company. The Company shall reimburse the Participant for such expenses, promptly upon presentment of appropriate documentation thereof.

9. Amendment

The Program may be amended by the Board of Directors of the Company (or in the case of a Participating Subsidiary, the Board of Directors of such Participating Subsidiary) or a duly authorized committee thereof, at any time or from time to time; provided, however, that any amendment which would have a significant adverse relocation or transfer, (v) discontinuance of medical, health or life insurance benefits or any retirement plan in which such Participant participated before the Change in Control (without equivalent compensating remuneration or replacement by a plan providing substantially similar benefits) or any action that materially reduces such Participant's benefits or payment under such plans, or (vi) any other action which has an equivalent adverse economic effect on such Participant. or a duly authorized committee thereof, by duly adopting a resolution stating that the Program shall be renewed as to it. If, however, a Change in Control occurs during the term of the Program, the Program shall continue until the Company or Participating Subsidiary, as appropriate, shall have fully performed all of its obligations under this Program with respect to all Participants.

11. Participant Rights

The Company and any Participating Subsidiary intend this Program to constitute a legally enforceable obligation between (a) the Company or Participating Subsidiary, as the case may be, and (b) each Participant, and to be subject to enforcement under Section 502(a) of ERISA. It is also intended that the Program confer vested rights on each Participant under the terms of this Program with Participants being third party beneficiaries hereof. Nothing in the Program, however, shall be construed to confer on any Participant any right to continue in the employ of the Company or a Participating Subsidiary or affect in any way the right of the Company or a Participating Subsidiary to terminate a Participant's employment without prior notice at any time for any reason or for no reason.

12. Governing Law

The Program is intended to be an unfunded "employee welfare benefit plan" providing severance benefits within the meaning of Section 3(1) of ERISA and Section 2510.3-2(b) of Chapter 29 of the Code of Federal Regulations. Except to the extent that the Program is subject to the provisions of ERISA, the Program shall be construed and governed by, and construed and enforced in accordance with, the laws of the State of Delaware (regardless of the law that might otherwise govern under applicable principles, policies or provisions of choice or conflict of laws).

13. Effect on Other Benefits

Except as otherwise provided herein, this Program shall not affect any Participant's rights or entitlement under any other retirement or employee benefit plan offered to the Participant by the Company or any Participating Subsidiary, as appropriate, as of the Participant's Employment Termination.

14. Successors

The Program shall be binding upon any successor in interest of the Company or a Participating Subsidiary, as the case may be, and shall inure to the benefit of, and be enforceable by, a Participant's assigns or heirs.

15. Severability

The various provisions of the Program are severable and any determination of invalidity or unenforceability of any one provision shall not have any effect on the remaining provisions.

16. Construction

In determining the meaning of any provision of this Program, the singular shall include the plural, unless the context otherwise requires. Headings of sections of this Program are for convenience only and are not intended to modify or affect the meaning of the substantive provisions of this Program.

(August 1996)

Severance Agreements substantially in the following form have been entered into with the following individuals as of January 1, 1997. Each agreement was executed for the Company by Dr. Valles, except for the agreement with Dr. Valles, which was executed by Mr. Gray.

| Employee ===== | Position ===== |
|--------------------|--|
| Howard R. Crabtree | Vice President -- Organization and Human Resources |
| Anton Dulski | Vice President; President of MINTEQ International Inc. |
| S. Garrett Gray | Vice President, General Counsel and Secretary |
| Paul R. Saueracker | Vice President; President of Specialty Minerals Inc. |
| John R. Stack | Vice President -- Finance and Chief Financial Officer |
| Jean-Paul Valles | Chairman and Chief Executive Officer |

(Form of Agreement)

January 1, 1997

Vice President
Minerals Technologies Inc.
405 Lexington Avenue
New York, NY 10174-1901

Dear _____ :

Minerals Technologies Inc. (the "Company") considers it essential to the best interests of its stockholders to foster the continuous employment of key management personnel. In this connection, should the Company receive a proposal from a third party, whether solicited by the Company or unsolicited, concerning a possible business combination with, or the acquisition of a substantial share of the equity or voting securities of, the Company, the Board of Directors of the Company (the "Board") has determined that it is imperative that it and the Company be able to rely upon your continued services without concern that you might be distracted by the personal uncertainties and risks that such a proposal might otherwise entail.

Accordingly, the Board has determined that appropriate steps should be taken to reinforce and encourage the continued attention and dedication of members of the Company's management, yourself included, to their assigned duties without distraction in the face of potentially disturbing circumstances that could arise out of a proposal for a change in control of the Company. The Board has also determined that it is in the best interests of the Company and its stockholders to ensure your continued availability to the Company and its subsidiaries in the event of a "potential change in control" (as defined in Section 2 hereof).

In order to induce you to remain in the employ of the Company and its subsidiaries and in consideration of your agreement set forth in Section 2(iii) hereof, the Company agrees that you shall receive the severance benefits set forth in this letter agreement ("Agreement") in the event your employment with

the Company and its subsidiaries is terminated subsequent to a Change in Control (as defined in Section 2 hereof) under the circumstances described below.

1. Term of Agreement. This Agreement shall commence on the date hereof and shall continue in effect through December 31, 1997; provided, however, the term of this Agreement shall automatically be extended for one additional year commencing on January 1, 1998 and each January 1 thereafter, unless, not later than June 30 of the preceding year, the Company shall have given notice that it does not wish to extend this Agreement; provided, further, that, notwithstanding any such notice by the Company not to extend, if a Change in Control shall have occurred during the original or any extended term of this Agreement, this Agreement shall continue in effect for a period of forty-eight (48) months beyond the expiration of the term in effect immediately before such Change in Control.

2. Change in Control. (i) No benefits shall be payable hereunder unless there shall have been a Change in Control of the Company, as set forth below. For purposes of this Agreement, a "Change in Control" of the Company shall mean a change in control of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), whether or not the Company is then subject to such reporting requirement; provided that, without limitation, such a Change in Control shall be deemed to have occurred if (A) subject to Section 2(ii), any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes the "beneficial owner" (as determined for purpose of Regulation 13D-G under the Exchange Act as currently in effect), directly or indirectly, of securities of the Company representing 15% or more of the combined voting power of the Company's then outstanding securities; or (B) during any period of two consecutive years (not including any period prior to the execution of this Agreement), individuals who at the beginning of such period constitute the Board and any new director, whose election to the Board or nomination for election to the Board by the Company's stockholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority of the Board; or (C) the stockholders of the Company approve a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the holders of the voting securities of the Company outstanding immediately prior thereto holding immediately thereafter securities representing more than 80% of the combined voting power of the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation; or (D) the stockholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets.

(ii) If (A) that certain Rights Agreement dated as of October 26, 1992, by and between the Company and Chemical Bank shall be in effect at the time any "person" becomes the "beneficial owner", directly or indirectly, of 15% or more of the combined voting power of the Company's then outstanding securities and (B) there are then in office at least two Continuing Directors, then no Change in Control shall be deemed to have occurred for purposes of this Agreement if the Board of Directors, including a majority of the Continuing Directors, determines that such person has become an Acquiring Person inadvertently and such person divests as promptly as practicable a sufficient number of shares of the Company's voting securities so that such person would no longer be an Acquiring Person. For purposes of this Section 2(ii), the terms "Continuing Director" and "Acquiring Person" shall have the meanings set forth in Section 1 of the Rights Agreement.

(iii) You agree that, subject to the terms and conditions of this Agreement, in the event of a potential Change in Control of the Company occurring after the date hereof, you will not voluntarily terminate your employment with the Company and its subsidiaries for a period of six (6) months from the occurrence of such potential change in control of the Company. If more than one potential change in control occurs during the term of this Agreement, the provisions of the preceding sentence shall be

applicable to each potential change in control occurring prior to the occurrence of a Change in Control. For purposes of this Agreement, a "potential change in control of the Company" shall be deemed to have occurred if (A) the Company enters into an agreement, the consummation of which would result in the occurrence of a Change in Control; (B) any person (including the Company) publicly announces an intention to take or to consider taking actions which if consummated would constitute a Change in Control; (C) any person becomes the beneficial owner, directly or indirectly, of securities of the Company representing 9.5% or more of the combined voting power of the Company's then outstanding securities; or (D) the Board adopts a resolution to the effect that, for purposes of this Agreement, a potential change in control of the Company has occurred.

3. Termination Following Change in Control. If any of the events described in Section 2(i) hereof constituting a Change in Control shall have occurred, you shall be entitled to the benefits provided in Section 4(iv) hereof upon the subsequent termination of your employment with the Company and its subsidiaries during the term of this Agreement unless such termination is (A) a result of your death or Retirement, or (B) your termination for other than Good Reason, or (C) your being terminated by the Company or any of its subsidiaries for Disability or for Cause.

(i) Disability; Retirement. For purposes of this Agreement, "Disability" shall mean permanent and total disability as such term is defined under Section 22(e)(3) of the Internal Revenue Code of 1986, as amended (the "Code"). Any question as to the existence of your Disability upon which you and the Company cannot agree shall be determined by a qualified independent physician selected by you (or, if you are unable to make such selection, such selection shall be made by any adult member of your immediate family or your legal representative), and approved by the Company, said approval not to be unreasonably withheld. The determination of such physician made in writing to the Company and to you shall be final and conclusive for all purposes of this Agreement. For purposes of this Agreement, "Retirement" shall mean your voluntary termination of employment with the Company in accordance with the Company's retirement policy (excluding early retirement) generally applicable to its salaried employees or in accordance with any retirement arrangement established with your consent with respect to you.

(ii) Cause. For purposes of this Agreement, "Cause" shall mean your willful breach of duty in the course of your employment, or your habitual neglect of your employment duties. For purposes of this Section 3(ii), no act, or failure to act, on your part shall be deemed "willful" unless done, or omitted to be done, by you not in good faith and without reasonable belief that your action or omission was in the best interest of the Company and its subsidiaries. Notwithstanding the foregoing, you shall not be deemed to have been terminated for Cause unless and until there shall have been delivered to you a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters (3/4) of the entire membership of the Board at a meeting of the Board called and held for such purpose (after reasonable notice to you and an opportunity for you, together with your counsel, to be heard before the Board), finding that in the good faith opinion of the Board you were guilty of conduct set forth above in this Section 3(ii) and specifying the particulars thereof in detail.

(iii) Good Reason. You shall be entitled to terminate your employment for Good Reason. For the purpose of this Agreement, "Good Reason" shall mean the occurrence, without your express written consent, of any of the following circumstances unless, in the case of paragraphs 3(iii)(A), (E), (F), (G), or (H), such circumstances are fully corrected prior to the Date of Termination (as defined in Section 3(v)) specified in the Notice of Termination (as defined in Section 3(iv)) given in respect thereof:

(A) the assignment to you of any duties inconsistent with your status as Vice President, General Counsel and Secretary of Minerals Technologies Inc., your removal from that position, or a substantial diminution in the nature or status of your responsibilities from those in effect immediately prior to the Change in Control;

(B) a reduction by the Company or any of its subsidiaries in your annual base salary or bonus as in effect on the date hereof or as the same may be increased from time to time;

(C) the relocation of the executive office in which you are located prior to the Change in Control to a location more than fifty miles therefrom or the Company or any of its subsidiaries requiring you to be based anywhere other than the executive office in which you are located prior to the Change in Control except for required travel on the business of the Company and its subsidiaries to an extent substantially consistent with your present business travel obligations;

(D) the failure by the Company to pay to you any portion of an installment of deferred compensation under any preferred compensation program of the Company within seven (7) days of the date such compensation is due;

(E) the failure by the Company or any of its subsidiaries to continue in effect any incentive compensation plan in which you participate prior to the Change in Control, unless an equitable alternative compensation arrangement (embodied in an ongoing substitute or alternative plan) has been provided for you, or the failure by the Company or any of its subsidiaries to continue your participation in any such incentive plan on the same basis, both in terms of the amount of benefits provided and the level of your participation relative to other participants, as existed at the time of the Change in Control;

(F) except as required by law, the failure by the Company or any of its subsidiaries to continue to provide you with benefits at least as favorable as those enjoyed by you under the employee benefit and welfare plans of the Company and its subsidiaries, including, without limitation, the pension, life insurance, medical, dental, health and accident, disability, deferred compensation retirement and savings plans, in which you were participating at the time of the Change in Control, the taking of any action by the Company or any of its subsidiaries which would directly or indirectly materially reduce any of such benefits or deprive you of any material fringe benefit enjoyed by you at the time of the Change in Control, or the failure by the Company or any of its subsidiaries to provide you with the number of paid vacation days to which you are entitled at the time of the Change in Control;

(G) the failure of the Company to obtain a satisfactory agreement from any successor to assume and agree to perform this Agreement, as contemplated in Section 5 hereof; or

(H) any purported termination of your employment which is not effected pursuant to a Notice of Termination satisfying the requirements of Section 3(iv) below (and, if applicable, the requirements of Section 3(ii) above); for purposes of this Agreement, no such purported termination shall be effective.

Your continued employment shall not constitute consent to, or a waiver of rights with respect to, any circumstance constituting Good Reason hereunder.

(iv) Notice of Termination. Any purported termination of your employment by the Company and its subsidiaries or by you shall be communicated by written Notice of Termination to the other party hereto in accordance with Section 6 hereof. For purposes of this Agreement, a "Notice of Termination" shall mean a notice which shall indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of your employment under the provision so indicated.

(v) Date of Termination, Etc. "Date of Termination" shall mean (A) if your employment is terminated for Disability, thirty (30) days after Notice of Termination is given (provided that you shall not have returned to the full-time performance of your duties during such thirty (30) day period), and (B) if your

employment is terminated pursuant to Section 3(ii) or (iii) above or for any other reason (other than Disability), the date specified in the Notice of Termination (which, in the case of a termination pursuant to Section 3(ii) above shall not be less than thirty (30) days, and in the case of a termination pursuant to Section 3(iii) above shall not be less than thirty (30) nor more than sixty (60) days, respectively, from the date such Notice of Termination is given); provided that, if within thirty (30) days after any Notice of Termination is given the party receiving such Notice of Termination notifies the other party that a dispute exists concerning the grounds for termination, the Date of Termination shall be the date on which the dispute is finally determined, either by mutual written agreement of the parties, by a binding arbitration award or by a final judgment, order or decree of a court of competent jurisdiction (which is not appealable or the time for appeal therefrom having expired and no appeal having been perfected); provided further that the Date of Termination shall be extended by a notice of dispute only if such notice is given in good faith and the party giving such notice pursues the resolution of such dispute with reasonable diligence. Notwithstanding the pendency of any such dispute, the Company and its subsidiaries will continue to pay you your full compensation in effect when the notice giving rise to the dispute was given (including, but not limited to, base salary and bonus) and continue you as a participant in all incentive compensation, benefit and insurance plans in which you were participating when the notice giving rise to the dispute was given, until the dispute is finally resolved in accordance with this Section 3(v). Amounts paid under this Section 3(v) are in addition to all other amounts due under this Agreement and shall not be offset against or reduce any other amounts due under this Agreement.

4. Compensation Upon Termination or During Disability. Following a Change in Control of the Company, as defined by Section 2(i), upon termination of your employment or during a period of Disability you shall be entitled to the following benefits, provided that such period of Disability or Date of Termination occurs during the term of this Agreement:

(i) During any period that you fail to perform your full-time duties with the Company and its subsidiaries as a result of your Disability, you shall continue to receive an amount equal to your base salary and bonus at the rate in effect at the commencement of any such period through the Date of Termination for Disability. Thereafter, your benefits shall be determined in accordance with the insurance programs of the Company and its subsidiaries then in effect.

(ii) If your employment shall be terminated by the Company or any of its subsidiaries for Cause or by you other than for Good Reason, the Company (or one of its subsidiaries, if applicable) shall pay you your full base salary and bonus through the Date of Termination at the rate in effect at the time Notice of Termination is given and shall pay any amounts to be paid to you pursuant to any other compensation plans, programs or employment agreements then in effect, and the Company shall have no further obligations to you under this Agreement.

(iii) If your employment shall be terminated by reason of your death or Retirement, your benefits shall be determined in accordance with the retirement and insurance programs of the Company and its subsidiaries then in effect.

(iv) If your employment by the Company and its subsidiaries shall be terminated by (a) the Company and its subsidiaries other than for Cause, your death, Retirement, or Disability or (b) by you for Good Reason, then you shall be entitled to the benefits provided below:

(A) The Company (or one of its subsidiaries, if applicable) shall pay you your full base salary and bonus through the Date of Termination at the rate in effect at the time the Notice of Termination is given, no later than the fifth day following the Date of Termination, plus all other amounts to which you are entitled under any compensation plan of the Company applicable to you, at the time such payments are due.

(B) The Company shall pay as severance pay to you a severance payment (the "Unadjusted Severance Payment") equal to 2.99 times your "Base Amount" as such term is defined

under Section 280G(b) (3) of the Code. Your Base Amount shall be determined in accordance with Section 280G(b) (3) of the Code and with the proposed, temporary or final regulations promulgated under that Section in effect, if any. In the absence of such regulations, if you were not employed by the Company (or any corporation affiliated with the Company (an "Affiliate") within the meaning of Section 1504 of the Code or a predecessor of the Company) during the entire five calendar years (the "Base Period") preceding the calendar year in which a Change in Control of the Company occurred, your average annual compensation for the purposes of such determination shall be the average of your annual compensation for both complete and partial calendar years during the Base Period during which you were so employed, determined by annualizing any compensation (other than nonrecurring items) includible in your gross income for any partial calendar year. For purposes of the preceding sentence, compensation payable to you by the Company or any Affiliate or predecessor of the Company shall include every type and form of compensation includible in your gross income in respect of your employment by the Company or any Affiliate or predecessor of the Company, including compensation income recognized as a result of your exercise of stock options or sale of the stock so acquired, except to the extent otherwise provided in proposed, temporary or final regulations promulgated under Section 280G of the Code defining base amount.

(C) The Unadjusted Severance Payment shall not be reduced by the amount of any other payment or the value of any benefit received or to be received by you in connection with your termination of employment or contingent upon a Change in Control of the Company (whether payable pursuant to the terms of this Agreement or any other agreement, plan or arrangement with the Company or an Affiliate, predecessor or successor of the Company or any person whose actions result in a Change in Control of the Company or an Affiliate of such person) unless (1) in the opinion of tax counsel selected by the Company's Vice President-General Counsel and reasonably acceptable to you, such other payment or benefit constitutes a "parachute payment" within the meaning of Section 280G(b) (2) of the Code, and (2) in the opinion of such tax counsel, the Unadjusted Severance Payment plus all other payments or benefits which constitute "parachute payments" within the meaning of Section 280G(b) (2) of the Code would result in a portion of the Unadjusted Severance Payment being subject to the excise tax under Section 4999 of the Code. In such event, the amount of the Unadjusted Severance Payment shall be reduced by the minimum amount necessary such that no portion thereof will be subject to the excise tax under Section 4999 of the Code. The Unadjusted Severance Payment, as reduced, if at all, pursuant to the provisions of this paragraph shall be referred to as the Adjusted Severance Payment. In determining whether the Unadjusted Severance Payment shall be reduced under this paragraph, (i) there shall not be included in the computation any payment if you shall have effectively waived your receipt or enjoyment of such payment or benefit, and (ii) the value of any non-cash benefit or any deferred cash payment shall be determined by the Company's independent auditors in accordance with the principles of Sections 280G(d) (3) and (4) of the Code.

(D) Except to the extent that the payment thereof would subject any payment hereunder to the excise tax under Section 4999 of the Code:

(1) The Company shall also pay to you all legal fees and expenses reasonably incurred by you in connection with this Agreement (including all such fees and expenses, if any, incurred in contesting or disputing the nature of any such termination for purposes of this Agreement or in seeking to obtain or enforce any right or benefit provided by this Agreement); and

(2) For a twenty-four (24) month period after termination of your employment, the Company shall arrange to provide you with life, disability, accident and health insurance benefits substantially similar to those which you are receiving or entitled to receive immediately prior to the Notice of Termination; provided, however, that this

Agreement in no way diminishes any rights to those benefits to which you would be entitled if you were to retire as an employee of Minerals Technologies Inc. Benefits otherwise receivable by you pursuant to this Section 4(iv)(D)(2) shall be reduced to the extent comparable benefits are actually provided to you by a subsequent employer during the twenty-four (24) month period following your termination, and any such benefits actually provided to you shall be reported to the Company.

(E) If it is established pursuant to a final determination of a court or an Internal Revenue Service proceeding that, notwithstanding the good faith of you and the Company in applying the terms of this Section 4(iv), the aggregate "parachute payments" paid to or for your benefit are in an amount that would result in any portion of such "parachute payments" being subject to the excise tax under Section 4999 of the Code, then you shall have an obligation to pay the Company upon demand an amount equal to the sum of (1) the excess of the aggregate "parachute payments" paid to or for your benefit over the aggregate "parachute payments" that would have been paid to or for your benefit without any portion of such "parachute payments" being subject to the excise tax under Section 4999 of the Code; and (2) interest on the amount set forth in clause (1) of this sentence at the applicable Federal rate (as defined in Section 1274(d) of the Code) from the date of your receipt of such excess until the date of such payment; provided, however, that in the event and to the extent that an excise tax is nevertheless imposed on said amount your obligation to pay said amount to the Company is hereby waived.

(F) You shall not be required to mitigate the amount of any payment provided for in this Section 4 by seeking other employment or otherwise, nor shall the amount of any payment or benefit provided for in this Section 4 be reduced by any compensation earned by you as the result of employment by another employer or by retirement benefits received after the Date of Termination or otherwise, except as specifically provided in this Section 4.

(G) The Company shall pay you the Unadjusted Severance Payment in a lump sum no later than the fifth day following the Date of Termination; provided, however, that if the Company in good faith believes that the Unadjusted Severance Payment shall be reduced under the provisions of Section 4(iv)(C) hereof, the Company shall pay to you at such time a good faith estimate of the Adjusted Severance Payment (the "Estimated Adjusted Severance Payment," the computation of which shall be given to you in writing together with a written explanation of the basis for making such adjustment) which amount shall in no event be less than 50% of the Unadjusted Severance Payment. The Company shall, within 60 days of the Date of Termination, either pay to you the balance of the Unadjusted Severance Payment together with interest thereon at the applicable Federal rate (as defined in Section 1274(d) of the Code) or deliver to you a copy of the opinion of the tax counsel referred to in Section 4(iv)(C) hereof establishing the amount of the Adjusted Severance Payment. If the Adjusted Severance Payment exceeds the Estimated Adjusted Severance Payment, the difference shall be paid to you at such time together with interest thereon at the applicable Federal rate (as defined in Section 1274(d) of the Code).

5. Successors; Binding Agreement.

(i) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company is required to perform it. Failure of the Company to obtain such assumption and agreement prior to the effectiveness of any such succession shall be a breach of this Agreement and shall entitle you to compensation from the Company in the same amount and on the same terms as you would be entitled hereunder if you had terminated your employment for Good Reason following a Change in Control, except that for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the Date of Termination. As used in this Agreement,

"Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise.

(ii) This Agreement shall inure to the benefit of and be enforceable by your personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If you should die while any amount would still be payable to you hereunder if you had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to your devisee, legatee or other designee or, if there is no such designee, to your estate.

6. Notice. For the purpose of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States registered mail, return receipt requested, postage prepaid, addressed to the respective addresses set forth on the first page of this Agreement, provided that all notices to the Company shall be directed to the attention of the Office of the Vice President-General Counsel of the Company, or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address shall be effective only upon receipt.

7. Miscellaneous. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by you and such officer as may be specifically designated by the Board. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any conditions or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not expressly set forth in this Agreement. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of New York, including Section 198 (1-a) of the New York Labor Law. All references to sections of the Code shall be deemed also to refer to any successor provisions to such sections. Any payments provided for hereunder shall be paid net of any applicable withholding required under federal, state or local law. The obligations of the Company under Section 4 shall survive the expiration of the term of this Agreement. Upon the effective date of this Agreement, the prior agreement between you and the Company dated October 21, 1992, shall terminate.

8. Validity. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

9. Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

10. Arbitration. Any dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration in accordance with the rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator's award in any court having jurisdiction; provided, however, that you shall be entitled to seek specific performance of your right to be paid until the Date of Termination during the pendency of any dispute or controversy arising under or in connection with this Agreement.

If this letter sets forth our agreement on the subject matter hereof, kindly sign and return to the Company the enclosed copy of this letter which will then constitute our agreement on this subject.

Sincerely,

MINERALS TECHNOLOGIES INC.

By: (signature of Dr. Valles)
Jean-Paul Valles
Chairman of the Board
Chief Executive Officer and Director

Agreed to as of the
1st day of January, 1997

(signature of employee)

EXHIBIT 11.1

SCHEDULE RE: COMPUTATION OF EARNINGS PER COMMON SHARE
(In thousands, except per share amounts)

| | Year ended December 31, | | |
|--|-------------------------|----------|----------|
| | 1996 | 1995 | 1994 |
| | ----- | ----- | ----- |
| PRIMARY | | | |
| Net income | \$43,097 | \$39,529 | \$33,346 |
| Weighted average shares outstanding | 22,621 | 22,633 | 22,603 |
| | ----- | ----- | ----- |
| Primary earnings per share* | \$ 1.91 | \$ 1.75 | \$ 1.48 |
| | ===== | ===== | ===== |
| FULLY DILUTED | | | |
| Net income | \$43,097 | \$39,529 | \$33,346 |
| | ----- | ----- | ----- |
| Weighted average shares outstanding | 22,621 | 22,633 | 22,603 |
| Add incremental shares representing shares issuable upon exercise of stock options based on year-end market price | 624 | 406 | 252 |
| | ----- | ----- | ----- |
| Weighted average number of shares, as adjusted | 23,245 | 23,039 | 22,855 |
| | ----- | ----- | ----- |
| Fully diluted earnings per share | \$ 1.85 | \$ 1.72 | \$ 1.46 |
| | ===== | ===== | ===== |
| Dilutive effect of incremental shares | 2.7% | 1.8% | 1.1% |
| | ===== | ===== | ===== |

* Incremental shares have not been considered in the computation of primary earnings per common share in accordance with generally accepted accounting principles which requires inclusion only when the dilutive effect is greater than 3%.

SUBSIDIARIES OF THE REGISTRANT

| Name - ---- | Where Incorporated ----- |
|---|--------------------------------|
| Specialty Minerals Inc. | Delaware |
| MINTEQ International Inc. | Delaware |
| Barretts Minerals Inc. | Delaware |
| MTX Finance Inc. | Delaware |
| Mintech Japan K.K. | Japan |
| Specialty Minerals FMT K.K. | Japan |
| Minerals Technologies Holdings Ltd. | United Kingdom |
| Minerals Technologies South Africa (Pty) Ltd. | South Africa |
| Minteq Australia Pty Ltd. | Australia |
| Specialty Minerals France S.A.R.L. | France |
| Mintech do Brasil Comercio Ltda. | Brazil |
| Minteq International GmbH. | Germany |
| Huzhou Minteq Refractory Co. Ltd. | China |
| Specialty Minerals S.A. de C.V. | Mexico |
| Minteq Magnesite Ltd. | Ireland |
| Minteq Europe Ltd. | Ireland |
| MTX Finance Ireland | Ireland |
| PT Sinar Mas Specialty Minerals | Indonesia |
| Mintech Canada Inc. | Canada |
| Minteq Italiana S.p.A. | Italy |
| Minteq Korea Inc. | Korea |
| Technologias Minerales de Mexico S.A. de C.V. | Mexico |
| Specialty Minerals U.K. Limited | United Kingdom |
| Minteq U.K Ltd. | United Kingdom |
| ComSource Trading Ltd. | Delaware |
| Specialty Minerals Inc. Poland Sp.Z.o.o. | Poland |
| Nordcarb Oy Ab | Finland |
| Minerals Technologies Europe N.V. | Belgium |
| Specialty Minerals do Brasil Comercio Industria Ltda. | Brazil |
| Specialty Minerals (Portugal) -Especialidades Minerais, S.A. | Portugal |
| Hi-Tech Specialty Minerals Company Ltd. | Thailand |
| Specialty Minerals Israel Limited | Israel |
| Specialty Minerals Slovakia, Spol. S.R.O. | Slovakia |
| Specialty Minerals (Thailand) Limited | Thailand |
| Specialty Pigments (India) Private Limited | India |
| Specialty Minerals International Inc. | Delaware |
| Specialty Minerals (Mauritius) Ltd. | Mauritius |

REPORT AND CONSENT OF INDEPENDENT AUDITORS

The Board of Directors and Shareholders
Minerals Technologies Inc.:

The audits referred to in our report dated February 4, 1997, included the related financial statement schedule for each of the years in the three-year period ended December 31, 1996, as listed in Item 14 of this Annual Report on Form 10-K. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement schedule based on our audits. In our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We consent to the use of our reports included herein and incorporated by reference in the Registration Statements on Form S-8 (Nos. 33-59080, 33-65268 and 33-96558).

KPMG PEAT MARWICK LLP

New York, New York
March 19, 1997

YEAR
DEC-31-1996
DEC-31-1996
15,446
000
102,494
000
70,438
202,280
812,882
311,815
713,861
86,740
104,900
0
0
2,526
499,886
713,861
555,988
555,988
396,345
396,345
19,740
000
5,899
62,624
19,488
43,097
0
0
0
43,097
1.91
000