

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, 2001

Commission file number 1-3295

MINERALS TECHNOLOGIES INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

The Chrysler Building

405 Lexington Avenue

New York, New York

(address of principal executive office)

25-1190717

(I.R.S. Employer
Identification Number)

10174-1901

(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 ☒ 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. ☐

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 1, 2002, was approximately \$933.6 million. Solely for the purposes of this calculation, shares of common stock held by officers, directors and beneficial owners of 10% or more of the outstanding common stock have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

As of March 1, 2002, the Registrant had outstanding 20,148,808 shares of common stock, all of one class.

DOCUMENTS INCORPORATED BY REFERENCE

Proxy Statement dated April 3, 2002

Part III

MINERALS TECHNOLOGIES INC. 2001 FORM 10-K ANNUAL REPORT Table of Contents

Page

PART I

| | | |
|---------|------------|---|
| Item 1. | Business | 1 |
| Item 2. | Properties | 8 |

| | | |
|-----------------|---|----|
| Item 3. | Legal Proceedings | 10 |
| Item 4. | Submission of Matters to a Vote of Security Holders | 10 |
| PART II | | |
| Item 5. | Market for the Registrant's Common Equity and Related Stockholder Matters | 10 |
| Item 6. | Selected Financial Data | 11 |
| Item 7. | Management's Discussion and Analysis of Financial Condition and Results of Operations | 12 |
| Item 7A. | Quantitative and Qualitative Disclosures About Market Risk | 19 |
| Item 8. | Financial Statements and Supplementary Data | 19 |
| Item 9. | Changes in and Disagreements with Accountants on Accounting and Financial Disclosure | 20 |
| PART III | | |
| Item 10. | Directors and Executive Officers of the Registrant | 20 |
| Item 11. | Executive Compensation | 21 |
| Item 12. | Security Ownership of Certain Beneficial Owners and Management | 21 |
| Item 13. | Certain Relationships and Related Transactions | 21 |
| PART IV | | |
| Item 14. | Exhibits, Financial Statement Schedule and Reports on Form 8-K | 21 |
| <hr/> | | |
| | Signatures | 24 |

PART I

Item 1. Business

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

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

Specialty Minerals Segment

PCC Products and Markets

The Company's PCC product line net sales were \$396.1 million, \$399.2 million, and \$391.9 million for the years ended December 31, 2001, 2000 and 1999, respectively. The Company's sales of PCC have been and are expected to continue to be made primarily to the printing and writing papers segment of the paper industry. The Company also produces PCC for sale to companies in the polymer, food and pharmaceutical and paints and coatings industries. Sales to International Paper Company represented approximately 13%, 13% and 10% of consolidated net sales in 2001, 2000 and 1999, respectively. See Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations."

PCC Products -- Paper

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

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

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

The majority of the Company's sales are of PCC sold to paper makers at "satellite" PCC plants. A satellite PCC plant is a PCC manufacturing facility located within the paper mill itself, thereby eliminating costs of transporting PCC from remote production sites to the paper mill. The Company believes the competitive advantages offered by the improved economics and superior optical characteristics of the paper produced with PCC manufactured by the Company's satellite PCC plants resulted in the rapid growth in the number of the Company's satellite PCC plants since the first such plant was built in 1986. For information with respect to the locations of the Company's PCC plants at December 31, 2001, see Item 2, "Properties," below.

The Company owns, staffs, operates and maintains all of its satellite PCC plants, and owns or licenses the related technology. 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 the customer's precipitated calcium carbonate filler requirements. The Company is generally permitted to sell PCC produced at a satellite plant in excess of the host paper mill's requirements to third parties.

The Company also sells a range of PCC products to paper manufacturers from production sites not associated with paper mills at Adams, Massachusetts; Lifford, England; Lappeenranta, Finland; and Hermalle, Belgium.

PCC Products -- Paper - Key Markets

Uncoated Printing and Writing Papers-North America. Beginning in the mid-1980's, as a result of a concentrated research and development effort, the Company's satellite PCC plants facilitated the conversion of a substantial percentage of North American uncoated wood-free printing and writing paper producers to lower-cost alkaline papermaking technology. The Company estimates that during 2001, more than 90% of North American wood-free paper was produced employing alkaline technology. Presently, the Company owns and operates 33 commercial satellite PCC plants located at paper mills that produce wood-free printing and writing papers in North America. The Company anticipates that the aggregate volume of PCC used by these paper mills will increase.

Uncoated Printing and Writing Papers-Outside North America. The Company estimates the amount of uncoated wood-free printing and writing papers produced outside of North America at facilities that can be served by satellite and merchant PCC plants is approximately the same size (measured in tons of paper produced) as the North American uncoated wood-free paper market currently served by the Company. The Company believes that the superior brightness, opacity and bulking characteristics offered by its PCC products allow it to compete with suppliers of ground limestone and other filler products outside of North America. Presently, the Company owns and operates 20 commercial satellite PCC plants located at paper mills that produce wood-free printing and writing papers outside of North America.

Groundwood Paper. The groundwood paper market represents nearly half of worldwide paper production. Paper mills producing wood-containing paper still generally employ acid papermaking technology. The conversion to alkaline technology by these mills has been hampered by the tendency of wood-containing papers to darken in an alkaline environment. In an attempt to introduce PCC to the wood-containing segments of the paper industry, the Company has developed and patented a process for the manufacture of an acid-tolerant form of PCC (AT[®]PCC) that facilitates production of high-brightness, high-quality groundwood paper in an acid environment. Furthermore, as groundwood or wood-containing paper mills use larger quantities of recycled fiber, there is a trend toward the use of neutral papermaking technology in this segment for which the Company presently supplies traditional PCC morphologies. The Company now supplies PCC to approximately 42 paper machines at 19 groundwood paper mills around the world.

Coated Paper. The Company is also placing increased emphasis on the use of PCC to coat paper, and expects that its research and development in coating technology will open up a large market for PCC that will build slowly as paper companies include PCC in their proprietary coating formulations. PCC increases gloss, opacity, brightness and printability of the sheet while decreasing paper's cost per ton. The coating paper market is large, and the Company believes this market will continue to grow at a higher average growth rate than the uncoated paper market and therefore provide a substantial market opportunity for the Company. PCC coating products are produced at eleven of the Company's satellite PCC plants worldwide.

PCC Products--Non-paper

The Company's full range of slurry and dry PCC products is also sold on a merchant basis for non-paper applications. The Company sells surface-treated and untreated grades of PCC to the polymer 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 the paint and coatings industry. The Company's PCC is also used by the food and pharmaceutical industries as a source of bio-available calcium in tablets and foodstuffs, as a buffering agent in tablets, and as a mild abrasive in toothpaste. The Company produces PCC for nonpaper applications on a merchant basis from production sites at Adams, Massachusetts; Brookhaven, Mississippi; and Lifford, England.

Processed Minerals -- Products and Markets

The Company mines and processes the natural mineral products limestone and talc, and manufactures lime, a limestone-based product. The Company's net sales of processed mineral products were \$87.2 million, \$87.1 million, and \$87.5 million for the years ended December 31, 2001, 2000 and 1999, respectively. See Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Lime is used as a raw material for the manufacture of PCC at the Company's Adams, Massachusetts, facility, and sold commercially to various chemical and other industries.

The Company mines, beneficiates and processes talc at its Barretts site, located near Dillon, Montana. The talc is sold worldwide in finely ground form for paint and coatings, ceramic and polymer applications. Because of the exceptional chemical purity of the Barretts ore, a majority of the automotive catalytic converter ceramic substrates manufactured in the United States, Japan and Western Europe utilize the Company's Barretts talc.

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

Refractories Segment

Refractory Products

The Company offers a broad range of monolithic refractory products as well as pre-cast refractory shapes. The Company's refractory net sales were \$201.1 million, \$184.6 million, and \$183.1 million for the years ended December 31, 2001, 2000 and 1999, respectively. See Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Product sales are usually combined with Company-supplied proprietary applications equipment and on-site technical service 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[®] sprayer and its MINSCAN[™] system, 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 on increased productivity, the SEQUAD[®] sprayer, the MINSCAN[™] system, 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 application equipment provide greater assurance that the desired productivity objectives of customers are achieved. In addition, the Company's technicians conduct laser measurement of refractory wear, usually in conjunction with robotic application tools, to improve maintenance performance in certain plants. The Company believes that these services, together with its refractory product offerings, provide it with a strategic marketing advantage.

In the past five years a significant amount of the Company's refractory product sales have come from new products. Some of the new refractory products the Company has introduced in the past few years include:

- the MAG-O-STAR[®] spray coating, an advanced technique for applying refractory material to the slag line, the top of hot steel ladles;
- the MINSCAN[™] application system, a fully automated application system for applying refractory materials to electric arc furnaces; and
- SHOTCRETE[™] castable material, a dense castable material used in a variety of steel-making vessels to improve productivity.

The Company has also developed a new line of OPTISHOT[™] refractory products that can completely replace brick in iron and steel ladles. In addition to new products, delivery systems and services, the Company has focused on controlling costs and expenses.

The Company has also expanded its refractories business through selective acquisitions over the past two years. In 2000, the Company acquired Ferrotron Elektronik GmbH, a manufacturer of advanced laser scanning devices, sensors and other instruments designed for the steel industry. In 2001, the Company acquired the refractories business of Martin Marietta Magnesita Specialties Inc. and purchased Rijnstaal B.V., a Netherlands-based producer of cored metal wires used mainly in the steel and foundry industries. These acquisitions have increased the breadth of the product lines in the Refractories segment.

The Company sells its refractory products 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 materials, as well as refractory shapes and permanent linings.

The Company uses proprietary processes to produce a number of other technologically enhanced products for the steel industry. 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 and pyrolytic graphite products that are sold to the glass, cement, aluminum, petrochemical and other non-steel industries.

Key Markets

The principal market for the Company's refractory products is the steel industry. Management believes that certain trends in the steel industry will continue to provide growth opportunities for the Company. These trends include 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 has more than doubled in the past ten years, measured in tons of steel cast on a worldwide basis. 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 its new refractory products and technologies. The Company also produces a broad line of refractory products and certain metallurgical products that are required by mini-mills.

Marketing and Sales

The Company relies principally on its worldwide direct sales force to market its products. The direct sales force is augmented by technical service teams that are familiar with the industries to which the Company markets its products, and by several regional distributors. The Company's sales force works closely with the Company's technical service staff to solve technical and other issues faced by the Company's customers. The Company's technical service staff assists paper producers in ongoing evaluations of the use of PCC for paper coating and filling applications. In the refractory segment, the Company's technical service personnel advise with respect to the use of 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; Sao Paulo, Brazil; 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 sites facilitates 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 worldwide. Generally, lime is purchased under long-term supply contracts from unaffiliated suppliers located in close geographic proximity to the Company's PCC plants. If there were to be an interruption in the supply of lime from any particular lime supplier to the Company, the Company believes that alternative sources of lime would be available at effectively the same cost to the Company.

The principal raw materials used in the Company's monolithic refractory 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. The Company believes that in the event of supply interruptions of its refractory raw material requirements it could obtain adequate supplies from alternate sources at reasonable costs.

Competition

The Company is continually engaged in efforts to develop new products and technologies and refine existing products and technologies in order to remain competitive and, 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 with other fillers, such as ground limestone and clay, based in large part upon technological know-how, patents and processes that allow the Company to deliver PCC that it believes imparts superior brightness, opacity and other 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, principally ground calcium carbonate, for use in paper filling and coating applications. Competition with respect to the Company's PCC sales is based upon performance characteristics of the product (such as brightness and opacity), price, the availability of technical support and availability of raw materials.

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

Research and Development

Many of the Company's product lines are technology-based. The Company's expertise in inorganic chemistry, crystallography and structural analysis, fine particle technology and other aspects of materials science apply to and support all of its product lines.

The Company's business strategy for continued growth in sales and profitability depends to a large extent on the continued success of its research and development activities. Among the significant achievements of the Company's research and development effort have been the satellite PCC plant concept, AT[®] PCC, advanced PCC crystal morphologies for paper coating, the SEQUAD[®] sprayer, MAG-O-STAR[®] spray coating, MINSCAN[™] application systems and SHOTCRETE[™] castable material. The Company's research and development efforts have also resulted in the invention of SYNSIL[®] products, a family of synthetic silicate products for the glass industry.

For the years ended December 31, 2001, 2000 and 1999, the Company expended approximately \$23.5 million, \$26.3 million, and \$24.8 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. The Company's research and development spending for 2001 approximated 3.4% of net sales.

The Company maintains its primary research facilities in Bethlehem and Easton, Pennsylvania. Approximately 160 employees worldwide are engaged in research and development. It also has smaller research and development facilities in Finland, Ireland and Japan. In addition, the Company has access to several of the world's most advanced paper making and paper coating pilot facilities.

Patents and Trademarks

The Company owns or has the right to use approximately 350 patents and approximately 650 trademarks related to its business. The Company believes that its rights under its existing patents, patent applications and trademarks are of value to its operations, but no one patent, application or trademark is material to the conduct of the Company's business as a whole.

Insurance

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

Employees

At December 31, 2001, the Company employed approximately 2,305 persons, of whom approximately 800 were employed by the Company outside of the United States.

Environmental, Health and Safety Matters

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

Cautionary Factors That May Affect Future Results

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

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

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

As permitted by the Private Securities Litigation Reform Act of 1995, the Company is providing the following cautionary statements which identify factors that could cause the Company's actual results to differ materially from historical and expected results. It is not possible to foresee or identify all such factors. Investors should not consider this list an exhaustive statement of all risks, uncertainties and potentially inaccurate assumptions.

- ***Historical Growth Rate***

Continuance of the historical growth rate of the Company depends upon a number of uncertain events, including the outcome of the Company's strategies of increasing its penetration into geographic markets such as Asia and Europe; increasing its penetration into product markets such as the market for paper coating pigments and the market for groundwood paper pigments; increasing sales to existing PCC customers by increasing the amount of PCC used per ton of paper produced; and developing, introducing and selling new products. Difficulties, delays or failures of any of these strategies could cause the future growth rate of the Company to differ materially from its historical growth rate.

- ***Contract Renewals***

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. Failure of a number of the Company's customers to renew existing agreements on terms as favorable to the Company as those currently in effect could cause the future growth rate of the Company to differ materially from its historical growth rate, could have a substantial adverse effect on the Company's results of operations, and could also result in impairment of the assets associated with the PCC plant.

- ***Consolidation in Paper Industry***

Several consolidations in the paper industry have taken place in recent years. These consolidations could result in partial or total closure of some paper mills at which MTI operates PCC satellites. Such closures would reduce MTI's sales of PCC, except to the extent that they resulted in shifting paper production and associated purchases of PCC to another

location served by MTI. There can be no assurance, however, that this will occur. In addition, such consolidations concentrate purchasing power in the hands of a smaller number of papermakers, enabling them to increase pressure on suppliers, such as MTI. This increased pressure could have an adverse effect on MTI's results of operations in the future.

- ***Litigation; Environmental Exposures***

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

- ***New Products***

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

- ***Competition; Protection of Intellectual Property***

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

- ***Risks of Doing Business Abroad***

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

- ***Availability of Raw Materials***

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

- ***Cyclical Nature of Customers' Businesses***

The bulk of the Company's sales are to customers in two industries, paper manufacturing and steel manufacturing, which have historically been cyclical. The Company's exposure to variations in its customers' businesses has been reduced in recent years by the growth in the number of plants it operates; by the diversification of its portfolio of products and services; and by its geographic expansion. Also, the Company has structured some of its long-term satellite PCC contracts to provide a degree of protection against declines in the quantity of product purchased, since the price per ton of PCC generally rises as the number of tons purchased declines. In addition, many of the Company's product lines lower its customers' costs of production or increase their productivity, which should encourage them to use its

products. However, a sustained economic downturn in one or more of the industries or geographic regions that the Company serves, or in the worldwide economy, could cause actual results of operations to differ materially from historical and expected results.

Item 2. Properties

Set forth below is the location of, and the main customer served by, each of the Company's satellite PCC plants at December 31, 2001. 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.

| <u>Location</u> | <u>Principal Customer</u> |
|--|--|
| Alabama, Courtland | International Paper Company |
| Alabama, Jackson | Boise Cascade Corporation |
| Alabama, Selma | International Paper Company |
| Arkansas, Ashdown | Domtar Inc. |
| Brazil, Jacarei | Votorantim Celulose e Papel |
| Brazil, Luiz Antonio | Votorantim Celulose e Papel |
| Brazil, Mucuri | Bahia Sul Celulose S.A. |
| Brazil, Suzano | Cia Suzano de Papel e Celulose |
| California, Anderson ¹ | Pending |
| Canada, Cornwall, Ontario | Domtar Inc. |
| Canada, Dryden, Ontario | Weyerhaeuser Canada Inc. |
| Canada, St. Jerome, Quebec | Rolland Paper Inc. |
| Canada, Windsor, Quebec | Domtar Inc. |
| China, Dagang ² | Asia Pulp and Paper Company Ltd. |
| Finland, Aankoski ² | M-real Corporation |
| Finland, Anjalankoski ² | Myllykoski Paper Oy |
| Finland, Lappeenranta ^{2,3} | OAQ Svetogorsk (a subsidiary of International Paper Company) |
| Finland, Tervakoski ² | Trierenberg Holding |
| Florida, Pensacola | International Paper Company |
| France, Alizay | M-real Corporation |
| France, Docelles | UPM - Kymmene Corporation |
| France, Saillat Sur Vienne | Aussedat Rey (a subsidiary of International Paper Company) |
| Germany, Schongau | UPM - Kymmene Corporation |
| Indonesia, Perawang ² | PT Indah Kiat Pulp and Paper Corporation |
| Israel, Hadera | American Israeli Paper Mills, Ltd. |
| Japan, Shiraoi ² | Daishowa Paper Manufacturing Company Ltd. |
| Kentucky, Wickliffe | MeadWestvaco Corporation |
| Louisiana, Port Hudson | Georgia-Pacific Corporation |
| Maine, Jay | International Paper Company |
| Maine, Madison | Madison Paper Industries |
| Maine, Millinocket | Great Northern Paper, Inc. |
| Mexico, Chihuahua | Corporativo Copamex, S.A. de C.V. |
| Michigan, Quinnesec | International Paper Company |
| Minnesota, Cloquet | Potlatch Corporation |
| Minnesota, International Falls | Boise Cascade Corporation |
| New York, Oswego ⁴ | International Paper Company |
| New York, Ticonderoga | International Paper Company |
| North Carolina, Plymouth | Weyerhaeuser Company |
| Ohio, Chillicothe | MeadWestvaco Corporation |
| Ohio, West Carrollton | Appleton Papers Inc. |
| Pennsylvania, Erie ⁴ | International Paper Company |
| Pennsylvania, Lock Haven ⁴ | International Paper Company |
| Poland, Kwidzyn | International Paper Company |
| Portugal, Figueira da Foz ² | Soporcel - Sociedade Portuguesa de Papel, S.A. |
| Slovakia, Ruzomberok | Severoslovenske Celulozky a Papierne a.s. |
| South Carolina, Eastover | International Paper Company |
| South Africa, Merebank ² | Mondi Paper Company Ltd. |
| Tennessee, Kingsport | Weyerhaeuser Company |
| Texas, Pasadena | Pasadena Paper Company LP |
| Thailand, Tha Toom ² | Advance Agro Public Co. Ltd. |
| Virginia, Franklin | International Paper Company |
| Washington, Camas | James River Corporation |
| Washington, Longview | Weyerhaeuser Company |
| Washington, Wallula | Boise Cascade Corporation |

Wisconsin, Kimberly
Wisconsin, Park Falls
Wisconsin, Wisconsin Rapids

Stora Enso Oy
Fraser Papers Inc.
Stora Enso Oy

¹ This PCC plant ceased operations in 2001. A sale of the paper mill is pending.

² These plants are owned through joint ventures.

³ This PCC plant is not located on-site at the paper mill.

⁴ These PCC plants are expected to cease operations in 2002.

The Company also owned at December 31, 2001 seven plants engaged in the mining, processing and/or production of lime, limestone, precipitated calcium carbonate, and talc and directly or indirectly owns or leases approximately 19 refractory manufacturing facilities worldwide. The Company's corporate headquarters, sales offices, research laboratories, plants and other facilities are owned by the Company except as otherwise noted. Set forth below is certain information relating to the Company's plants and office and research facilities.

| <u>Location</u> | <u>Facility</u> | <u>Product Line</u> |
|--------------------------------|--|--|
| United States | | |
| Arizona, Pima County | Plant; Quarry ¹ | Limestone |
| California, Lucerne Valley | Plant; Quarry | Limestone |
| Connecticut, Canaan | Plant; Quarry | Limestone, Metallurgical Wire/Calcium |
| Louisiana, Baton Rouge | Plant | Monolithic Refractories |
| Massachusetts, Adams | Plant; Quarry | Limestone, Lime, PCC |
| Michigan, River Rouge | Plant | Monolithic Refractories/Shapes |
| Mississippi, Brookhaven | Plant | PCC |
| Montana, Dillon | Plant; Quarry | Talc |
| New Jersey, Old Bridge | Plant | Monolithic Refractories |
| New York, New York | Headquarters ² ; Sales Offices ² | 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 | All Company Products |
| Pennsylvania, Slippery Rock | Plant | Refractory Shapes/Monolithic Refractories |
| International | | |
| Australia, Carlingford | Sales Office ² | Monolithic Refractories |
| Belgium, Brussels | Sales Office ² | Monolithic Refractories/PCC |
| Brazil, Belo Horizonte | Sales Office ² | Monolithic Refractories |
| Brazil, Sao Paulo | Sales Office ² | PCC |
| Brazil, Volta Redonda | Sales Office ² | Monolithic Refractories |
| Canada, Lachine | Plant | Refractory Shapes |
| China, Huzhou | Plant ³ | Monolithic Refractories |
| Germany, Duisburg | Sales Office ² | Monolithic Refractories |
| Germany, Moers | Plant | Laser Scanning Instrumentation/Probes |
| Holland, Hengelo | Plant | Metallurgical Wire |
| Ireland, Cork | Plant; Administrative Office ² | Monolithic Refractories |
| Italy, Brescia | Sales Office; Plant | Monolithic Refractories/Shapes |
| Japan, Gamagori | Plant | Monolithic Refractories/Shapes, Calcium |
| Mexico, Gomez Palacio | Plant ² | Monolithic Refractories |
| Singapore | Sales Office ² | PCC |
| Spain, Santander | Sales Office ² | Monolithic Refractories |
| South Africa, Pietermaritzburg | Plant | Monolithic Refractories |
| South Korea, Seoul | Sales Office ² | Monolithic Refractories |
| South Korea, Yangsan | Plant ⁴ | Monolithic Refractories |
| United Kingdom, Lifford | Plant | PCC, Lime |
| United Kingdom, Rotherham | Plant | Monolithic Refractories/Shapes |

¹ This plant is leased to another company.

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

³ This plant is leased through a joint venture.

⁴ This plant is owned through a joint venture.

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

Item 3. Legal Proceedings

On or about October 5, 1999, the Company was notified by the U.S. Department of Justice of an enforcement referral received from the U.S. Environmental Protection Agency ("EPA") regarding alleged violations by the Company's subsidiary Barretts Minerals Inc. ("BMI") of a state-issued permit regulating pit dewatering and storm water discharge at BMI's talc mine in Barretts, Montana. The threatened federal enforcement action would duplicate in part a state enforcement action that was resolved in May 1999 through settlement and payment of a civil penalty of \$14,000. BMI has entered into pre-filing negotiations with the Department of Justice, and as of March 14, 2002, no complaint had been filed. We anticipate that any settlement of this matter would include a monetary penalty as well as other relief, such as a supplemental environmental project at the Barretts site. There can be no assurance that the amount of monetary penalty or the cost of other relief sought by the Department of Justice in any such complaint, if filed, would not be substantially in excess of the amount for which the previous state enforcement action was settled.

On or about July 14, 2000, MTI, Specialty Minerals Inc. and Minteq International Inc. received from the Connecticut Department of Environmental Protection ("DEP") a proposed administrative consent order relating to the Canaan, Connecticut site at which both Minteq and Specialty Minerals have operations. The proposed order would settle claims relating to an accidental discharge of machine oil alleged to have contained polychlorinated biphenyls at or above regulated levels. The Company's employees immediately took steps to contain and clean up the discharge and notified the Connecticut DEP and the U.S. EPA, as required by law. The proposed order also alleges certain violations of other environmental regulations, including violations of the Canaan site's existing permit for discharge of stormwater, and of regulations governing the management of underground storage tanks. The proposed order would require payment of a civil penalty of \$420,605, remediation of certain conditions at the site, and other injunctive relief. MTI and the other respondents dispute many of the factual allegations forming the basis of the proposed order, and plan to contest them vigorously. There can be no assurance, however, that the Company will be successful in doing so, and the amount of any civil penalty to be paid, and the cost of any remediation or other injunctive relief, remains uncertain.

On or about February 27, 2001, the EPA filed a civil administrative complaint against Minteq International Inc. seeking \$192,000 in monetary sanctions for alleged regulatory violations relating to the use, handling and disposal of polychlorinated biphenyls at Minteq's Canaan, Connecticut facility. Minteq filed a response to the complaint, and settled such claim in the fourth quarter of 2001, agreeing to a monetary payment of \$95,000 and certain injunctive relief.

The Company's subsidiary Minteq International Inc. is the defendant in a lawsuit captioned WEMCO, Inc. and Emil J. Wirth, Jr. v. Minteq International Inc., which is pending in the U.S. District Court for the Middle District of Pennsylvania. The suit alleges breach of contract and unjust enrichment in connection with a licensing arrangement, and seeks monetary damages as well as a declaratory judgment with respect to the alleged license. While all litigation contains an element of uncertainty, Minteq is continuing to defend this matter vigorously and believes it is not likely to produce an outcome which would have a material adverse effect on the Company's consolidated financial position or results of operations.

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

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

No matters were submitted to a vote of security holders during the fourth quarter of 2001.

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

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

10

Information on market prices and dividends is set forth below:

| <u>2001 Quarters</u> | <u>First</u> | <u>Second</u> | <u>Third</u> | <u>Fourth</u> |
|--|--------------|---------------|--------------|---------------|
| Market Price Range Per Share of Common Stock | | | | |
| High | \$38.09 | \$43.95 | \$ 44.78 | \$48.00 |
| Low | 31.92 | 33.62 | 33.23 | 35.98 |
| Close | 34.89 | 42.87 | 37.72 | 46.64 |
| Dividends paid per common share | \$ 0.025 | \$ 0.025 | \$ 0.025 | \$ 0.025 |

| <u>2000 Quarters</u> | <u>First</u> | <u>Second</u> | <u>Third</u> | <u>Fourth</u> |
|--|--------------|---------------|--------------|---------------|
| Market Price Range Per Share of Common Stock | | | | |
| High | \$46.44 | \$ 47.75 | \$54.06 | \$ 46.25 |
| Low | 36.63 | 40.38 | 41.38 | 28.94 |
| Close | 41.94 | 41.69 | 43.94 | 34.19 |
| Dividends paid per common share | \$ 0.025 | \$ 0.025 | \$ 0.025 | \$ 0.025 |

On March 1, 2002, the last reported sales price on the NYSE was \$50.78 per share. As of March 1, 2002, there were approximately 225 holders of record of the common stock.

On January 24, 2002, the Company's Board of Directors declared a regular quarterly dividend on its common stock of \$0.025 per share. Subject to satisfactory financial results and declaration by the Board, the Company currently intends to pay quarterly cash dividends of at least \$0.025 per share on its common stock. 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.

On February 26, 1998, the Company's Board of Directors authorized a \$150 million stock repurchase program. The Company completed the program in April 2001. Approximately 3.5 million shares were repurchased under this program at an average price of approximately \$42.80 per share.

On February 22, 2001, the Company's Board of Directors authorized the Company's Management Committee, at its discretion, to repurchase up to \$25 million in additional shares per year over the next three-year period. As of December 31, 2001, the Company had repurchased approximately 35,000 shares under this program at an average price of approximately \$36.28 per share.

Item 6. Selected Financial Data

| <u>Thousands, Except Per Share Data</u> | <u>2001</u> | <u>2000</u> | <u>1999</u> | <u>1998</u> | <u>1997</u> |
|---|-------------|-------------|-------------|-------------|-------------|
| Income Statement Data: | | | | | |
| Net sales | \$684,419 | \$670,917 | \$662,475 | \$631,622 | \$625,547 |
| Cost of goods sold | 502,525 | 477,512 | 466,702 | 442,562 | 451,849 |
| Marketing and administrative expenses | 70,495 | 71,404 | 72,208 | 75,068 | 71,525 |
| Research and development expenses | 23,509 | 26,331 | 24,788 | 21,038 | 20,391 |
| Bad debt expenses | 3,930 | 5,964 | 1,234 | 507 | 1,554 |

| | | | | | |
|-------------------------------|--------------|-----------|-----------|-----------|-----------|
| Write-down of impaired assets | -- | 4,900 | -- | -- | -- |
| Restructuring charge | <u>3,403</u> | <u>--</u> | <u>--</u> | <u>--</u> | <u>--</u> |
| Income from operations | 80,557 | 84,806 | 97,543 | 92,447 | 80,228 |
| | | | | | |
| Net income | 49,793 | 54,208 | 62,116 | 57,224 | 50,312 |

| | <u>2001</u> | <u>2000</u> | <u>1999</u> | <u>1998</u> | <u>1997</u> |
|--|------------------|------------------|------------------|------------------|------------------|
| Earnings Per Share | | | | | |
| Basic earnings per share | \$ 2.54 ===== | \$ 2.65 ===== | \$ 2.90 ===== | \$ 2.57 ===== | \$ 2.23 ===== |
| Diluted earnings per share | \$ 2.48 ===== | \$ 2.58 ===== | \$ 2.80 ===== | \$ 2.50 ===== | \$ 2.18 ===== |
| Weighted average number of common shares outstanding | | | | | |
| Basic | 19,630 | 20,479 | 21,394 | 22,281 | 22,558 |
| Diluted | 20,063 | 21,004 | 22,150 | 22,926 | 23,113 |
| Dividends declared per common share | \$ 0.10 | \$ 0.10 | \$ 0.10 | \$ 0.10 | \$ 0.10 |
| Balance Sheet Data: | | | | | |
| Working capital | \$ 86,261 | \$ 81,830 | \$102,405 | \$112,892 | \$132,364 |
| Total assets | 847,810 | 799,832 | 769,131 | 760,912 | 741,407 |
| Long-term debt | 88,097 | 89,857 | 75,238 | 88,167 | 101,571 |
| Total debt | 160,031 | 138,727 | 88,677 | 101,678 | 115,560 |
| Total shareholders' equity | 507,819 | 483,639 | 485,036 | 489,163 | 466,997 |

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

Income and Expense Items as a Percentage of Net Sales

| Year Ended December 31, | <u>2001</u> | <u>2000</u> | <u>1999</u> |
|---------------------------------------|-------------|-------------|-------------|
| Net sales | 100.0% | 100.0% | 100.0% |
| Cost of goods sold | 73.4 | 71.2 | 70.5 |
| Marketing and administrative expenses | 10.3 | 10.7 | 10.9 |
| Research and development expenses | 3.4 | 3.9 | 3.7 |
| Bad debt expenses | 0.6 | 0.9 | 0.2 |
| Write-down of impaired assets | -- | 0.7 | -- |
| Restructuring charge | <u>0.5</u> | <u>--</u> | <u>--</u> |
| Income from operations | 11.8 | 12.6 | 14.7 |
| Net income | 7.3% | 8.1% | 9.4% |
| | == | == | == |

Overview of 2001 and Outlook

In 2001, the Company continued to experience weaknesses across all product lines primarily because of the difficult economic situation in the industries it serves: paper, steel, construction and automotive. The Company expects the economic downturn that began in the second half of 2000 and continued throughout 2001 to continue into the first half of 2002.

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

- Three paper mills at which the Company has satellite precipitated calcium carbonate (PCC) plants announced their intention to shut down. These shutdowns are in addition to the three paper mill shutdowns disclosed in 2000. Other paper makers reduced production as a result of weaker paper demand.
- The domestic steel industry continued to deteriorate significantly in 2001. Domestic steel production was at its lowest levels in decades and several steel manufacturers ceased operations and others filed for bankruptcy protection. Europe is anticipating a significant decline in steel production during 2002.
- The construction and automotive industries were also affected adversely by the weaker economy.

However, despite this difficult environment, the Company was able to achieve low double-digit operating margins. This was accomplished through the restructuring plan announced in the second quarter of 2001 to reduce operating costs and improve efficiency, control of expenses, the synergies realized from recent acquisitions, and the continued development and commercialization of higher value products and technologies. The Company's operating margin as a percentage of sales declined to 11.8% in 2001 as compared with 12.6% in 2000.

In 2002, the Company plans to continue its focus on the following growth strategies:

- Increase market penetration in the use of PCC in paper in both free sheet and groundwood mills.

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

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

The Company began operations at one new satellite PCC plant at Great Northern Paper, Inc. in Millinocket, Maine, in the third quarter of 2001. The satellite plant, which provides Minerals Technologies AT[®] PCC for filling groundwood specialty paper produced by Great Northern, is equivalent to two units. AT[®] PCC, Minerals Technologies' patented acid-tolerant technology, permits the use of PCC, an alkaline material, in an acid papermaking environment. The Company also began operations in the first quarter of 2002 at an M-real Corporation paper mill in Alizay, France. This plant is equivalent to three units and is dedicated to the production of PCC products used in the filling of wood-free printing and writing papers. The Company also added another five units of volume in 2001 through various expansions at existing satellite facilities. A unit represents between 25,000 to 35,000 tons of PCC produced annually. The Company expects additional expansions at existing satellite PCC plants to occur in 2002 and also expects to sign contracts for new satellite PCC plants.

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. Failure of a number of the Company's customers to renew existing agreements on terms as favorable to the Company as those currently in effect could cause the future growth rate of the Company to differ materially from its historical growth rate, and could also result in impairment of the assets associated with the PCC plant.

Several consolidations in the paper industry have taken place in the last two years. These consolidations could result in partial or total closure of some paper mills at which the Company operates PCC satellites. Such closures would reduce the Company's sales of PCC, except to the extent that they resulted in paper production and associated purchases of PCC shifting to another location served by the Company. There can be no assurance, however, that this will occur. In addition, such consolidations concentrate purchasing power in the hands of a smaller number of papermakers, enabling them to increase pressure on suppliers, such as the Company. This increased pressure could have an adverse effect on the Company's results of operations in the future.

The Company's largest customer, International Paper Company, decided to reduce production capacity by closing four paper mills at which the Company has satellite PCC plants. These paper mills are located in Mobile, Alabama; Lock Haven, Pennsylvania; Erie, Pennsylvania; and Oswego, New York. In addition, two paper companies filed for bankruptcy protection and closed their paper mills in Plainwell, Michigan and Anderson, California. The Company had satellite PCC plants at these locations.

Excluding the plants to be closed, there are two satellite locations at which contracts with the host mill have recently expired. The Company continues to supply PCC at these locations and hopes to negotiate long-term contract extensions at them. There is no assurance, however, that these negotiations will be successful.

In May 2001, the Company announced that it would invest \$27 million in the construction of a new merchant facility in Germany for the production of coating grade PCC. This facility, which will have the capacity to manufacture approximately 125,000 tons of PCC a year, will produce PCC coating products for use in high-quality publication and graphic art papers. The Company expects this facility to be in operation in 2003.

On February 6, 2002, the Company purchased from J.M. Huber Corporation a facility in Hermalle-sous-Huy, Belgium that manufactures PCC. This facility currently has the capacity to produce approximately 60,000 tons of PCC per year. The Company plans to modify the facility so that it is capable of producing Opacarb[®] PCC products, which are coating products used in high-quality publication and graphic art papers. This acquisition will allow the Company to accelerate the development of its European coating PCC program.

The Company also made the following acquisitions in the Refractories segment:

- In May 2001, the Company acquired the refractories business of Martin Marietta Magnesite Specialties Inc. This acquisition broadened the Company's product line and significantly increased the volume of annual refractory sales. It will also enable the Company to be more cost-effective through improved logistics, plant efficiencies, raw material sourcing, and benefits that will result from the Company's research capabilities in the core monolithic refractories business.
- In September 2001, the Company purchased all of the outstanding shares of Rijnstaal B.V., a Netherlands-based producer of cored metal wires used mainly in the steel and foundry industries. Rijnstaal has developed a "middle market" calcium-containing cored metal wire that will complement the Company's high-end Pferrocal[®] Lance Injection System.

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

Critical Accounting Policies

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

On an on-going basis, the Company evaluates its estimates and assumptions, including those related to revenue recognition, allowance for doubtful accounts, valuation of inventories, valuation of long-lived assets, goodwill and other intangible assets, pension plan assumptions, income taxes, income tax valuation allowances and litigation and environmental liabilities. The Company bases its estimates on historical experience and on various other assumptions that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that can not readily be determined from other sources. There can be no assurance that actual results will not differ from those estimates.

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

- Revenue recognition: Revenue from sale of products is recognized at the time the goods are shipped and title passes to the customer. In most of the Company's PCC contracts, the price per ton is based upon the total number of tons sold to the customer during the year. Therefore, the price billed to the customer for shipments during the year is based on an estimate of the total annual volume that will be sold to such customer. Prices are adjusted at the end of each year to reflect the actual volume sold.
- Allowance for doubtful accounts: Substantially all of the Company's accounts receivable are due from companies in the paper, construction and steel industries. Accounts receivable are reduced by an allowance for amounts that may become uncollectible in the future. Such allowance is established through a charge to the provision for bad debt expenses. The Company recorded bad debt expenses of \$3.9 million and \$6.0 million in 2001 and 2000, respectively. These charges were much higher than historical levels and were primarily related to bankruptcy filings by several of the Company's major customers in the steel industry and to additional provisions associated with potential risks

in the steel and other industries. In addition to specific allowances established for bankrupt customers, the Company also analyzes the collection history and financial condition of its other customers considering current industry conditions and determines whether an allowance needs to be established.

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

Property, plant and equipment, goodwill, intangible and certain other long-lived assets are amortized over their useful lives. Useful lives are based on management's estimates of the period that the assets can generate revenue, which does not necessarily coincide with the remaining term of a customer's contractual obligation for use of those assets. Failure of a PCC

customer to renew an agreement or continue to purchase PCC from the Company could result in an impairment of assets charge at such facility.

Impairment losses have not been significant other than in 2000. However, three paper mills at which the Company has operated satellite PCC plants have announced their intention to shut down. In each case the Company is exploring several possibilities, including continuing to operate the PCC plant if the host mill is sold to another paper manufacturer; operating the PCC plant on a merchant basis for sales to third parties; or transferring the equipment for use at another operation. Should these alternatives not be available, there could be impairment charges at one or more of these facilities, which the Company estimates would not exceed \$1.5 million in the aggregate.

The Company has a consolidated interest in two joint venture companies that operate satellite PCC plants at paper mills owned by subsidiaries of Asia Pulp & Paper ("APP"), one at Perawang, Indonesia, and one at Dagang, China. APP is a multinational pulp and paper company whose current financial difficulties have been widely publicized. While APP is negotiating with its creditors, the Perawang and Dagang facilities have remained in operation at levels presently consistent with the prior year. Both mills are continuing to use MTT's PCC and to satisfy their obligations to the joint ventures. However, there can be no assurance that the Company's operations at these paper mills will not be adversely affected by APP's financial difficulties in the future. The Company's net investment in these satellite plants was \$4.3 million at December 31, 2001.

- Valuation of long-lived assets, goodwill and other intangible assets: The Company assesses the impairment of identifiable intangibles, long-lived assets and goodwill whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors the Company considers important that could trigger an impairment review include the following:
 - significant under-performance relative to expected historical or projected future operating results;
 - significant changes in the manner of use of the acquired assets or the strategy for the overall business;
 - significant negative industry or economic trends.

When the Company determines that the carrying value of intangibles, long-lived assets or goodwill may not be recoverable based upon the existence of one or more of the above indicators of impairment, it measures any impairment by its ability to recover the carrying amount of the assets from expected future operating cash flow on a discounted basis. Net intangible assets, long-lived assets, and goodwill amounted to \$587.9 million as of December 31, 2001.

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

For a detailed discussion on the application of these and other accounting policies, see "Summary of Significant Accounting Policies" in the "Notes to the Consolidated Financial Statements" in Item 14 of this Annual Report on Form 10-K, beginning on page F-6. This discussion and analysis should be read in conjunction with the consolidated financial statements and related notes included elsewhere in this report.

Results of Operations

Net Sales

| Dollars in Millions | 2001 | Growth | 2000 | Growth | 1999 |
|---------------------|---------|--------|---------|--------|---------|
| Net sales | \$684.4 | 2.0% | \$670.9 | 1.3% | \$662.5 |

Worldwide net sales in 2001 increased 2.0% from the previous year to \$684.4 million. The stronger U.S. dollar had an unfavorable effect of approximately 2 percentage points of sales growth in 2001. Sales in the Specialty Minerals segment, which includes the PCC and Processed Minerals product lines, decreased approximately 1% to \$483.3 million compared with \$486.3 million for the same period in 2000. Sales in the Refractories segment grew approximately 9% over the previous year to \$201.1 million. In 2000, worldwide net sales increased 1.3% to \$670.9 million from \$662.5 million in the prior year. Specialty Minerals segment sales increased 1.4% and Refractories segment sales increased approximately 1% in 2000.

Worldwide net sales of PCC in 2001 decreased approximately 1% to \$396.1 million from \$399.2 million in the prior year. The decrease in total PCC sales was primarily a result of a 12% decline in sales of Specialty PCC, which is used for non-paper applications. Adverse market conditions and increased competitive pressure from lower cost ground calcium carbonate in the calcium supplement market were the primary reasons for the sales decrease. This decrease was partially offset by a 1% increase

in paper PCC sales, which was primarily attributable to the commencement of operations at two new satellite PCC plants, the ramp-up of two satellite plants that began operations in 2000 and expansions at several long-standing PCC plants. Sales were adversely affected by consolidations, shutdowns and slowdowns in the paper industry. Excluding the effect of foreign exchange, PCC sales grew by 1 percent in 2001. PCC sales in 2000 increased 1.9% to \$399.2 million from \$391.9 million in 1999. This growth was primarily attributable to the start-up of operations at two new satellite plants, the ramp-up of two satellite plants that began operations in 1999, and to volume increases and expansions at several long-standing PCC plants.

Net sales of Processed Minerals products in 2001 increased slightly to \$87.2 million from \$87.1 million in 2000. Processed Minerals net sales decreased slightly in 2000 to \$87.1 million from \$87.5 million in 1999. This decline was attributable primarily to a slowdown in construction-related industries.

Net sales in the Refractories segment in 2001 increased approximately 9.0% to \$201.1 million from \$184.6 million in the prior year. The increase in sales for the Refractories segment was attributable to the Martin Marietta and Rijnsdal acquisitions. Excluding these acquisitions, sales in the Refractories segment would have declined due to unfavorable

economic conditions in the worldwide steel industry, particularly in North America. Foreign exchange had an unfavorable impact on Refractories sales of approximately \$6.4 million or 3.5 percentage points of growth. In 2000, net sales in the Refractories segment increased 1.0% from the prior year.

Net sales growth in the United States was slightly higher in 2001 than in the prior year. Increased sales from the acquisitions were partially offset by the aforementioned weakness in the steel, paper and construction industries. International sales in 2001 increased 5.9% primarily as a result of the continued international expansion of the Company's PCC product line. In 2000, domestic net sales decreased less than 1.0% and international sales were approximately 4.7% greater than in the prior year.

Operating Costs and Expenses

| Dollars in Millions | <u>2001</u> | <u>Growth</u> | <u>2000</u> | <u>Growth</u> | <u>1999</u> |
|-------------------------------|--------------------|----------------------|--------------------|----------------------|--------------------|
| Cost of goods sold | \$502.5 | 5.2% | \$477.5 | 2.3% | \$466.7 |
| Marketing and administrative | \$ 70.5 | (1.3%) | \$ 71.4 | (1.1%) | \$ 72.2 |
| Research and development | \$ 23.5 | (10.6%) | \$ 26.3 | 6.0% | \$ 24.8 |
| Bad debt expenses | \$ 3.9 | (35.0%) | \$ 6.0 | * | \$ 1.2 |
| Restructuring charge | \$ 3.4 | * | \$ -- | * | \$ -- |
| Write-down of impaired assets | \$ -- | * | \$ 4.9 | * | \$ -- |

* Percentage not meaningful

Cost of goods sold was 73.4% of sales compared with 71.2% in the prior year. This increase was primarily attributable to lower volumes from weaker market conditions in the steel, paper and construction industries in 2001. In addition, the Company was adversely impacted by higher energy costs, the unfavorable impact of foreign exchange, and costs associated with the ramp-up of the Company's merchant manufacturing plant in Mississippi, which is still running below capacity. Cost of goods sold as a percentage of sales in 2000 was 0.7 percentage points higher than in the prior year.

Marketing and administrative costs decreased 1.3% to \$70.5 million and to 10.3% of net sales from 10.7% in 2000. These decreases were due to the control of expenses and lower costs in the second half of 2001 resulting from the restructuring program. In 2000, marketing and administrative costs decreased 1.1% to \$71.4 million.

Research and development expenses during 2001 decreased 10.6% to \$23.5 million and represented 3.4% of net sales. This decrease was primarily a result of the restructuring, a decrease in trial activity and a shift of *SYNSIL*[®] development costs to production costs. In 2000, research and development expenses increased 6.0% as a result of planned increases to develop *SYNSIL*[®] products, a family of synthetic silicate products for the glass industry.

The Company recorded bad debt expenses of \$3.9 million and \$6.0 million in 2001 and 2000, respectively. These charges were primarily related to bankruptcy filings by several of the Company's major customers in the steel industry and to additional provisions associated with potential risks in the steel and other industries.

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

During the fourth quarter of 2000, the Company recorded a write-down of impaired assets of \$4.9 million for three satellite PCC plants at paper mills that have ceased or will cease operations.

Income from Operations

| Dollars in Millions | <u>2001</u> | <u>Growth</u> | <u>2000</u> | <u>Growth</u> | <u>1999</u> |
|----------------------------|--------------------|----------------------|--------------------|----------------------|--------------------|
| Income from operations | \$80.6 | (5.0%) | \$84.8 | (13.0%) | \$97.5 |

Income from operations in 2001 decreased 5.0% to \$80.6 million from \$84.8 million in 2000. This decrease was due primarily to weakness for the full year in the three major industries the Company serves and to the aforementioned restructuring charge. In 2000, income from operations decreased 13.0% to \$84.8 million from \$97.5 million in 1999. This decrease was due primarily to weakness in the second half of 2000 in the three major industries the Company serves and to additional bad debt expenses and the write down of impaired assets.

Non-Operating Deductions

| Dollars in Millions | <u>2001</u> | <u>Growth</u> | <u>2000</u> | <u>Growth</u> | <u>1999</u> |
|-------------------------------|--------------------|----------------------|--------------------|----------------------|--------------------|
| Non-operating deductions, net | \$7.9 | 58% | \$5.0 | -- | \$5.0 |

Non-operating deductions increased 58% from the prior year. This increase is primarily attributable to a 21.3% increase in gross interest expense as a result of higher average borrowings in 2001 and a reduction in interest capitalized on major construction projects. Non-operating deductions in 2000, were approximately the same as in 1999.

Provision for Taxes on Income

| Dollars in Millions | <u>2001</u> | <u>Growth</u> | <u>2000</u> | <u>Growth</u> | <u>1999</u> |
|-------------------------------|--------------------|----------------------|--------------------|----------------------|--------------------|
| Provision for taxes on income | \$21.1 | (10.9%) | \$23.7 | (18.0%) | \$28.9 |

The effective tax rate decreased to 29.1% in 2001 compared with 29.8% in 2000. This decrease was due to changes in the geographic mix of profit by country. The effective tax rate was 31.3% in 1999.

Minority Interests

| Dollars in Millions | <u>2001</u> | <u>Growth</u> | <u>2000</u> | <u>Growth</u> | <u>1999</u> |
|----------------------------|--------------------|----------------------|--------------------|----------------------|--------------------|
| Minority interests | \$1.7 | (5.6%) | \$1.8 | 20.0% | \$1.5 |

The consolidated joint ventures continue to operate profitably. The decrease in the provision for minority interests in 2001 was primarily due to unfavorable foreign exchange rates.

Net Income

| Dollars in Millions | <u>2001</u> | <u>Growth</u> | <u>2000</u> | <u>Growth</u> | <u>1999</u> |
|----------------------------|--------------------|----------------------|--------------------|----------------------|--------------------|
| Net income | \$49.8 | (8.1%) | \$54.2 | (12.7%) | \$62.1 |

Net income decreased 8.1% in 2001 to \$49.8 million. In 2000, net income decreased 12.7% to \$54.2 million. Earnings per common share, on a diluted basis, decreased 3.9% to \$2.48 in 2001 as compared with \$2.58 in the prior year.

Liquidity and Capital Resources

Cash flows in 2001 were provided from operations and short-term and long-term financing. The cash was applied principally to fund approximately \$63.1 million of capital expenditures, the aforementioned Rijnstaal B.V. and Martin Marietta Magnesia Specialties Inc. acquisitions, and to repurchase \$16.0 million of common shares for treasury. Cash provided from operating activities amounted to \$98.3 million in 2001, \$91.1 million in 2000 and \$130.2 million in 1999.

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

On June 9, 2000 the Company entered into a twenty-year, taxable, Variable/Fixed Rate Industrial Development Revenue Bond agreement to finance a portion of the construction of a merchant manufacturing facility in Mississippi for the production of Specialty PCC. The Company selected the variable rate option for this borrowing and the average interest rate was approximately 6.69% and 7.18% for the year ended December 31, 2001 and the period ended December 31, 2000, respectively.

On February 26, 1998, the Company's Board of Directors ("Board") authorized a \$150 million stock repurchase program. The Company completed the program in April 2001 after repurchasing approximately 3.5 million shares at an average price of approximately \$42.80 per share.

On February 22, 2001, the Board authorized the Company's Management Committee to repurchase, at its discretion, up to \$25 million in additional shares per year over the next three years. As of December 31, 2001, the Company had repurchased approximately 35,000 shares under this program at an average price of approximately \$36.28 per share.

The Company has \$110 million in uncommitted short-term bank credit lines, of which \$71.5 million was in use at December 31, 2001. The Company anticipates that capital expenditures for 2002 should range between \$75 million and \$90 million, principally related to the construction of PCC plants and other opportunities that meet the strategic growth objectives of the Company. The Company expects to meet its long-term financing requirements from internally generated funds, uncommitted bank credit lines and, where appropriate, project financing of certain satellite plants. The aggregate maturities of long-term debt are as follows: 2002 - \$0.4 million; 2003 - - \$1.4 million; 2004 - \$2.0 million; 2005 - \$2.2 million; 2006 - \$52.2 million; thereafter - \$30.3 million.

Prospective Information and Factors That May Affect Future Results

The Securities and Exchange Commission encourages companies to disclose forward-looking information so that investors can better understand companies' future prospects and make informed investment decisions. This report may contain forward-looking statements that set out anticipated results based on management's plans and assumptions. Words such as "expects," "plans," "anticipates," "will," and words and terms of similar substance, used in connection with any discussion of future operating or financial performance identify these forward-looking statements.

The Company cannot guarantee that the outcomes suggested in any forward-looking statement will be realized, although it believes it has been prudent in its plans and assumptions. Achievement of future results is subject to risks, uncertainties and inaccurate assumptions. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Investors should bear this in mind as they consider forward-looking statements and should refer to the discussion of certain risks, uncertainties and assumptions under the heading "Cautionary Factors That May Affect Future Results" in Item 1.

Inflation

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

Cyclical Nature of Customers' Businesses

The bulk of the Company's sales are to customers in the paper manufacturing, steel manufacturing and construction industries, which have historically been cyclical. These industries encountered difficulties in 2001. The pricing structure of some of our long-term PCC contracts makes our PCC business less sensitive to declines in the quantity of product purchased. For this reason, and because of the geographical diversification of our business, the Company's operating results to date have not been materially affected by the difficult economic environment. However, we cannot predict the economic outlook in the countries in which we do business, nor in the key industries we serve. There can be no assurance that a recession, in some markets or worldwide, would not have a significant negative effect on the Company's financial position or results of operations.

Recently Issued Accounting Standards

In June 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 141, "Business Combinations," SFAS No. 142, "Goodwill and Other Intangible Assets," and SFAS No. 143, "Accounting for Asset Retirement Obligations."

SFAS No. 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001, thereby eliminating the use of the pooling-of-interests method. The Company currently accounts for all acquisitions using the purchase method of accounting.

SFAS No. 142, effective for fiscal years beginning after December 15, 2001, provides that goodwill and other intangible assets with indefinite lives will no longer be amortized, but will be tested for impairment on an annual basis. This statement also requires an initial goodwill impairment assessment in the year of adoption and at least annual impairment tests thereafter. Effective July 1, 2001, the Company adopted the provisions of SFAS No. 141 and certain provisions of SFAS No. 142, as required for goodwill and other identifiable intangibles resulting from business combinations consummated after June 30, 2001. As of December 31, 2001, the Company has unamortized goodwill in the amount of \$43.5 million and unamortized identifiable intangible assets in the amount of \$8.1 million. Amortization expense related to goodwill was \$1.3 million for the year ended December 31, 2001. The Company does not expect that the remaining provisions of SFAS No. 142 will have a material effect on the consolidated financial statements.

SFAS No. 143, effective for fiscal years beginning after June 15, 2002, addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. The Company is currently analyzing this statement and has not yet determined its impact on the consolidated financial statements.

In August 2001, the Financial Accounting Standards Board issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," which establishes a uniform accounting model for long-lived assets to be disposed of. This Statement, effective for fiscal years beginning after December 15, 2001, requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If the carrying amount of the asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. The Company does not expect adoption of this Statement will have a material effect on the consolidated financial statements.

Adoption of a Common European Currency

As of January 1, 2001, twelve European countries adopted the euro as their common currency. From that date until January 1, 2002, debtors and creditors could choose to pay or be paid in euros or in the former national currencies. During 2002, the affected national currencies ceased to be legal tender.

The Company's information technology systems are now able to convert among the former national currencies and the euro and to process transactions and balances in euros. The financial institutions with which the Company does business were capable of receiving deposits and making payments both in euros and in the national currencies. This did not have a material effect on the Company's financial condition or results of operations. The Company also reviewed contracts with customers and vendors calling for payments in currencies that were to be replaced by the euro, and intends to complete in a timely way any required changes to those contracts.

Adoption of the euro is likely to have competitive effects in Europe, as prices that had been stated in different national currencies become directly comparable to one another. In addition, the adoption of a common monetary policy by the countries adopting the euro can be expected to have an effect on the economy of the region. These competitive and economic effects had no material effect on the Company's financial condition or results of operation during 2001, and the Company does not expect any such effect to occur. There can be no assurance, however, that the transition to the euro will not have a material effect on the Company's business in Europe in the future.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Market risk represents the risk of loss that may impact the Company's financial position, results of operations or cash flows due to adverse changes in market prices and rates. The Company is exposed to market risk because of changes in foreign currency exchange rates as measured against the U.S. dollar. It does not anticipate that near-term changes in exchange rates will have a material impact on its future earnings or cash flows. However, there can be no assurance that a sudden and significant decline in the value of foreign currencies would not have a material adverse effect on the Company's financial conditions and results of operations. Approximately 45% of the Company's bank debt bears interest at variable rates; therefore the Company's results of operations would only be affected by interest rate changes to the short-term bank debt outstanding. An immediate 10 percent change in interest rates would not have a material effect on the Company's results of operations over the next fiscal year.

The Company is exposed to various market risks, including the potential loss arising from adverse changes in foreign currency exchange rates and interest rates. The Company does not enter into derivatives or other financial instruments for trading or speculative purposes. When appropriate, the Company enters into derivative financial instruments, such as forward exchange contracts and interest rate swaps, to mitigate the impact of foreign exchange rate movements and interest rate movements on the Company's operating results. The counterparties are major financial institutions. Such forward exchange contracts and interest rate swaps would not subject the Company to additional risk from exchange rate or interest rate movements because gains and losses on these contracts would offset losses and gains on the assets, and liabilities and transactions being hedged. The Company had open forward exchange contracts to purchase \$0.8 million of foreign currencies as of December 31, 2001. These contracts mature on June 28, 2002. The fair value of these instruments was \$132,000 at December 31, 2001. The Company entered into three-year interest rate swap agreements with a notional amount of \$30 million that expire in January 2005. These agreements effectively convert a portion of the Company's floating-rate debt to a fixed rate basis. The fair value of these instruments was \$158,000 at December 31, 2001.

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

Set forth below are the names and ages, as of December 31, 2001, of all Executive Officers of the Registrant indicating all positions and offices with the Registrant held by each such person, and each such person's principal occupations or employment during the past five years.

| <u>Name</u> | <u>Age</u> | <u>Position</u> |
|----------------------|------------|---|
| Paul R. Saueracker | 59 | Chairman of the Board (effective October 18, 2001); President and Chief Executive Officer |
| Anton Dulski | 60 | Executive Vice President; Chief Operating Officer (to December 31, 2001) |
| Howard R. Crabtree | 56 | Senior Vice President, Minteq (effective January 1, 2002); Vice President, Organization & Human Resources (until January 1, 2002) |
| Kenneth L. Massimine | 52 | Senior Vice President, Paper PCC (effective January 1, 2002) |
| John A. Sorel | 54 | Senior Vice President, Corporate Development and Finance (effective January 1, 2002) |
| Neil M. Bardach | 53 | Vice President, Finance and Chief Financial Officer; Treasurer |
| Gordon S. Borteck | 44 | Vice President, Organization and Human Resources (effective January 1, 2002) |
| D. Randy Harrison | 49 | Vice President and Managing Director, Performance Minerals (effective January 1, 2002) |
| Michael A. Cipolla | 44 | Controller and Chief Accounting Officer |
| S. Garrett Gray | 63 | Vice President, General Counsel and Secretary |
| William A. Kromberg | 56 | Vice President, Taxes |

Paul R. Saueracker was elected Chairman of the Board on October 18, 2001; prior to that he became President and Chief Executive Officer effective August 2000 and December 31, 2000, respectively. Mr. Saueracker served as Senior Vice President from 1999 to 2000, and Vice President of the Company from 1994 to 1999. He had served as President and CEO of Specialty Minerals Inc. since 1994. Mr. Saueracker is a former President of the Pulverized Minerals Division of the National Stone, Sand and Gravel Association and a member of the Board of Directors of the National Association of Manufacturers. He is also a member of the Board of Trustees of the Institute of Paper Science and Technology located in Atlanta, Georgia.

Anton Dulski was elected Executive Vice President effective August 2000. He also served as Chief Operating Officer of the Company from October 2000 to December 2001, and has been a Senior Vice President of the Company since 1999 and a Vice President of the Company since 1996. He also served as President of Minteq International Inc. from 1996 to 2001.

Howard R. Crabtree was elected Senior Vice President for Minteq effective January 1, 2002. Prior to that he was Vice President-Organization & Human Resources of the Company from 1997, and Vice President-Human Resources from 1992 to 1996.

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

John A. Sorel was elected Senior Vice President, Corporate Development and Finance effective January 1, 2002; prior to that he held positions of increasing authority with the Company, most recently Vice President and Managing Director, Paper PCC.

Neil M. Bardach has served as Vice President - Finance and Chief Financial Officer of the Company since 1998. From 1994 to 1998, he was Chief Financial Officer of The Genlyte Group Incorporated, a publicly traded manufacturer of lighting fixtures.

Gordon S. Borteck was appointed Vice President - Organization and Human Resources effective January 1, 2002; prior to that he had been Vice President, Human Resources for Specialty Minerals Inc. since January 1997.

D. Randy Harrison has been appointed Vice President and Managing Director, Performance Minerals, which encompasses the Processed Minerals product line and the Specialty PCC product line, effective January 1, 2002. Prior to that he held positions of increasing authority with the Company, most recently Vice President and General Manager, Specialty PCC.

Michael A. Cipolla has served as Controller and Chief Accounting Officer of the Company since 1998. From 1992 to 1998 he served as Assistant Corporate Controller.

S. Garrett Gray has served as Vice President and Secretary of the Company since 1988. In 1992, Mr. Gray was appointed General Counsel of the Company.

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

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 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 and Nominating 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 1, 2002" 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 Company's initial public offering in 1992, Pfizer Inc ("Pfizer") and its wholly-owned subsidiary Quigley Company, Inc. ("Quigley") agreed to indemnify the Company against certain liabilities being retained by Pfizer and its subsidiaries including, but not limited to, pending lawsuits and claims, and any lawsuits or claims brought at any time in the future alleging damages or injury from the use, handling of or exposure to any product sold by Pfizer's specialty minerals business prior to the closing of the initial public offering.

Pfizer and Quigley also agreed to indemnify the Company against any liability arising from on-site remedial waste site claims and for other claims that may be made in the future with respect to waste 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.

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-2 to F-21.

Consolidated Balance Sheet as of December 31, 2001 and 2000
Consolidated Statement of Income for the years ended December 31, 2001, 2000 and 1999
Consolidated Statement of Cash Flows for the years ended December 31, 2001, 2000 and 1999
Consolidated Statement of Shareholders' Equity for the years ended December 31, 2001, 2000 and 1999
Notes to the Consolidated Financial Statements
Independent Auditors' Report

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

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.

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

- 3.1 - Restated Certificate of Incorporation of the Company (1)
- 3.2 - Restated By-Laws of the Company (12)
- 3.3 - Certificate of Designations authorizing issuance and establishing designations, preferences and rights of Series A Junior Preferred Stock of the Company (1)
- 4 - Rights Agreement, executed effective as of September 13, 1999 (the "Rights Agreement"), between Minerals Technologies Inc. and Chase Mellon Shareholders Services L.L.C., as Rights Agents, including as Exhibit B the forms of Rights Certificate and of Election to Exercise (10)
- 4.1 - Specimen Certificate of Common Stock (1)
- 10.1 - Asset Purchase Agreement, dated as of September 28, 1992, by and between Specialty Refractories Inc. and Quigley Company Inc. (3)
- 10.1(a) - Agreement dated October 22, 1992 between Specialty Refractories Inc. and Quigley Company Inc., amending Exhibit 10.1 (4)
- 10.1(b) - Letter Agreement dated October 29, 1992 between Specialty Refractories Inc. and Quigley Company Inc., amending Exhibit 10.1 (4)
- 10.2 - Reorganization Agreement, dated as of September 28, 1992, by and between the Company and Pfizer Inc (3)
- 10.2(a) - Letter Agreement dated October 29, 1992 between the Company and Pfizer Inc, amending Exhibit 10.2 (4)
- 10.3 - Asset Contribution Agreement, dated as of September 28, 1992, by and between Pfizer Inc and Specialty Minerals Inc. (3)
- 10.4 - Asset Contribution Agreement, dated as of September 28, 1992, by and between Pfizer Inc and Barretts Minerals Inc. (3)
- 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 (4)
- 10.5 - Form of Employment Agreement, together with schedule relating to executed Employment Agreements
- 10.5(a) - Form of Employment Agreement (11), together with schedule relating to executed Employment Agreements (13)
- 10.6 - Form of Severance Agreement (11), together with schedule relating to executed Severance Agreements (13)
- 10.6(a) - Form of Severance Agreement (11), together with schedule relating to executed Severance Agreements (13)
- 10.6(b) - Schedule relating to certain executed Severance Agreements
- 10.7 - Company Employee Protection Plan, as amended August 27, 1999 (5)
- 10.8 - Company Nonfunded Deferred Compensation and Unit Award Plan for Non-Employee Directors, as amended February 26, 1998 (6)
- 10.9 - 2001 Stock Award and Incentive Plan of the Company, as amended and restated effective October 18, 2001
- 10.10 - Company Retirement Annuity Plan, as amended and restated effective October 18, 2001
- 10.11 - Company Nonfunded Supplemental Retirement Plan, as amended January 28, 1999 (6)
- 10.12 - Company Savings and Investment Plan, as amended and restated effective October 18, 2001
- 10.13 - Company Nonfunded Deferred Compensation and Supplemental Savings Plan, as amended January 28, 1999 (6)
- 10.15 - Grantor Trust Agreement, dated as of December 29, 1994, between the Company and The Bank of New York, as Trustee (7)
- 10.16 - 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 (9)
- 10.17 - Indenture, dated July 22, 1963, between the Cork Harbour Commissioners and Roofchrome Limited (3)
- 10.18 - Agreement of Lease, dated as of May 24, 1993, between the Company and Cooke Properties Inc (8)
- 21.1 - Subsidiaries of the Company
- 23.1 - Report and Consent of Independent Auditors

-
- 1. Incorporated by reference to exhibit so designated filed with the Company's Annual Report on Form 10-K for the year ended December 31, 1997.
 - 2. [RESERVED]
 - 3. Incorporated by reference to the exhibit so designated filed with the Company's Registration Statement on Form S-1 (Registration No. 33-51292), originally filed on August 25, 1992.
 - 4. Incorporated by reference to the exhibit so designated filed with the Company's Registration Statement on Form S-1 (Registration No. 33-59510), originally filed on March 15, 1993.
 - 5. Incorporated by reference to the exhibit so designated filed with the Company's Quarterly Report on Form 10-Q for the quarter ended September 26, 1999.
 - 6. Incorporated by reference to the exhibit so designated filed with the Company's Quarterly Report on Form 10-Q for the quarter ended March 28, 1999.
 - 7. Incorporated by reference to the exhibit so designated filed with the Company's Annual Report on Form 10-K for the year ended December 31, 1994.
 - 8. Incorporated by reference to the exhibit so designated filed with the Company's Quarterly Report on Form 10-Q for the quarter ended July 4, 1993.
 - 9. Incorporated by reference to the exhibit so designated filed with the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1996.
 - 10. Incorporated by reference to the exhibit so designated filed with the Company's current report on Form 8-K, filed September 3, 1999.
 - 11. Incorporated by reference to the exhibit so designated filed with the Company's Annual Report on Form 10-K for the year ended December 31, 2000.
 - 12. Incorporated by reference to the exhibit so designated filed with the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2001.
 - 13. Incorporated by reference to the exhibit so designated filed with the Company's Quarterly Report on Form 10-Q for the quarter ended April 1, 2001.

There were no reports on Form 8-K filed by the Company during the fourth quarter of 2001.

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

March 21, 2002

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

| <u>SIGNATURE</u> | <u>TITLE</u> | <u>DATE</u> |
|--|--|----------------|
| <u>/s/Paul R. Saueracker</u> Paul R. Saueracker | Chairman of the Board and Chief Executive Officer (principal executive officer) | March 21, 2002 |
| <u>/s/Neil M. Bardach</u> Neil M. Bardach | Vice President-Finance and Chief Financial Officer; Treasurer (principal financial officer) | March 21, 2002 |
| <u>/s/Michael A. Cipolla</u> Michael A. Cipolla | Controller and Chief Accounting Officer (principal accounting officer) | March 21, 2002 |

| <u>SIGNATURE</u> | <u>TITLE</u> | <u>DATE</u> |
|---|--------------|----------------|
| <u>/s/John B. Curcio</u> John B. Curcio | Director | March 21, 2002 |
| <u>/s/Steven J. Golub</u> Steven J. Golub | Director | March 21, 2002 |
| <u>/s/Kristina M. Johnson</u> Kristina M. Johnson | Director | March 21, 2002 |
| <u>/s/Paul M. Meister</u> Paul M. Meister | Director | March 21, 2002 |
| <u>/s/Michael F. Pasquale</u> Michael F. Pasquale | Director | March 21, 2002 |
| <u>William C. Steere, Jr.</u> William C. Steere, Jr. | Director | March 21, 2002 |

MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

| Audited Financial Statements: | Page |
|--|------|
| Consolidated Balance Sheet as of December 31, 2001 and 2000 | F-2 |
| Consolidated Statement of Income for the years ended December 31, 2001, 2000, and 1999 | F-3 |
| Consolidated Statement of Cash Flows for the years ended December 31, 2001, 2000, and 1999 | F-4 |
| Consolidated Statement of Shareholders' Equity for the years ended December 31, 2001, 2000, and 1999 | F-5 |
| Notes to Consolidated Financial Statements | F-6 |
| Independent Auditors' Report | F-23 |

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

| | December 31, | |
|--|---------------------|--------------------|
| | <u>2001</u> | <u>2000</u> |
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 13,046 | \$ 6,692 |
| Accounts receivable, less allowance for doubtful accounts: | | |
| 2001 - \$3,697; 2000 - \$2,898 | 125,289 | 116,192 |
| Inventories | 77,633 | 71,883 |
| Prepaid expenses and other current assets | <u>30,822</u> | <u>20,590</u> |
| Total current assets | 246,790 | 215,357 |
| Property, plant and equipment, | | |
| less accumulated depreciation and depletion | 536,339 | 548,209 |
| Other assets and deferred charges | <u>64,681</u> | <u>36,266</u> |
| Total assets | \$ 847,810 | \$ 799,832 |
| | ===== | ===== |
| Liabilities and Shareholders' Equity | | |
| Current liabilities: | | |
| Short-term debt | \$ 71,497 | \$ 48,105 |

| | | |
|---|-----------------|-----------------|
| Current maturities of long-term debt | 437 | 765 |
| Accounts payable | 37,705 | 36,153 |
| Income taxes payable | 17,480 | 18,124 |
| Accrued compensation and related items | 14,231 | 10,259 |
| Other current liabilities | <u>19,179</u> | <u>20,121</u> |
| Total current liabilities | 160,529 | 133,527 |
| Long-term debt | 88,097 | 89,857 |
| Accrued postretirement benefits | 19,144 | 19,024 |
| Deferred taxes on income | 50,435 | 50,438 |
| Other noncurrent liabilities | <u>21,786</u> | <u>23,347</u> |
| Total liabilities | <u>339,991</u> | <u>316,193</u> |
| 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 25,961,920 shares in 2001 and 25,853,271 shares in 2000 | 2,596 | 2,585 |
| Additional paid-in capital | 158,559 | 155,001 |
| Retained earnings | 627,014 | 579,181 |
| Accumulated other comprehensive loss | <u>(55,295)</u> | <u>(44,073)</u> |
| | 732,874 | 692,694 |
| Less common stock held in treasury, at cost; 6,347,973 shares in 2001 and 5,886,417 shares in 2000 | <u>225,055</u> | <u>209,055</u> |
| Total shareholders' equity | <u>507,819</u> | <u>483,639</u> |
| Total liabilities and shareholders' equity | \$ 847,810 | \$ 799,832 |
| | ===== | ===== |

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

F-2

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

| | Year Ended December 31, | | |
|--|--------------------------------|--------------------|--------------------|
| | <u>2001</u> | <u>2000</u> | <u>1999</u> |
| Net sales | \$684,419 | \$670,917 | \$662,475 |
| Operating costs and expenses: | | | |
| Cost of goods sold | 502,525 | 477,512 | 466,702 |
| Marketing and administrative expenses | 70,495 | 71,404 | 72,208 |
| Research and development expenses | 23,509 | 26,331 | 24,788 |
| Bad debt expenses | 3,930 | 5,964 | 1,234 |
| Restructuring charge | 3,403 | -- | -- |
| Write-down of impaired assets | <u>--</u> | <u>4,900</u> | <u>--</u> |
| Income from operations | <u>80,557</u> | <u>84,806</u> | <u>97,543</u> |
| Interest income | 835 | 1,146 | 1,193 |
| Interest expense | (7,884) | (5,311) | (5,141) |
| Other deductions | <u>(838)</u> | <u>(869)</u> | <u>(1,060)</u> |
| Non-operating deductions, net | <u>(7,887)</u> | <u>(5,034)</u> | <u>(5,008)</u> |
| Income before provision for taxes on income and minority interests | 72,670 | 79,772 | 92,535 |
| Provision for taxes on income | 21,148 | 23,735 | 28,920 |
| Minority interests | <u>1,729</u> | <u>1,829</u> | <u>1,499</u> |
| Net income | \$ 49,793 | \$ 54,208 | \$ 62,116 |
| | ===== | ===== | ===== |
| Basic earnings per share | \$ 2.54 | \$ 2.65 | \$ 2.90 |
| | ===== | ===== | ===== |
| Diluted earnings per share | \$ 2.48 | \$ 2.58 | \$ 2.80 |
| | ===== | ===== | ===== |

F-3

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

| | Year Ended December 31, | | |
|--|--------------------------------|--------------------|--------------------|
| | <u>2001</u> | <u>2000</u> | <u>1999</u> |
| Operating Activities | | | |
| Net income | \$ 49,793 | \$ 54,208 | \$ 62,116 |
| Adjustments to reconcile net income | | | |
| to net cash provided by operating activities: | | | |
| Depreciation, depletion and amortization | 66,518 | 60,795 | 58,675 |
| Write-down of impaired assets | -- | 4,900 | -- |
| Loss on disposal of property, plant and equipment | 19 | 257 | 1,041 |
| Deferred income taxes | (131) | 1,202 | 5,862 |
| Bad debt expenses | 3,930 | 5,964 | 1,234 |
| Other | 1,446 | 1,594 | 1,459 |
| Changes in operating assets and liabilities, | | | |
| net of effects of acquisitions and disposition: | | | |
| Accounts receivable | (11,886) | (7,118) | (10,432) |
| Inventories | (2,182) | (5,123) | (4,675) |
| Prepaid expenses and other current assets | (10,620) | (5,732) | 2,215 |
| Accounts payable | (1,077) | (9,455) | 9,644 |
| Income taxes payable | (144) | (5,275) | 4,835 |
| Other | <u>2,661</u> | <u>(5,104)</u> | <u>(1,774)</u> |
| Net cash provided by operating activities | <u>98,327</u> | <u>91,113</u> | <u>130,200</u> |
| Investing Activities | | | |
| Purchases of property, plant and equipment | (63,078) | (103,286) | (73,752) |
| Proceeds from disposal of property, plant and equipment | 5,193 | 1,396 | 986 |
| Acquisition of businesses | (37,363) | (12,580) | -- |
| Other investing activities | <u>--</u> | <u>418</u> | <u>(604)</u> |
| Net cash used in investing activities | <u>(95,248)</u> | <u>(114,052)</u> | <u>(73,370)</u> |
| Financing Activities | | | |
| Proceeds from issuance of short-term and long-term debt | 268,684 | 165,672 | 39,694 |
| Repayment of short-term and long-term debt | (248,677) | (114,346) | (52,398) |
| Purchase of common shares for treasury | (16,000) | (43,048) | (50,884) |
| Cash dividends paid | (1,960) | (2,049) | (2,138) |
| Proceeds from issuance of stock under option plan | 3,158 | 4,044 | 6,245 |
| Equity and debt proceeds from minority interests | -- | -- | 1,900 |
| Other financing activities | <u>--</u> | <u>--</u> | <u>(213)</u> |
| Net cash provided by (used in) financing activities | <u>5,205</u> | <u>10,273</u> | <u>(57,794)</u> |
| Effect of exchange rate changes on cash and cash equivalents | <u>(1,930)</u> | <u>(1,020)</u> | <u>645</u> |
| Net increase (decrease) in cash and cash equivalents | 6,354 | (13,686) | (319) |
| Cash and cash equivalents at beginning of year | <u>6,692</u> | <u>20,378</u> | <u>20,697</u> |
| Cash and cash equivalents at end of year | \$ 13,046 | \$ 6,692 | \$ 20,378 |
| | ===== | ===== | ===== |

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

F-4

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

| | |
|-----------------------|--|
| Additional Paid-in | Accumulated Other Comprehensive Income (Loss) |
|-----------------------|--|

| | Common Stock | | Capital | Retained Earnings | Treasury Stock | | | |
|---|--------------|-----------|-----------|-------------------|----------------|---------|-------------|-----------|
| | Shares | Par Value | | | Shares | Cost | Total | |
| Balance as of January 1, 1999 | 25,534 | \$ 2,553 | \$144,088 | \$467,257 | \$ (9,612) | (3,721) | \$(115,123) | \$489,163 |
| Comprehensive income: | | | | | | | | |
| Net income | -- | -- | -- | 62,116 | -- | -- | -- | 62,116 |
| Currency translation adjustment | -- | -- | -- | -- | (19,167) | -- | -- | (19,167) |
| Reclassification adjustment of unrealized holding gains, net of tax | -- | -- | -- | -- | (86) | -- | -- | (86) |
| Total comprehensive income | -- | -- | -- | 62,116 | (19,253) | -- | -- | 42,863 |
| Dividends declared | -- | -- | -- | (2,138) | -- | -- | -- | (2,138) |
| Redemption of stock rights | -- | -- | -- | (213) | -- | -- | -- | (213) |
| Employee benefit transactions | 171 | 18 | 5,232 | -- | -- | -- | -- | 5,250 |
| Income tax benefit arising from employee stock option plans | -- | -- | 995 | -- | -- | -- | -- | 995 |
| Purchase of common stock | -- | -- | -- | -- | -- | (1,098) | (50,884) | (50,884) |
| Balance as of December 31, 1999 | 25,705 | 2,571 | 150,315 | 527,022 | (28,865) | (4,819) | (166,007) | 485,036 |
| Comprehensive income: | | | | | | | | |
| Net income | -- | -- | -- | 54,208 | -- | -- | -- | 54,208 |
| Currency translation adjustment | -- | -- | -- | -- | (15,208) | -- | -- | (15,208) |
| Total comprehensive income | -- | -- | -- | 54,208 | (15,208) | -- | -- | 39,000 |
| Dividends declared | -- | -- | -- | (2,049) | -- | -- | -- | (2,049) |
| Employee benefit transactions | 148 | 14 | 4,030 | -- | -- | -- | -- | 4,044 |
| Income tax benefit arising from employee stock option plans | -- | -- | 656 | -- | -- | -- | -- | 656 |
| Purchase of common stock | -- | -- | -- | -- | -- | (1,067) | (43,048) | (43,048) |
| Balance as of December 31, 2000 | 25,853 | 2,585 | 155,001 | 579,181 | (44,073) | (5,886) | (209,055) | 483,639 |
| Comprehensive income: | | | | | | | | |
| Net income | -- | -- | -- | 49,793 | -- | -- | -- | 49,793 |
| Currency translation adjustment | -- | -- | -- | -- | (11,896) | -- | -- | (11,896) |
| Minimum pension liability adjustment | -- | -- | -- | -- | 500 | -- | -- | 500 |
| Net gain on cash flow hedges | -- | -- | -- | -- | 174 | -- | -- | 174 |
| Total comprehensive income | -- | -- | -- | 49,793 | (11,222) | -- | -- | 38,571 |
| Dividends declared | -- | -- | -- | (1,960) | -- | -- | -- | (1,960) |
| Employee benefit transactions | 109 | 11 | 3,147 | -- | -- | -- | -- | 3,158 |
| Income tax benefit arising from employee stock option plans | -- | -- | 411 | -- | -- | -- | -- | 411 |
| Purchase of common stock | -- | -- | -- | -- | -- | (462) | (16,000) | (16,000) |
| Balance as of December 31, 2001 | 25,962 | \$ 2,596 | \$158,559 | \$627,014 | \$(55,295) | (6,348) | \$(225,055) | \$507,819 |
| See Notes to Consolidated Financial Statements, which are an integral part of these statements. | ===== | ===== | ===== | ===== | ===== | ===== | ===== | ===== |

F-5

MINERALS TECHNOLOGIES AND SUBSIDIARY COMPANIES
NOTES OF CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies

Basis of Presentation

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

Use of Estimates

The Company employs accounting policies that are in accordance with generally accepted accounting principles in the United States of America and require management to make estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Significant estimates include those related to revenue recognition, allowance for doubtful accounts, valuation of inventories, valuation of long-lived assets, goodwill and other intangible assets, pension plan assumptions, income taxes, income tax valuation allowances and litigation and environmental liabilities. Actual results could differ from those estimates.

Business

The Company is a resource- and technology-based company that develops, produces and markets on a worldwide basis a broad range of specialty mineral, mineral-based and synthetic mineral products. 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 \$2.9 million and \$0.8 million at December 31, 2001 and 2000, 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%-8% for buildings, 8%-12% for machinery and equipment and 8%-12% for furniture and fixtures.

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

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

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

Accounting for the Impairment of Long-Lived Assets

The Company accounts for impairment of long-lived assets in accordance with Statement of Financial Accounting Standards ("SFAS") No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of." SFAS No. 121 requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the book value of the asset may not be recoverable. The Company continuously evaluates whether events and circumstances have occurred that indicate possible impairment. In accordance with SFAS No. 121, the Company uses an estimate of the future undiscounted net cash flows of the related asset or asset grouping over the remaining life in determining whether the carrying value of the assets is recoverable. During the fourth quarter of 2000, the Company recorded a write-down of impaired assets of \$4.9 million, based upon discounted future cash flows, for three satellite precipitated calcium carbonate plants at paper mills that have ceased or will cease operations.

Impairment losses have not been significant other than in 2000. However, three paper mills at which the Company has operated satellite PCC plants have announced their intention to shut down. In each case the Company is exploring several possibilities, including continuing to operate the PCC plant if the host mill is sold to another paper manufacturer; operating the

F-6

MINERALS TECHNOLOGIES AND SUBSIDIARY COMPANIES NOTES OF CONSOLIDATED FINANCIAL STATEMENTS

PCC plant on a merchant basis for sales to third parties; or transferring the equipment for use at another operation. Should these alternatives not be available, there could be impairment charges at one or more of these facilities, which the Company estimates would not exceed \$1.5 million in the aggregate.

Goodwill

Goodwill represents the excess of purchase price and related costs over the value assigned to the net tangible and identifiable intangible assets of businesses acquired. Goodwill is amortized on a straight-line basis over 20-25 years. At least annually, the Company reviews the recoverability of goodwill. The determination of possible impairment is based primarily on the ability to recover the balance of the goodwill from expected future operating cash flows on an undiscounted basis. When the Company determines that the carrying value of goodwill may not be recoverable, it measures any impairment on its ability to recover the carrying amount from expected future operating cash flow on a discounted basis. In management's opinion, no impairment existed at December 31, 2001.

Derivative Financial Instruments

The Company enters into derivative financial instrument contracts to hedge certain foreign exchange and interest rate exposures. On January 1, 2001, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities." The cumulative effect of adopting SFAS 133, as amended, was not material to the Company's consolidated financial statements. See the Note on Derivative Financial Instruments in the Consolidated Financial Statements for a full description of the Company's hedging activities and related accounting policies.

Revenue Recognition

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

Foreign Currency

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

Income Taxes

Income taxes are provided for based on the asset and liability method of accounting pursuant to SFAS No. 109, "Accounting for Income Taxes" ("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 bases. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. Under SFAS 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 elected to recognize compensation cost based on the intrinsic value of the equity instrument awarded as promulgated in Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees." The Company has disclosed below under "Capital Stock -- Stock and Incentive Plan" the pro forma effect of the fair value method on net income and earnings per share.

Post-retirement Benefits

The Company accrues the cost of post-retirement benefits during an employee's active working career as required by SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions."

Earnings Per Share

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

F-7

MINERALS TECHNOLOGIES AND SUBSIDIARY COMPANIES NOTES OF CONSOLIDATED FINANCIAL STATEMENTS

Diluted earnings per share have been computed based upon the weighted average number of common shares outstanding during the period assuming the issuance of common shares for all dilutive potential common shares outstanding.

Impact of Recently Issued Accounting Standards

In June 2001, the Financial Accounting Standards Board issued SFAS No. 141, "Business Combinations," SFAS No. 142, "Goodwill and Other Intangible Assets," and SFAS No. 143, "Accounting for Asset Retirement Obligations."

SFAS No. 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001, thereby eliminating the use of the pooling-of-interests method. The Company currently accounts for all acquisitions using the purchase method of accounting.

SFAS No. 142, effective for fiscal years beginning after December 15, 2001, provides that goodwill and other intangible assets with indefinite lives will no longer be amortized, but will be tested for impairment on an annual basis. This statement also requires an initial goodwill impairment assessment in the year of adoption and at least annual impairment tests thereafter. Effective July 1, 2001, the Company adopted the provisions of SFAS No. 141 and certain provisions of SFAS No. 142, as required for goodwill and other identifiable intangibles resulting from business combinations consummated after June 30, 2001. The Company does not expect that the remaining provisions of SFAS No. 142 will have a material effect on the consolidated financial statements.

SFAS No. 143, effective for fiscal years beginning after June 15, 2002, addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. The Company is currently analyzing this statement and has not yet determined its impact on the consolidated financial statements.

In August 2001, the Financial Accounting Standards Board issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," which establishes a uniform accounting model for long-lived assets to be disposed of. This Statement, effective for fiscal years beginning after December 15, 2001, requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If the carrying amount of the asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. The Company does not expect adoption of this Statement will have a material effect on the consolidated financial statements.

Income Taxes

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

| Thousands of Dollars | <u>2001</u> | <u>2000</u> | <u>1999</u> |
|--|---------------|---------------|---------------|
| Domestic | \$ 40,777 | \$ 51,098 | \$ 65,101 |
| Foreign | <u>31,893</u> | <u>28,674</u> | <u>27,434</u> |
| Total income before provision for income taxes | \$ 72,670 | \$ 79,772 | \$ 92,535 |
| | ===== | ===== | ===== |

The provision for taxes on income consists of the following:

| Thousands of Dollars | <u>2001</u> | <u>2000</u> | <u>1999</u> |
|---------------------------------|----------------|---------------|---------------|
| Domestic | | | |
| Taxes currently payable Federal | \$ 8,906 | \$ 11,741 | \$ 12,552 |
| State and local | 1,484 | 2,380 | 2,735 |
| Deferred income taxes | <u>998</u> | <u>406</u> | <u>4,069</u> |
| Domestic tax provision | <u>11,388</u> | <u>14,527</u> | <u>19,356</u> |
| Foreign | | | |
| Taxes currently payable | 10,889 | 8,412 | 7,771 |
| Deferred income taxes | <u>(1,129)</u> | <u>796</u> | <u>1,793</u> |
| Foreign tax provision | <u>9,760</u> | <u>9,208</u> | <u>9,564</u> |
| Total tax provision | \$ 21,148 | \$ 23,735 | \$ 28,920 |
| | ===== | ===== | ===== |

F-8

MINERALS TECHNOLOGIES AND SUBSIDIARY COMPANIES NOTES OF CONSOLIDATED FINANCIAL STATEMENTS

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

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

| Percentages | <u>2001</u> | <u>2000</u> | <u>1999</u> |
|---|-------------|-------------|-------------|
| U.S. statutory tax rate | 35.0% | 35.0% | 35.0% |
| Depletion | (4.5) | (5.0) | (4.1) |
| Difference between tax provided on foreign earnings and the U.S. statutory rate | (1.9) | (1.0) | (0.7) |
| State and local taxes | 1.5 | 1.9 | 2.6 |
| Tax credits | (1.4) | (1.3) | (1.9) |
| Other | <u>0.4</u> | <u>0.2</u> | <u>0.4</u> |
| Consolidated effective tax rate | 29.1% | 29.8% | 31.3% |
| | === | === | === |

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

| Thousands of Dollars | <u>2001</u> | <u>2000</u> |
|---|---------------|---------------|
| Deferred tax assets: | | |
| Pension and postretirement benefits cost reported for financial statement purposes in excess of amounts deductible for tax purposes | \$ 3,207 | \$ 4,123 |
| State and local taxes | 2,955 | 2,869 |
| Accrued expenses | 2,943 | 2,489 |
| Other | <u>5,712</u> | <u>3,657</u> |
| Total deferred tax assets | <u>14,817</u> | <u>13,138</u> |
| Deferred tax liabilities: | | |
| Plant and equipment, principally due to differences in depreciation | 61,427 | 61,114 |

| | | |
|--------------------------------|---------------|---------------|
| Other | <u>3,825</u> | <u>2,462</u> |
| Total deferred tax liabilities | <u>65,252</u> | <u>63,576</u> |
| Net deferred tax liabilities | \$50,435 | \$50,438 |
| | ===== | ===== |

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 \$20.8 million, \$24.9 million, and \$14.7 million for the years ended December 31, 2001, 2000 and 1999, respectively.

Foreign Operations

The Company has not provided for U.S. federal and foreign withholding taxes on \$98.0 million of foreign subsidiaries' undistributed earnings as of December 31, 2001 because such earnings, for the most part, are intended to be reinvested overseas. To the extent the parent company has received foreign earnings as dividends, the foreign taxes paid on those earnings have generated tax credits, which have substantially offset related U.S. income taxes. On repatriation, certain foreign countries impose withholding taxes. The amount of withholding tax that would be payable on remittance of the entire amount of undistributed earnings would approximate \$2.5 million.

Net foreign currency exchange gains and (losses), included in other deductions in the Consolidated Statement of Income, were \$201,000, (\$425,000), and (\$427,000) for the years ended December 31, 2001, 2000 and 1999, respectively.

F-9

MINERALS TECHNOLOGIES AND SUBSIDIARY COMPANIES NOTES OF CONSOLIDATED FINANCIAL STATEMENTS

Inventories

The following is a summary of inventories by major category:

| Thousands of Dollars | <u>2001</u> | <u>2000</u> |
|------------------------|---------------|---------------|
| Raw materials | \$28,541 | \$24,717 |
| Work in process | 9,083 | 7,541 |
| Finished goods | 22,775 | 20,700 |
| Packaging and supplies | <u>17,234</u> | <u>18,925</u> |
| Total inventories | \$77,633 | \$71,883 |
| | ===== | ===== |

Property, Plant and Equipment

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

| Thousands of Dollars | <u>2001</u> | <u>2000</u> |
|--|---------------|---------------|
| Land | \$ 20,136 | \$ 20,664 |
| Quarries/mining properties | 26,981 | 22,455 |
| Buildings | 125,489 | 135,146 |
| Machinery and equipment | 755,471 | 710,794 |
| Construction in progress | 41,024 | 54,330 |
| Furniture and fixtures and other | <u>76,526</u> | <u>71,354</u> |
| | 1,045,627 | 1,014,743 |
| Less: Accumulated depreciation and depletion | (509,288) | (466,534) |
| Property, plant and equipment, net | \$ 536,339 | \$ 548,209 |
| | ===== | ===== |

Restructuring Charge

During the second quarter of 2001, the Company announced plans to restructure its operations in an effort to reduce operating costs and to improve efficiency. The restructuring, together with workforce reductions associated with the recent acquisition of the refractory operations of Martin Marietta Magnesia Specialties Inc., resulted in a total workforce reduction of approximately 120 people or five percent of the Company's worldwide workforce. The Company recorded a pre-tax restructuring charge of \$3.4 million in the second quarter to reflect these actions. This charge consisted of severance and other employee benefits. As of December 31, 2001, approximately 90% of the employees were terminated and \$2.6 million of the accrued restructuring liability was paid. As of December 31, 2001, the remaining accrued restructuring liability was \$0.8 million.

Acquisitions

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

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

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

MINERALS TECHNOLOGIES AND SUBSIDIARY COMPANIES
NOTES OF CONSOLIDATED FINANCIAL STATEMENTS

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

Millions of Dollars

| | |
|-------------------------------|--------------|
| Current assets | \$ 8.1 |
| Property, plant and equipment | 6.4 |
| Intangible assets | 1.4 |
| Goodwill | <u>30.1</u> |
| Total assets acquired | 46.0 |
| Liabilities assumed | <u>(8.6)</u> |
| | \$37.4 |
| Net cash paid | === |

In April 2000, the Company acquired, for approximately \$12.6 million, Ferrotron Elektronik GmbH, a manufacturer of advanced laser scanning devices, sensors and other instrumentation specially designed for the steel industry. The transaction was accounted for as a purchase. The purchase price exceeded the fair value of the net assets acquired by approximately \$6 million, which is being amortized on a straight-line basis over 20 years.

Goodwill and Other Intangible Assets

In June 2001, the Financial Accounting Standards Board issued SFAS 142, "Goodwill and Other Intangible Assets." Under SFAS 142, goodwill and intangible assets with indefinite lives are no longer amortized but instead tested for impairment at least annually in accordance with the provision of SFAS 142. The amortization provisions of SFAS 142 apply to goodwill and intangible assets acquired after June 30, 2001. With respect to goodwill and intangible assets acquired prior to July 1, 2001, the Company will adopt SFAS 142 effective January 1, 2002. Pursuant to SFAS 142, the Company will test its goodwill for impairment upon adoption and, if impairment is indicated, record such impairment as a cumulative effect of accounting change.

At December 31, 2001 and 2000, the components of goodwill and other intangible assets are as follows:

| Millions of Dollars | 2001 | 2000 |
|--|------------|------------|
| Goodwill | \$46.1 | \$16.5 |
| Tradenames and other intangibles | <u>9.7</u> | <u>8.8</u> |
| Total intangible assets | 55.8 | 25.3 |
| Accumulated amortization related to goodwill | 2.6 | 1.3 |
| Other accumulated amortization | <u>1.6</u> | <u>1.5</u> |
| | \$51.6 | \$22.5 |
| Intangible assets, net | === | === |

Amortization expense related to goodwill was \$1.3 million and \$0.5 million for the years ended December 31, 2001 and 2000, respectively.

Derivative Instruments and Hedging Activities

On January 1, 2001, the Company adopted SFAS 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS 138. SFAS 133, as amended, requires that all derivative instruments be recognized on the balance sheet at fair value. In addition, the standard specifies criteria for designation and effectiveness of hedging relationships and establishes accounting rules for reporting changes in the fair value of a derivative depending on the designated type of hedge.

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

By using derivative financial instruments to hedge exposures to changes in interest rates and foreign currency, the Company exposes itself to credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contract. When the fair value of a derivative contract is positive, the counterparty owes the Company, which creates credit risk for the Company. When the fair value of a derivative contract is negative, the Company owes the counterparty, and

MINERALS TECHNOLOGIES AND SUBSIDIARY COMPANIES
NOTES OF CONSOLIDATED FINANCIAL STATEMENTS

therefore, it does not possess credit risk. The Company minimizes the credit risk in derivative instruments by entering into transactions with major financial institutions.

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

Based on criteria established by SFAS 133, the Company designated its derivatives as a cash flow hedge. During 2001, the Company entered into three-year interest rate swap agreements with notional amounts of \$30 million that expire in January 2005. These agreements effectively convert a portion of the Company's floating-rate debt to a fixed-rate basis with an interest rate of 4.5%, thus reducing the impact of the interest rate changes on future cash flows and income. The Company uses FEC designated as cash flow hedges to protect against foreign currency exchange rate risks inherent in its forecasted inventory purchases. The Company had open forward exchange contracts to purchase 790,000 euros at December 31, 2001. This contract matures on June 28, 2002.

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

At December 31, 2001, the Company expects to reclassify \$0.1 million of deferred gains on derivative instruments from accumulated other comprehensive income to cost of sales during the next twelve months.

Financial Instruments and Concentrations of Credit Risk

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

Cash and cash equivalents, accounts receivable and payable, and accrued liabilities: The carrying amounts approximate fair value because of the short maturities of these instruments.

Available-for-sale securities: Available-for-sale securities are presented in accordance with SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities." The Company had no securities available for sale as of December 31, 2001, 2000, and 1999. In 1999, the Company recognized gains from sale of securities aggregating \$174,000.

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 these instruments.

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

Forward exchange contracts: The fair value of forward exchange contracts (used for hedging purposes) is estimated by obtaining quotes from brokers. If appropriate, the Company would enter into forward exchange contracts to mitigate the impact of foreign exchange rate movements on the Company's operating results. It does not engage in speculation. Such foreign exchange contracts would not subject the Company to additional risk from exchange rate movements because gains and losses on these contracts would offset losses and gains on the assets, liabilities and transactions being hedged. At December 31, 2001, the Company had open forward exchange contracts to purchase \$0.8 million of foreign currencies. These contracts mature on June 28, 2002. The fair value of these instruments was \$132,000 at December 31, 2001.

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

Credit risk: Substantially all of the Company's accounts receivable are due from companies in the paper, construction and steel industries. Credit risk results from the possibility that a loss may occur from the failure of another party to perform according to the terms of the contract. The Company regularly monitors its credit risk exposures and takes steps to mitigate the likelihood of

F-12

MINERALS TECHNOLOGIES AND SUBSIDIARY COMPANIES
NOTES OF CONSOLIDATED FINANCIAL STATEMENTS

these exposures resulting in actual loss. The Company's extension of credit is based on an evaluation of the customer's financial condition and collateral is generally not required.

The Company's bad debt expense for the years ended December 31, 2001, 2000 and 1999 was \$3.9 million, \$6.0 million and \$1.2 million, respectively.

Long-Term Debt and Commitments

The following is a summary of long-term debt:

| (thousands of dollars) | December 31, 2001 | December 31, 2000 |
|---|-------------------|-------------------|
| 7.49% Guaranteed Senior Notes Due July 24, 2006 | \$50,000 | \$50,000 |
| Yen-denominated Guaranteed Credit Agreement | | |
| Due March 31, 2007 | 8,734 | 10,057 |
| Variable/Fixed Rate Industrial | | |
| Development Revenue Bonds Due 2009 | 4,000 | 4,000 |
| Economic Development Authority Refunding | | |
| Revenue Bonds Series 1999 Due 2010 | 4,600 | 4,600 |
| Variable/Fixed Rate Industrial | | |
| Development Revenue Bonds Due August 1, 2012 | 8,000 | 8,000 |
| Variable/Fixed Rate Industrial | | |
| Development Revenue Bonds Series 1999 | | |
| Due November 1, 2014 | 8,200 | 8,200 |
| Variable/Fixed Rate Industrial | | |
| Development Revenue Bonds Due March 31, 2020 | 5,000 | 5,000 |
| Other borrowings | <u>—</u> | <u>765</u> |
| | 88,534 | 90,622 |
| Less: Current maturities | <u>437</u> | <u>765</u> |
| Long-term debt | \$88,097 | \$89,857 |
| | ===== | ===== |

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

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

The Variable/Fixed Rate Industrial Development Revenue Bonds due 2009 are tax-exempt 15-year instruments issued to finance the expansion of a PCC plant in Selma, Alabama. The bonds are dated November 1, 1994, and provide for an optional put by the holder (during the Variable Rate Period) and a mandatory call by the issuer. The bonds bear interest at either a variable rate or fixed rate, at the option of the Company. Interest is payable semi-annually under the fixed rate option and monthly under the variable rate option. The Company has selected the variable rate option on these borrowings and the average interest rates were approximately 3.18% and 4.33% for the years ended December 31, 2001 and 2000, respectively.

The Economic Development Authority Refunding Revenue Bonds due 2010 were issued on February 23, 1999 to refinance the bonds issued in connection with the construction of a PCC plant in Eastover, South Carolina. The bonds bear interest at either a variable rate or fixed rate, at the option of the Company. Interest is payable semi-annually under the fixed rate option and monthly under the variable rate option. The Company has selected the variable rate option on these borrowings and the average interest rates were approximately 2.61% and 4.33% for the years ended December 31, 2001 and 2000, respectively.

The Variable/Fixed Rate Industrial Development Revenue Bonds due August 1, 2012 are tax-exempt 15-year instruments that were issued on August 1, 1997 to finance the construction of a PCC plant in Courtland, Alabama. The bonds bear interest at either a variable rate or fixed rate, at the option of the Company. Interest is payable

semi-annually under the fixed rate option and monthly under the variable rate option. The Company has selected the variable rate option on these borrowings and the average interest rates were approximately 3.35% and 4.33% for the years ended December 31, 2001 and 2000, respectively.

F-13

MINERALS TECHNOLOGIES AND SUBSIDIARY COMPANIES
NOTES OF CONSOLIDATED FINANCIAL STATEMENTS

The Variable/Fixed Rate Industrial Development Revenue Bonds due November 1, 2014 are tax-exempt 15-year instruments and were issued on November 30, 1999 to refinance the bonds issued in connection with the construction of a PCC plant in Jackson, Alabama. The bonds bear interest at either a variable rate or fixed rate at the option of the Company. Interest is payable semi-annually under the fixed rate option and monthly under the variable rate option. The Company has selected the variable rate option on these borrowings and the average interest rates were approximately 3.10% and 4.33% for the years ended December 31, 2001 and 2000, respectively.

On June 9, 2000 the Company entered into a twenty-year, taxable, Variable/Fixed Rate Industrial Development Revenue Bond agreement to finance a portion of the construction of a merchant manufacturing facility for the production of specialty PCC in Mississippi. The Company has selected the variable rate option for this borrowing and the average interest rate was approximately 6.69% and 7.18% for the year ended December 31, 2001 and for the period ended December 31, 2000, respectively.

The aggregate maturities of long-term debt are as follows: 2002 - \$0.4 million; 2003 - \$1.4 million; 2004 - \$2.0 million; 2005 - \$2.2 million; 2006 - \$52.2 million; thereafter - \$30.3 million.

The Company had available approximately \$110 million in uncommitted, short-term bank credit lines, of which \$71.5 million was in use at December 31, 2001. The interest rate for these borrowings was approximately 4.89% for the year ended December 31, 2001.

During 2001, 2000 and 1999, respectively, the Company incurred interest costs of \$8.8 million, \$7.2 million and \$6.1 million including \$0.9 million, \$1.9 million and \$1.0 million, respectively, which were capitalized. Interest paid approximated the incurred interest costs.

Benefit Plans

Pension Plans and Other Postretirement Benefit Plans

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

The funded status of the Company's pension plans and other postretirement benefit plans at December 31, 2001 and 2000 is as follows:

| Millions of Dollars | Pension Benefits | | Other Benefits | |
|---|------------------|--------------|----------------|-------------|
| | <u>2001</u> | <u>2000</u> | <u>2001</u> | <u>2000</u> |
| Change in benefit obligation | | | | |
| Benefit obligation at beginning of year | \$104.9 | \$ 86.8 | \$ 19.0 | \$ 16.6 |
| Service cost | 5.2 | 5.1 | 1.1 | 0.9 |
| Interest cost | 6.9 | 6.9 | 1.4 | 1.3 |
| Actuarial loss | 5.7 | 6.6 | 0.8 | 0.9 |
| Benefits paid | (14.1) | (5.9) | (1.3) | (0.7) |
| Acquisitions | -- | 7.1 | 0.6 | -- |
| Other | <u>(1.4)</u> | <u>(1.7)</u> | <u>--</u> | <u>--</u> |
| Benefit obligation at end of year | \$107.2 | \$104.9 | \$ 21.6 | \$ 19.0 |
| | ==== | ==== | ==== | ==== |

F-14

MINERALS TECHNOLOGIES AND SUBSIDIARY COMPANIES
NOTES OF CONSOLIDATED FINANCIAL STATEMENTS

| Millions of Dollars | Pension Benefits | | Other Benefits | |
|--|------------------|--------------|----------------|--------------|
| | <u>2001</u> | <u>2000</u> | <u>2001</u> | <u>2000</u> |
| Change in plan assets | | | | |
| Fair value of plan assets at beginning of year | \$110.5 | \$ 97.5 | \$ -- | \$ -- |
| Actual return on plan assets | (3.5) | 1.4 | -- | -- |
| Employer contributions | 10.7 | 10.2 | 1.3 | 0.7 |
| Plan participants' contributions | 0.2 | 0.2 | -- | -- |
| Benefits paid | (14.1) | (5.9) | (1.3) | (0.7) |
| Acquisitions | -- | 8.7 | -- | -- |
| Other | <u>(1.1)</u> | <u>(1.6)</u> | <u>--</u> | <u>--</u> |
| Fair value of plan assets at end of year | \$102.7 | \$110.5 | \$ -- | \$ -- |
| | ==== | ==== | === | === |
| Funded status | \$ (4.5) | \$ 5.6 | \$(21.6) | \$(19.0) |
| Unrecognized transition amount | 0.2 | 0.9 | -- | -- |
| Unrecognized net actuarial (gain) loss | 16.6 | (0.5) | 2.9 | 2.1 |
| Unrecognized prior service cost | <u>4.9</u> | <u>5.5</u> | <u>(0.4)</u> | <u>(2.1)</u> |
| Prepaid (accrued) benefit cost | \$17.2 | \$ 11.5 | \$(19.1) | \$(19.0) |
| | === | === | === | === |
| Amounts recognized in the consolidated balance sheet consist of: | | | | |
| Prepaid benefit cost | \$ 20.4 | \$ 14.9 | \$ -- | \$ -- |
| Accrued benefit liabilities | (5.5) | (6.6) | (19.1) | (19.0) |

| | | | | |
|--------------------------------------|------------|------------|-----------|-----------|
| Intangible asset | 1.5 | 1.7 | -- | -- |
| Accumulated other comprehensive loss | <u>0.8</u> | <u>1.5</u> | <u>--</u> | <u>--</u> |
| Net amount recognized | \$ 17.2 | \$ 11.5 | \$(19.1) | \$(19.0) |
| | === | === | === | === |

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

| | <u>2001</u> | <u>2000</u> | <u>1999</u> |
|--------------------------------|-------------|-------------|-------------|
| Discount rate | 7.25% | 7.50% | 7.75% |
| Expected return on plan assets | 9.25% | 9.50% | 9.00% |
| Rate of compensation increase | 4.00% | 4.00% | 4.50% |

For measurement purposes, health care cost trend rates of approximately 8.5% for pre-age-65 and post-age-65 benefits were used in 2001. These trend rates were assumed to decrease gradually to 6.5% for 2005 and remain at that level thereafter.

The components of net periodic benefit costs are as follows:

| | Pension Benefits | | | Other Benefits | | |
|------------------------------------|------------------|-------------|-------------|----------------|-------------|-------------|
| Millions of Dollars | <u>2001</u> | <u>2000</u> | <u>1999</u> | <u>2001</u> | <u>2000</u> | <u>1999</u> |
| Service cost | \$ 5.2 | \$ 5.1 | \$ 5.2 | \$ 1.1 | \$ 0.9 | \$ 1.0 |
| Interest cost | 6.9 | 6.9 | 6.0 | 1.4 | 1.3 | 1.1 |
| Expected return on plan assets | (9.5) | (9.3) | (7.9) | -- | -- | -- |
| Amortization of transition amount | 0.8 | 0.7 | 0.7 | -- | -- | -- |
| Amortization of prior service cost | 0.5 | 0.4 | 0.5 | (1.7) | (1.7) | (1.7) |
| Recognized net actuarial gain | (0.2) | (0.5) | -- | -- | -- | -- |
| SEAS No. 88 settlement | <u>1.9</u> | <u>--</u> | <u>--</u> | <u>--</u> | <u>--</u> | <u>--</u> |
| Net periodic benefit cost | \$ 5.6 | \$ 3.3 | \$ 4.5 | \$ 0.8 | \$ 0.5 | \$ 0.4 |
| | === | === | === | === | === | === |

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

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

MINERALS TECHNOLOGIES AND SUBSIDIARY COMPANIES
NOTES OF CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

| | 1-Percentage-Point Increase | 1-Percentage-Point Decrease |
|--|--------------------------------|--------------------------------|
| Effect on total service and interest cost components | \$ 6,000 | \$ (5,000) |
| Effect on postretirement benefit obligation | \$80,000 | \$(70,000) |

Savings and Investment Plans

The Company maintains a voluntary Savings and Investment Plan for most non-union employees in the U.S. Within prescribed limits, the Company bases its contribution to the Plan on employee contributions. The Company's contributions amounted to \$2.9 million, \$3.0 million and \$3.0 million for the years ended December 31, 2001, 2000 and 1999, respectively.

Leases

Rent expense amounted to approximately \$4.4 million, \$5.1 million and \$4.6 million for the years ended December 31, 2001, 2000 and 1999, respectively. Total future minimum rental commitments under all noncancelable leases for each of the years 2002 through 2006 and in the aggregate thereafter are approximately \$3.3 million, \$3.2 million, \$3.0 million, \$3.0 million, \$2.3 million and \$12.4 million, respectively.

Total future minimum payments to be received under direct financing leases for each of the years 2002 through 2006 and in the aggregate thereafter are approximately \$0.2 million, \$0.2 million, \$0.2 million, \$0.2 million, \$0.2 million and \$2.7 million, respectively.

Litigation

On or about October 5, 1999, the Company was notified by the U.S. Department of Justice of an enforcement referral received from the U.S. Environmental Protection Agency ("EPA") regarding alleged violations by the Company's subsidiary Barretts Minerals Inc. ("BMI") of a state-issued permit regulating pit dewatering and storm water discharge at BMI's talc mine in Barretts, Montana. The threatened federal enforcement action would duplicate in part a state enforcement action that was resolved in May 1999 through settlement and payment of a civil penalty of \$14,000. BMI has entered into prefiling negotiations with the Department of Justice, and as of December 31, 2001, no complaint had been filed. The Company anticipates that any settlement of this matter would include a monetary penalty as well as other relief, such as a

supplemental environmental project at the Barretts site. There can be no assurance that the amount of monetary penalty or the cost of other relief sought by the Department of Justice in any such complaint, if filed, would not be substantially in excess of the amount for which the previous state enforcement action was settled.

On or about July 14, 2000, MTI, Specialty Minerals Inc. and Minteq International Inc. received from the Connecticut Department of Environmental Protection ("DEP") a proposed administrative consent order relating to the Canaan, Connecticut site at which both Minteq and Specialty Minerals have operations. The proposed order would settle claims relating to an accidental discharge of machine oil alleged to have contained polychlorinated biphenyls at or above regulated levels. The Company's employees immediately took steps to contain and clean up the discharge and notified the Connecticut DEP and the U.S. EPA, as required by law. The proposed order also alleges certain violations of other environmental regulations, including violations of the Canaan site's existing permit for discharge of stormwater, and of regulations governing the management of underground storage tanks. The proposed order would require payment of a civil penalty of \$420,605, remediation of certain conditions at the site, and other injunctive relief. MTI and the other respondents dispute many of the factual allegations forming the basis of the proposed order, and plan to contest them vigorously. There can be no assurance, however, that the Company will be successful in doing so, and the amount of any civil penalty to be paid, and the cost of any remediation or other injunctive relief, remains uncertain.

F-16

MINERALS TECHNOLOGIES AND SUBSIDIARY COMPANIES
NOTES OF CONSOLIDATED FINANCIAL STATEMENTS

The Company's subsidiary Minteq International Inc. is the defendant in a lawsuit captioned WEMCO, Inc. and Emil J. Wirth, Jr. v. Minteq International Inc., which is pending in the U.S. District Court for the Middle District of Pennsylvania. The suit alleges breach of contract and unjust enrichment in connection with a licensing arrangement, and seeks monetary damages as well as a declaratory judgment with respect to the alleged license. While all litigation contains an element of uncertainty, Minteq is continuing to defend this matter vigorously and believes it is not likely to produce an outcome that would have a material adverse effect on the Company's consolidated financial position or results of operations.

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

Capital Stock

The Company's authorized capital stock consists of 100 million shares of common stock, par value \$0.10 per share, of which 19,613,947 shares and 19,966,854 shares were outstanding at December 31, 2001 and 2000, respectively, and 1,000,000 shares of preferred stock, none of which were issued and outstanding.

Cash Dividends

Cash dividends of \$2.0 million or \$0.025 per common share were paid during 2001. In January 2002, a cash dividend of approximately \$0.5 million or \$0.025 per share, was declared, payable in the first quarter of 2002.

Preferred Stock Purchase Rights

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

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

The rights are redeemable by the Company at a fixed price until 10 days or longer, as determined by the Board, after certain defined events or at any time prior to the expiration of the rights on 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 non-qualified stock options, stock appreciation rights, stock awards or performance unit awards. The Plan is administered by the Compensation and Nominating Committee of the Board of Directors. Stock options granted under the Plan have a term not in excess of ten years. The exercise price for stock options will not be less than the fair market value of the common stock on the date of the grant, and each award of stock options will vest ratably over a specified period, generally three years.

In 1998, the Shareholders approved an amendment to the Plan to increase the number of shares of common stock available under the Plan by an additional 1.5 million. In 2001, the shareholders approved an amendment to increase the number of shares of common stock available under the Plan by an additional 0.5 million.

F-17

MINERALS TECHNOLOGIES AND SUBSIDIARY COMPANIES
NOTES OF CONSOLIDATED FINANCIAL STATEMENTS

The following table summarizes stock option activity for the Plan:

| | | Under Option | |
|---------------------------|------------------|-----------------|-----------------------|
| | Shares Available | | Weighted Average |
| | <u>For Grant</u> | <u>Shares</u> | <u>Exercise Price</u> |
| | | | <u>Per Share (\$)</u> |
| Balance January 1, 1999 | 2,630,315 | 1,460,231 | 26.77 |
| Granted | (1,322,151) | 1,322,151 | 39.57 |
| Exercised | -- | (170,195) | 25.72 |
| Canceled | <u>31,388</u> | <u>(31,388)</u> | 38.90 |
| Balance December 31, 1999 | 1,339,552 | 2,580,799 | 33.25 |
| Granted | (107,000) | 107,000 | 50.34 |
| Exercised | -- | (148,148) | 28.20 |
| Canceled | <u>20,437</u> | <u>(20,437)</u> | 39.26 |
| Balance December 31, 2000 | 1,252,989 | 2,519,214 | 34.23 |
| Authorized | 500,000 | -- | -- |
| | ----- | ----- | ----- |

| | | | |
|---------------------------|---------------|-----------------|-------|
| Granted | (252,500) | 252,500 | 34.81 |
| Exercised | -- | (109,504) | 29.04 |
| Canceled | <u>42,057</u> | <u>(42,057)</u> | 38.57 |
| Balance December 31, 2001 | 1,542,546 | 2,620,153 | 34.43 |
| | ===== | ===== | |

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

| | <u>2001</u> | <u>2000</u> | <u>1999</u> |
|-------------------------|-------------|-------------|-------------|
| Expected life (years) | 7 | 7 | 7 |
| Interest rate | 4.69% | 5.03% | 6.65% |
| Volatility | 30.41% | 31.13% | 28.20% |
| Expected dividend yield | 0.28% | 0.20% | 0.25% |

As required by SFAS No. 123, the Company has determined that the weighted average estimated fair values of options granted in 2001, 2000 and 1999 were \$14.36, \$21.85 and \$17.69 per share, respectively. Pro forma net income and earnings per share reflecting compensation cost for the fair value of stock options awarded in 2001, 2000 and 1999 were as follows:

| Millions of Dollars, Except Per Share Amounts | | <u>2001</u> | <u>2000</u> | <u>1999</u> |
|---|-------------|-------------|-------------|-------------|
| Net income | As reported | \$ 49.8 | \$ 54.2 | \$ 62.1 |
| | Pro forma | \$ 44.3 | \$ 49.4 | \$ 57.6 |
| Basic earnings per share | As reported | \$ 2.54 | \$ 2.65 | \$ 2.90 |
| | Pro forma | \$ 2.26 | \$ 2.41 | \$ 2.69 |
| Diluted earnings per share | As reported | \$ 2.48 | \$ 2.58 | \$ 2.80 |
| | Pro forma | \$ 2.21 | \$ 2.35 | \$ 2.60 |

The following table summarizes information concerning Plan options outstanding at December 31, 2001:

| Options Outstanding | | | | Options Exercisable | |
|-----------------------------|--------------------------------------|---|--|--------------------------------------|--|
| Range of Exercise Prices | Number Outstanding at 12/31/01 | Weighted Average Remaining Contractual Term (Years) | Weighted Average Exercise Price | Number Exercisable at 12/31/01 | Weighted Average Exercise Price |
| \$22.625 - 29.750 | 525,136 | 1.1 | \$ 22.87 | 525,136 | \$ 22.87 |
| \$30.625 - 34.825 | 782,286 | 5.3 | \$ 31.92 | 539,786 | \$ 30.63 |
| \$38.438 - 39.531 | 1,183,683 | 7.1 | \$ 39.53 | 789,122 | \$ 39.53 |
| \$43.344 - 52.375 | 129,048 | 8.0 | \$ 49.88 | 58,798 | \$ 49.10 |

F-18

MINERALS TECHNOLOGIES AND SUBSIDIARY COMPANIES
NOTES OF CONSOLIDATED FINANCIAL STATEMENTS

Earnings Per Share (EPS)

Thousands of Dollars, Except Per Share Amounts

| Basic EPS | | <u>2001</u> | <u>2000</u> | <u>1999</u> |
|---|--|-------------|-------------|-------------|
| Net income | | \$49,793 | \$54,208 | \$62,116 |
| Weighted average shares outstanding | | 19,630 | 20,479 | 21,394 |
| Basic earnings per share | | \$ 2.54 | \$ 2.65 | \$ 2.90 |
| | | === | === | === |
| Diluted EPS | | <u>2001</u> | <u>2000</u> | <u>1999</u> |
| Net income | | \$49,793 | \$54,208 | \$62,116 |
| Weighted average shares outstanding | | 19,630 | 20,479 | 21,394 |
| Dilutive effect of stock options | | 433 | 525 | 756 |
| Weighted average shares outstanding, adjusted | | 20,063 | 21,004 | 22,150 |
| Diluted earnings per share | | \$ 2.48 | \$ 2.58 | \$ 2.80 |
| | | === | === | === |

Comprehensive Income

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

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

| Currency Translation Adjustment | Minimum Pension Liability | Net Gain On Cash Flow Hedges | Unrealized Holding Gains | Accumulated Other |
|---------------------------------------|---------------------------------|------------------------------------|--------------------------------|----------------------|
|---------------------------------------|---------------------------------|------------------------------------|--------------------------------|----------------------|

| | | | | | Comprehensive Income (Loss) |
|------------------------------|---------------|------------|------------|--------------|--|
| Balance at January 1, 1999 | \$ (8.7) | \$(1.0) | \$ -- | \$ 0.1 | \$ (9.6) |
| Current year change | <u>(19.2)</u> | <u>--</u> | <u>--</u> | <u>(0.1)</u> | <u>(19.3)</u> |
| Balance at December 31, 1999 | (27.9) | (1.0) | -- | -- | (28.9) |
| Current year change | <u>(15.2)</u> | <u>--</u> | <u>--</u> | <u>--</u> | <u>(15.2)</u> |
| Balance at December 31, 2000 | (43.1) | (1.0) | -- | -- | (44.1) |
| Current year change | <u>(11.9)</u> | <u>0.5</u> | <u>0.2</u> | <u>--</u> | <u>(11.2)</u> |
| Balance at December 31, 2001 | \$(55.0) | \$(0.5) | \$ 0.2 | \$ -- | \$(55.3) |
| | === | === | === | === | === |

The income tax expense (benefit) associated with items included in other comprehensive income (loss) was approximately \$0.4 million, (\$0.5) million and (\$0.5) million for the years ended December 31, 2001, 2000 and 1999, respectively.

Segment and Related Information

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

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

F-19

MINERALS TECHNOLOGIES AND SUBSIDIARY COMPANIES NOTES OF CONSOLIDATED FINANCIAL STATEMENTS

and pharmaceutical industries. The Refractories segment produces and markets monolithic and shaped refractory materials and services used primarily by the steel, cement and glass industries.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The Company evaluates performance based on the operating income of the respective business units. Depreciation expense related to corporate assets is allocated to the business segments and is included in their income from operations. However, such corporate depreciable assets are not included in the segment assets. Specialty Minerals' segment sales to International Paper Company and affiliates represented approximately 13% of consolidated net sales for 2001 and 2000, respectively, and less than 10% of consolidated net sales in 1999. Intersegment sales and transfers are not significant.

Segment information for the years ended December 31, 2001, 2000 and 1999 was as follows (in millions):

| | 2001 | | |
|--|---------------------------|---------------------|--------------|
| | Specialty Minerals | Refractories | Total |
| Net sales | \$483.3 | \$201.1 | \$684.4 |
| Income from operations | 55.5 | 25.1 | 80.6 |
| Bad debt expenses | 0.6 | 3.3 | 3.9 |
| Depreciation, depletion and amortization | 55.9 | 10.6 | 66.5 |
| Segment assets | 587.9 | 231.4 | 819.3 |
| Capital expenditures | 54.3 | 8.6 | 62.9 |
| | 2000 | | |
| | Specialty Minerals | Refractories | Total |
| Net sales | \$486.3 | \$184.6 | \$670.9 |
| Income from operations | 61.4 | 23.4 | 84.8 |
| Bad debt expenses | 1.2 | 4.8 | 6.0 |
| Depreciation, depletion and amortization | 51.8 | 9.0 | 60.8 |
| Write-down of impaired assets | 4.9 | -- | 4.9 |
| Segment assets | 612.4 | 169.5 | 781.9 |
| Capital expenditures | 95.6 | 7.7 | 103.3 |
| | 1999 | | |
| | Specialty Minerals | Refractories | Total |
| Net sales | \$479.4 | \$183.1 | \$662.5 |
| Income from operations | 70.9 | 26.6 | 97.5 |
| Bad debt expenses | 0.5 | 0.7 | 1.2 |
| Depreciation, depletion and amortization | 49.1 | 9.6 | 58.7 |
| Segment assets | 563.8 | 169.7 | 733.5 |
| Capital expenditures | 61.6 | 7.7 | 69.3 |

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

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

| | | |
|-------------|-------------|-------------|
| <u>2001</u> | <u>2000</u> | <u>1999</u> |
|-------------|-------------|-------------|

Income before provision for taxes on income and minority interests

| | | | |
|--|----------------|----------------|----------------|
| Income from operations for reportable segments | \$ 80.6 | \$ 84.8 | \$ 97.5 |
| Unallocated corporate expenses | <u>--</u> | <u>--</u> | <u>--</u> |
| Consolidated income from operations | 80.6 | 84.8 | 97.5 |
| Interest income | 0.8 | 1.1 | 1.2 |
| Interest expense | (7.9) | (5.3) | (5.1) |
| Other deductions | <u>(0.8)</u> | <u>(0.8)</u> | <u>(1.1)</u> |
| Income before provision for taxes on income and minority interests | \$ 72.7 === | \$ 79.8 === | \$ 92.5 === |

F-20

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

| | <u>2001</u> | <u>2000</u> | <u>1999</u> |
|---|------------------|------------------|------------------|
| Total assets | | | |
| Total segment assets | \$819.3 | \$781.9 | \$733.5 |
| Corporate assets | <u>28.5</u> | <u>17.9</u> | <u>35.6</u> |
| Consolidated total assets | \$847.8 ===== | \$799.8 ===== | \$769.1 ===== |
| | <u>2001</u> | <u>2000</u> | <u>1999</u> |
| Capital expenditures | | | |
| Total segment capital expenditures | \$ 62.9 | \$103.3 | \$ 69.3 |
| Corporate capital expenditures | <u>0.2</u> | <u>--</u> | <u>4.5</u> |
| Consolidated total capital expenditures | \$ 63.1 === | \$103.3 ===== | \$ 73.8 === |

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

| Net sales | <u>2001</u> | <u>2000</u> | <u>1999</u> |
|------------------------------|------------------|------------------|------------------|
| United States | <u>\$442.7</u> | <u>\$442.7</u> | <u>\$444.5</u> |
| Canada/Latin America | 63.6 | 62.0 | 57.6 |
| Europe/Africa | 129.6 | 116.8 | 117.3 |
| Asia | <u>48.5</u> | <u>49.4</u> | <u>43.1</u> |
| Total International | <u>241.7</u> | <u>228.2</u> | <u>218.0</u> |
| Consolidated total net sales | \$684.4 ===== | \$670.9 ===== | \$662.5 ===== |

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

| Long-lived assets | <u>2001</u> | <u>2000</u> | <u>1999</u> |
|--------------------------------------|------------------|------------------|------------------|
| United States | <u>\$411.1</u> | <u>\$387.4</u> | <u>\$364.0</u> |
| Canada/Latin America | 28.5 | 31.2 | 27.7 |
| Europe/Africa | 115.3 | 112.3 | 106.7 |
| Asia | <u>31.4</u> | <u>37.5</u> | <u>31.9</u> |
| Total International | <u>175.2</u> | <u>181.0</u> | <u>166.3</u> |
| Consolidated total long-lived assets | \$586.3 ===== | \$568.4 ===== | \$530.3 ===== |

F-21

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

Quarterly Financial Data (unaudited)

Thousands of Dollars, Except Per Share Amounts

| 2001 Quarters | <u>First</u> | <u>Second</u> | <u>Third</u> | <u>Fourth</u> |
|---------------------------|--------------|---------------|--------------|---------------|
| Net Sales by Product Line | | | | |

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

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

Thousands of Dollars, Except Per Share Amounts

| 2000 Quarters | <u>First</u> | <u>Second</u> | <u>Third</u> | <u>Fourth</u> |
|---|---------------------|----------------------|---------------------|----------------------|
| Net Sales by Product Line | | | | |
| PCC | \$ 95,033 | \$ 99,917 | \$ 99,057 | \$105,245 |
| Processed Minerals | <u>20,643</u> | <u>23,460</u> | <u>21,855</u> | <u>21,115</u> |
| Specialty Minerals Segment | 115,676 | 123,377 | 120,912 | 126,360 |
| Refractories Segment | <u>45,253</u> | <u>48,839</u> | <u>46,384</u> | <u>44,116</u> |
| Consolidated net sales | 160,929 | 172,216 | 167,296 | 170,476 |
| Gross profit | 46,899 | 52,644 | 48,144 | 45,718 |
| Net income | 15,025 | 17,153 | 15,134 | 6,896 |
| Earnings per share: | | | | |
| Basic | 0.72 | 0.83 | 0.74 | 0.34 |
| Diluted | 0.71 | 0.81 | 0.72 | 0.34 |
| Market Price Range Per Share of Common Stock: | | | | |
| High | 46.44 | 47.75 | 54.06 | 46.25 |
| Low | 36.63 | 40.38 | 41.38 | 28.94 |
| Close | 41.94 | 41.69 | 43.94 | 34.19 |
| Dividends paid per common share | \$ 0.025 | \$ 0.025 | \$ 0.025 | \$ 0.025 |

In the fourth quarter of 2000, the Company recorded a \$4.9 million write-down of impaired assets related to three satellite PCC plants at paper mills that have ceased or will cease operations. The Company also recognized \$5.6 million in additional bad debt expenses, primarily related to bankruptcies of major customers in the steel, paper and construction industries.

Independent Auditors' Report

The Board of Directors and Shareholders Minerals Technologies Inc.:

We have audited the accompanying consolidated balance sheet of Minerals Technologies Inc. and subsidiary companies as of December 31, 2001 and 2000 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, 2001. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Minerals Technologies Inc. and subsidiary companies as of December 31, 2001 and 2000 and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2001 in conformity with accounting principles generally accepted in the United States of America.

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

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

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

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

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

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

Neil M. Bardach
Vice President, Finance and Chief Financial Officer

Michael A. Cipolla
Controller and Chief Accounting Officer

January 22, 2002

| MINERALS TECHNOLOGIES INC. & SUBSIDIARY COMPANIES | | | | |
|---|------------|----------------------|-------------------|------------|
| SCHEDULE II-VALUATION AND QUALIFYING ACCOUNTS | | | | |
| (thousands of dollars) | | | | |
| Description | Balance at | Additions Charged | | Balance at |
| | Beginning | to Costs, Provisions | | End of |
| | of Period | and Expenses | Deductions (a)(b) | Period |
| Year ended December 31, 2001 | | | | |
| Valuation and qualifying accounts deducted from assets to which they apply: | | | | |
| Allowance for doubtful accounts | \$2,898 | \$3,930 | \$(3,131) | \$3,697 |

==== ===== ===== =====

Year ended December 31, 2000

Valuation and qualifying accounts
deducted from assets to which
they apply:

| | | | | |
|---------------------------------|---------|---------|-----------|---------|
| Allowance for doubtful accounts | \$3,100 | \$5,964 | \$(6,166) | \$2,898 |
| | ===== | ===== | ===== | ===== |

Year ended December 31, 1999

Valuation and qualifying accounts
deducted from assets to which they
apply:

| | | | | |
|---------------------------------|---------|---------|-----------|---------|
| Allowance for doubtful accounts | \$3,720 | \$1,234 | \$(1,854) | \$3,100 |
| | ===== | ===== | ===== | ===== |

(a) Includes impact of translation of foreign currencies.

(b) Uncollectible accounts charged against allowance for doubtful accounts, net of recoveries.

Employment Agreements have been executed by the Company and the indicated employees, each substantially identical in all material respects to the following form of employment agreement except as noted below. Each Employment Agreement was executed by Mr. Saueracker for the Company, except the agreement with Mr. Saueracker, which was executed by Mr. John Curcio for the Company.

| EMPLOYEE AND POSITION | BASE SALARY | DATE OF AGREEMENT | TERMINATION DATE OF AGREEMENT [IF NOT EXTENDED PURSUANT TO SECTION 1(a)] |
|---|----------------|----------------------|--|
| Gordon S. Borteck Vice President, Organization and Human Resources | \$ 200,000 | January 1, 2002 | June 30, 2003 |
| Howard R. Crabtree Senior Vice President, Minteq | \$ 275,000 | January 1, 2002 | June 30, 2003 |
| D. Randy Harrison Vice President and General Manager, Performance Minerals | \$ 200,000 | January 1, 2002 | June 30, 2003 |
| Kenneth Massimine Senior Vice President, Paper PCC | \$ 240,000 | January 1, 2002 | June 30, 2003 |
| Paul R. Saueracker Chairman, President and Chief Executive Officer | \$ 550,000 | January 1, 2002 | December 31, 2003 |
| John A. Sorel Senior Vice President, Corporate Development and Finance | \$ 265,000 | January 1, 2002 | June 30, 2003 |

EMPLOYMENT AGREEMENT

This Employment Agreement ("Agreement"), made as of the (DATE), by and between Minerals Technologies Inc., 405 Lexington Avenue, New York, New York 10174-1901, a Delaware Corporation (hereinafter referred to as "Employer"), and (NAME) (hereinafter referred to as "Executive").

WHEREAS, in furtherance of Employer's commitment to the continued success of its businesses, and in recognition of the valuable contributions to be made by Executive, Employer has agreed to employ Executive for a period commencing on (DATE), ("Commencement Date") and terminating on the expiration of the "Term" as hereinafter defined, subject to certain terms and conditions as hereinafter set forth, and Executive has indicated his willingness to accept such employment;

NOW, THEREFORE, in consideration of the mutual promises and covenants hereinafter set forth, the parties agree as follows:

1. (a) The employment of Executive by Employer will commence on the Commencement Date and, unless terminated on an earlier date in the manner hereinafter provided, shall terminate on the expiration of the Term. For purposes of this Agreement, "Term" shall mean a period beginning on the Commencement Date and ending on (DATE), subject to any extensions thereof as provided herein. On the first day of each month occurring after the Commencement Date, the Term shall automatically be extended for an additional month, but not beyond Executive's sixty-fifth birthday, unless, prior to any such first day of a month, the Employer or Executive shall have given written notice to the other party not to extend the Term. Nothing in this Section shall limit the right of the Employer or Executive to terminate Executive's employment hereunder pursuant to the terms and conditions set forth in Section 7. The Employer and Executive agree that neither such notice not to extend the Term by the Employer nor failure of this Agreement to be extended beyond Executive's sixty-fifth birthday shall be considered as a termination of Executive other than for Cause (as defined below) pursuant to Section 7(a) and shall not constitute Good Reason for Executive to terminate his employment hereunder pursuant to Section 7(c)(ii).

(b) During the Term, Executive will be employed by Employer as (TITLE), of Employer at an annual salary of not less than \$_____ ("Base Salary") and will participate in all benefit plans and other fringe benefits available to similarly situated executives in accordance with their respective terms. By (DATE), and thereafter, Employer will review Executive's salary on an annual basis in accordance with Employer's policies, to determine appropriate increases, if any. In addition to salary,

Executive will receive bonus payments as determined from time to time by Employer's Board of Directors or the Compensation and Nominating Committee thereof. Any such payment with respect to a calendar year will be made in the first quarter of the following year but shall be deemed earned and due and owing if Executive is employed (DATE) of the applicable calendar year, regardless of his status as of the payment date.

2. It is contemplated that, in connection with his employment hereunder, Executive may be required to incur reasonable and necessary travel, business entertainment and other business expenses. Employer agrees to reimburse Executive for all reasonable and necessary travel, business entertainment, and other business expenses incurred or expended by him incident to the performance of his duties hereunder, upon submission by Executive to Employer of vouchers or expense statements satisfactorily evidencing such expenses.

3. During the Term, Employer will provide retirement, employee benefits (pre- and post-retirement) and fringe benefit plans to Executive no less favorable than those made available to Employer's executive employees generally, to the extent that Executive qualifies under the eligibility provisions of such plans. Executive shall be entitled to a period of paid vacation each year as provided in Employer's established vacation policy, but in no event shall such period be shorter than that agreed to between Employer and Executive under any prior agreement.

4. Executive agrees that he shall use his best efforts to promote and protect the interest of Employer, its subsidiaries and related corporations, and to devote his full working time, attention and energy to performing the duties of his position.

5. In the event of the "Permanent Disability" (as defined below) of Executive during the Term, Employer shall have the right, upon written notice to Executive, to terminate his employment hereunder, effective upon the giving of such notice. Upon such termination, Employer and Executive shall be discharged and released from any further obligations under this Agreement, except that the obligations provided for in Section 9 hereof shall survive any such termination. Disability benefits, if any, due under applicable plans and programs of the Employer shall be determined under the provisions of such plans and programs. For purposes of this Section 5, "Permanent Disability" means any physical or mental disability or incapacity which permanently renders Executive incapable of performing the services required of him by Employer.

6. In the event of the death of Executive during the Term, the salary to which Executive is entitled hereunder shall continue to be paid through the end of the month in which death occurs, to the last beneficiary designated by Executive by written notice to Employer, or, failing such designation, to his estate. Executive's designated beneficiary or personal

representative, as the case may be, shall accept the payments provided for in this Section 6 in full discharge and release of Employer of and from any further obligations under this Agreement. Any other benefits due under applicable plans and programs of Employer shall be determined under the provisions of such plans and programs.

7. (a) Employer or Executive may terminate Executive's employment with Employer under this Agreement at any time by providing the other party with ninety (90) days advance written notice, in which case Executive's employment shall terminate at the end of said ninety-day period. In the event during the Term Employer terminates the employment of Executive for reasons other than for Cause or the Permanent Disability or death of Executive or Executive resigns for Good Reason (as defined below), Employer will pay Executive his Base Salary through the end of the Term (but in no event shall Executive be paid his Base Salary for more than fifteen (15) months following his date of termination) plus any "Termination Bonuses", as defined herein, less any severance payments paid Executive pursuant to Employer policies. For purposes of this Agreement, "Termination Bonuses" shall mean amounts which would otherwise be payable to Executive during the Term pursuant to Section 1(b) were Executive an employee of Employer, provided that in no event will any such bonus be greater in amount than the average amount of any such bonuses received by Executive in the two years immediately preceding the termination of his employment with Employer, or the amount of such bonus received by Executive in the prior year if Executive has received only one such bonus payment. In addition to the foregoing payments, Executive shall be entitled to coverage under Employer's Group Benefit Plan for medical and dental expense coverage and prescription drugs until the end of the Term. As a condition of receiving any salary payments or benefit continuation under this Section 7(a), Executive shall first sign a General Release of all claims, in the form attached hereto as Attachment "A".

(b) Executive shall be required to mitigate the amount of any payment provided for pursuant to Section 7(a) by seeking other comparable employment within a reasonable commuting distance of his home, taking into account the provisions of Section 9 of this Agreement. Anything in this Agreement to the contrary notwithstanding, in the event that Executive provides services for pay to anyone other than Employer or any of its affiliates or subsidiaries from the date Executive's employment hereunder is terminated and during such period as Executive is receiving salary continuation payments pursuant to Section 7(a), the amounts to be paid to Executive during such period pursuant to this Agreement shall be reduced by the amounts of salary, bonus or other cash compensation earned by Executive during such period as a result of Executive's performing such services.

(c) For purposes of this Agreement:

(i) "Cause" shall be limited to the following:

(A) Executive shall have failed to perform any of his material obligations as set forth herein, provided that Employer has advised Executive of such failure and given Executive a reasonable period of time to cure such failure and Executive has failed to do so; or

(B) Executive shall commit acts constituting (i) a felony involving moral turpitude materially adversely reflecting on the Employer or (ii) fraud or theft against Employer.

(ii) "Good Reason" shall mean termination at the election of Executive based on any of the following:

(A) The assignment to Executive of any duties substantially inconsistent with his status as (TITLE), of Employer or a substantial adverse alteration in the nature or status of his responsibilities pursuant to this Agreement, except in connection with the termination of his employment for Cause, or normal retirement, death, or by Executive other than for Good Reason;

(B) A reduction of Executive's fringe or retirement benefits that is not applied by Employer to executives generally or a reduction by Employer in Executive's Base Salary;

(C) The merger or consolidation of Employer into or with any other entity, or the sale of all or substantially all of the assets of Employer to an unaffiliated entity unless the entity which survives such merger or to whom such assets are transferred shall assume and agree to perform the obligations of Employer hereunder pursuant to an instrument reasonably acceptable to Executive; or

(D) Separation of Executive's office location from the principal corporate office of Employer or relocation outside the contiguous United States.

8. Employer shall have the right to terminate this Agreement immediately with no further liability under its terms if Executive terminates his employment without Good Reason, or if Executive is discharged by Employer for Cause. In such event, Executive shall be entitled only to receive his earned Base Salary through the date of termination and to receive any bonus payment to which he may be entitled pursuant to Section 1(a). It is agreed that the provisions of Section 9 shall survive any such termination of this Agreement.

9. (a) Executive agrees that during the term of his employment hereunder and, subject to the last sentence of this Section 9(a), during the further period of two (2) years after the termination of such employment for whatever reason, Executive shall not, without the prior written approval of Employer, directly or indirectly through any other person, firm or corporation, (i) engage or participate in or become employed by or render advisory or other services to or for any person, firm or corporation, or in connection with any business enterprise, which is, directly or indirectly, in competition with any of the business operations or activities of Employer, or (ii) solicit, raid, entice or induce any such person who on the date of termination of employment of Executive is, or within the last six (6) months of Executive's employment by Employer was, an employee of Employer, to become employed by any person, firm or corporation which is, directly or indirectly, in competition with any of the business operations or activities of Employer, and Executive shall not approach any such employee or former employee for such purpose or authorize or knowingly approve the taking of such actions by any other person; provided, however, that Executive shall not be bound by the restrictions contained in clause (i) of this Section 9(a) if Employer terminates his employment during Term other than for "Cause" (as defined in Section 7(c) hereof). The foregoing restrictions shall apply to the geographical areas where Employer does business and/or did business during the term of Executive's employment and all places where, at the date of termination of employment of Executive, Employer had plans or reasonable expectations to do business; provided that if any Court construes any portion of this provision or clause of this Agreement, or any portion thereof, to be illegal, void or unenforceable because of the duration of such provision or the area or matter covered thereby, such Court shall reduce the duration, area, or matter of such provision and, in its reduced form, such provision shall then be enforceable and shall be enforced. Notwithstanding the provisions of this Section 9, Employer shall be entitled to enforce the provisions of Section 9(a)(i) following the end of Executive's term of employment hereunder only during such time as the Employer continues to pay Executive an amount equal to the Base Salary that Executive was receiving at the time of such termination, unless Executive was terminated for Cause.

(b) Recognizing that the knowledge, information and relationship with customers, suppliers, and agents, and the knowledge of Employer's and its subsidiary companies' business methods, systems, plans and policies which Executive shall hereafter establish, receive or obtain as an employee of Employer or its subsidiary companies, are valuable and unique assets of the respective businesses of Employer and its subsidiary companies, Executive agrees that, during and after the term of his employment hereunder, he shall not (otherwise than pursuant to his duties hereunder) disclose, without the prior written approval of Employer, any such knowledge or information pertaining to Employer or any of its subsidiary companies, their business, personnel or policies, to any person, firm, corporation or other entity, for any reason or purpose whatsoever. The provisions of this Section 9(b) shall not apply to information which is or shall become generally known to the public or the trade (other than by reason of Executive's breach of his obligations hereunder), information which is or shall become available in trade or other publications, and information which Executive is required to disclose by law or an order of a court of competent jurisdiction. If Executive is required by law or a court order to disclose such information, he shall notify Employer

of such requirement and provide Employer an opportunity (if Employer so elects) to contest such law or court order.

10. Executive agrees that Employer shall withhold from any and all payments required to be made to Executive pursuant to this Agreement, all federal, state, local and/or other taxes which Employer determines are required to be withheld in accordance with applicable statutes and/or regulations from time to time in effect.

11. Executive shall not during the Term or at any time thereafter engage in any conduct, or make any statements or representations, that disparage, demean, or impugn the Company or its subsidiaries or affiliates, or any of their respective directors, officers, employees or consultants, including without limitation any statements impugning the personal or professional character of any such director, officer, employee or consultant. Company shall not authorize any conduct, or any statements or representations, that disparage, demean, or impugn Executive, including without limitation any statements impugning the personal or professional character of Executive.

12. This Agreement shall be construed under the laws of the State of New York.

13. This Agreement supersedes all prior negotiations and understandings of any kind with respect to the subject matter hereof and contains all of the terms and provision of agreement between the parties hereto with respect to the subject matter hereof. Any representation, promise or condition, whether written or oral, not specifically incorporated herein, shall be of no binding effect upon the parties.

14. (a) If any portion of this Agreement is held invalid or unenforceable by a court of competent jurisdiction, that portion only shall be deemed deleted as though it had never been included herein but the remainder of this Agreement shall remain in full force and effect.

(b) Executive acknowledges and agrees that Employer's remedies at law for a breach or threatened breach of any of the provisions of Section 9 would be inadequate and, in recognition of this fact, Executive agrees that, in the event of such a breach or threatened breach, in addition to any remedies at law, Employer, without posting any bond, shall be entitled to obtain equitable relief in the form of specific performance, temporary restraining order, temporary or permanent injunction or any other equitable remedy which may then be available.

(c) This Agreement shall not be assignable by Executive.

15. No modification, termination or waiver of any provision of this Agreement shall be valid unless it is in writing and signed by both parties hereto.

16. Employer represents that it has all requisite power and authority to execute and deliver this Agreement and to perform its obligations under this Agreement, and that this Agreement is enforceable against it in accordance with its terms.

MINERALS TECHNOLOGIES INC.

By: _____

Name: Paul R. Saueracker

Title: Chairman, President and Chief Executive Officer

Agreed to by:

Executive

Severance Agreements have been executed by the Company and the indicated employees, each substantially identical in all material respects to the form of Severance Agreement filed as Exhibit 10.6 to the Company's 2001 Annual Report on Form 10-K except as noted below.

| EMPLOYEE | POSITION | DATE OF AGREEMENT |
|--------------------|---|-------------------|
| Gordon S. Borteck | Vice President, Organization and Human Resources | March 15, 2002 |
| Howard R. Crabtree | Senior Vice President, Minteq | March 15, 2002 |
| D. Randy Harrison | Vice President and General Manager, Performance Minerals | March 15, 2002 |
| Kenneth Massimine | Senior Vice President, Paper PCC | March 15, 2002 |
| John A. Sorel | Senior Vice President, Corporate Development and Finance | March 15, 2002 |

2001 STOCK AWARD AND INCENTIVE PLAN
OF
MINERALS TECHNOLOGIES INC.
(as amended October 18, 2001)

TABLE OF CONTENTS

| | <u>PAGE</u> |
|---|---------------------------|
| Purpose..... | <u>1</u> |
| Definitions..... | <u>1</u> |
| Administration..... | <u>3</u> |
| Stock Subject to Plan..... | <u>5</u> |
| Eligibility; Per-Person Award Limitations..... | <u>5</u> |
| Specific Terms of Awards..... | <u>6</u> |
| Performance Awards, Including Annual Incentive Awards..... | <u>10</u> |
| Certain Provisions Applicable to Awards..... | <u>13</u> |
| Change in Control..... | <u>15</u> |
| Additional Award Forfeiture Provisions..... | <u>17</u> |
| General Provisions..... | <u>20</u> |

2001 STOCK AWARD AND INCENTIVE PLAN
OF MINERALS TECHNOLOGIES INC.

1. *Purpose.* The purpose of this 2001 Stock Award and Incentive Plan (the "Plan") is to aid Minerals Technologies Inc., a Delaware corporation (the "Company"), in attracting, retaining, motivating and rewarding employees, non-employee directors, and other persons who provide substantial services to the Company or its subsidiaries or affiliates, to provide for equitable and competitive compensation opportunities, to recognize individual contributions and reward achievement of Company goals, and promote the creation of long-term value for stockholders by closely aligning the interests of Participants with those of stockholders. The Plan authorizes stock-based and cash-based incentives for Participants.
2. *Definitions.* In addition to the terms defined in Section 1 above and elsewhere in the Plan, the following capitalized terms used in the Plan have the respective meanings set forth in this Section:
- (a) "Annual Incentive Award" means a type of Performance Award granted to a Participant under Section 7(c) representing a conditional right to receive cash, Stock or other Awards or payments, as determined by the Committee, based on performance in a performance period of one fiscal year or a portion thereof.
 - (b) "Award" means any Option, Restricted Stock, Deferred Stock, Stock granted as a bonus or in lieu of another award, Dividend Equivalent, Other Stock-Based Award, Performance Award or Annual Incentive Award, together with any related right or interest, granted to a Participant under the Plan.
 - (c) "Beneficiary" means the legal representatives of the Participant's estate entitled by will or the laws of descent and distribution to receive the benefits under a Participant's Award upon a Participant's death, provided that, if and to the extent authorized by the Committee, a Participant may be permitted to designate a Beneficiary, in which case the "Beneficiary" instead will be the person, persons, trust or trusts (if any are then surviving) which have been designated by the Participant in his or her most recent written beneficiary designation filed with the Committee to receive the benefits specified under the Participant's Award upon such Participant's death. Unless otherwise determined by the Committee, any designation of a Beneficiary other than a Participant's spouse shall be subject to the written consent of such spouse.
 - (d) "Board" means the Company's Board of Directors.
 - (e) "Change in Control" and related terms have the meanings specified in Section 9.
 - (f) "Code" means the Internal Revenue Code of 1986, as amended. References to any provision of the Code or regulation (including a proposed regulation) thereunder shall include any successor provisions and regulations.

1

- (g) "Committee" means the Compensation and Nominating Committee of the Board; provided, however, that, directors appointed or serving as members of the Committee shall not be employees of the Company or any subsidiary or affiliate. In appointing members of the Committee, the Board will consider whether a member is or will be a Qualified Member, but such members are not required to be Qualified Members at the time of appointment or during their term of service on the Committee. The full Board may perform any function of the Committee hereunder, in which case the term "Committee" shall refer to the Board.
- (h) "Covered Employee" means an Eligible Person who is a Covered Employee as specified in Section 11(j).
- (i) "Deferred Stock" means a right, granted to a Participant under Section 6(d), to receive Stock or Other Stock-Based Awards or a combination thereof at the end of a specified deferral period.
- (j) "Dividend Equivalent" means a right, granted to a Participant under Section 6(f), to receive cash, Stock, other Awards or other property equal in value to all or a specified portion of the dividends paid with respect to a specified number of shares of Stock.
- (k) "Effective Date" means the effective date specified in Section 11(p).
- (l) "Eligible Person" has the meaning specified in Section 5.
- (m) "Exchange Act" means the Securities Exchange Act of 1934, as amended. References to any provision of the Exchange Act or rule (including a proposed rule) thereunder shall include any successor provisions and rules.
- (n) "Fair Market Value" means the fair market value of Stock, Awards or other property as determined by the Committee or under procedures established by the Committee. Unless otherwise determined by the Committee, the Fair Market Value of Stock shall be the average of the high and low sales prices per share of Stock reported on a consolidated basis for securities listed on the principal stock exchange or market on which Stock is traded on the day on which the Award of such Stock is made or, if there is no sale on that day, then on the next day on which a sale is reported.
- (o) "Incentive Stock Option" or "ISO" means any Option designated as an incentive stock option within the meaning of Code Section 422 or any successor provision thereto and qualifying thereunder.
- (p) "Option" means a right, granted to a Participant under Section 6(b), to purchase Stock or Other Stock-Based Awards at a specified price during specified time periods.

2

- (q) "Other Stock-Based Awards" means Awards granted to a Participant under Section 6(g).
- (r) "Participant" means a person who has been granted an Award under the Plan which remains outstanding, including a person who is no longer an Eligible Person.
- (s) "Performance Award" means a conditional right, granted to a Participant under Sections 6(h) and 7, to receive cash, Stock or other Awards or payments, as determined by the Committee, based upon performance criteria specified by the Committee.
- (t) "Preexisting Plan" means the Stock and Incentive Plan of Minerals Technologies Inc. (as amended and restated as of February 22, 2001).
- (u) "Qualified Member" means a member of the Committee who is a "Non-Employee Director" within the meaning of Rule 16b-3(b)(3) and an "outside director" within the meaning of Regulation 1.162-27 under Code Section 162(m).
- (v) "Restricted Stock" means Stock granted to a Participant under Section 6(c) which is subject to certain restrictions and to a risk of forfeiture.
- (w) "Rule 16b-3" means Rule 16b-3, as from time to time in effect and applicable to Participants, promulgated by the Securities and Exchange Commission under Section 16 of the Exchange Act.
- (x) "Stock" means the Company's Common Stock, par value \$0.10 per share, and any other equity securities of the Company that may be substituted or resubstituted for Stock pursuant to Section 11(c).

3. *Administration.*

- (a) *Authority of the Committee.* The Plan shall be administered by the Committee, which shall have full and final authority, in each case subject to and consistent with the provisions of the Plan, to select Eligible Persons to become Participants; to grant Awards; to determine the type and number of Awards, the dates on which Awards may be exercised and on which the risk of forfeiture or the deferral period relating to Awards shall lapse or terminate; the acceleration of any such dates, the expiration date of any Award; whether, to what extent, and under what circumstances an Award may be settled, or the exercise price of an Award may be paid, in cash, Stock, other Awards, or other property; and other terms and conditions of, and all other matters relating to, Awards; to prescribe documents evidencing or setting terms of Awards (such Award documents need not be identical for each Participant), amendments thereto, and rules and regulations for the administration of the Plan and amendments thereto; to construe and interpret the Plan and Award documents and correct defects, supply omissions or reconcile inconsistencies therein; and to make all other decisions and determinations as the Committee may deem necessary or advisable for the administration of the Plan. Decisions of the Committee with respect to the

3

administration and interpretation of the Plan shall be final, conclusive, and binding upon all persons interested in the Plan, including Participants, Beneficiaries, transferees under Section 11(b), and other persons claiming rights from or through a Participant, and stockholders. The foregoing notwithstanding, the Board shall perform the functions of the Committee for purposes of granting Awards under the Plan to non-employee directors (authority with respect to other aspects of non-employee director awards is not exclusive to the Board, however).

- (b) *Manner of Exercise of Committee Authority.* At any time that a member of the Committee is not a Qualified Member, (i) any action of the Committee relating to an Award intended by the Committee to qualify as "performance-based compensation" within the meaning of Code Section 162(m) and regulations thereunder may be taken by a subcommittee, designated by the Committee or the Board, composed solely of two or more Qualified Members, and (ii) any action relating to an Award granted or to be granted to a Participant who

is then subject to Section 16 of the Exchange Act in respect of the Company may be taken either by such a subcommittee or by the Committee but with each such member who is not a Qualified Member abstaining or recusing himself or herself from such action, provided that, upon such abstention or recusal, the Committee remains composed of two or more Qualified Members. Such action, authorized by such a subcommittee or by the Committee upon the abstention or recusal of such non-Qualified Member(s), shall be the action of the Committee for purposes of the Plan. The express grant of any specific power to the Committee, and the taking of any action by the Committee, shall not be construed as limiting any power or authority of the Committee. The Committee may delegate to those officers who from time to time comprise the Management Committee of the Company the authority, subject to such terms as the Committee shall determine, to perform such functions, including administrative functions, as the Committee may determine, to the extent that such delegation will not result in the loss of an exemption under Rule 16b-3(d) for Awards granted to Participants subject to Section 16 of the Exchange Act in respect of the Company and will not cause Awards intended to qualify as "performance-based compensation" under Code Section 162(m) to fail to so qualify. In addition, no such delegation will authorize such officers to grant options on more than 20,000 shares in the aggregate in any calendar year, authorize the grant of options on more than 1,500 shares to any employee in any calendar year, or authorize the grant of options to any person who is an officer or director of the Company. Any options granted by such officers pursuant to any such delegation shall be promptly reported to the Committee.

(c) *Limitation of Liability.* The Committee and each member thereof, and any person acting pursuant to authority delegated by the Committee, shall be entitled, in good faith, to rely or act upon any report or other information furnished by any executive officer, other officer or employee of the Company or a subsidiary or affiliate, the Company's independent auditors, consultants or any other agents assisting in the administration of the Plan. Members of the Committee, any person acting pursuant to authority delegated by the Committee, and any officer or employee of the Company or a subsidiary or affiliate acting at the direction or on behalf of the Committee or a delegate shall not be personally liable for any action or determination taken or made in good faith with respect to the Plan, and shall,

4

to the extent permitted by law, be fully indemnified and protected by the Company with respect to any such action or determination.

4. Stock Subject to Plan.

(a) *Overall Number of Shares Available for Delivery.* Subject to adjustment as provided in Section 11(c), the total number of shares of Stock reserved and available for delivery in connection with Awards under the Plan shall be (i) 500,000 shares, plus (ii) the number of shares that, immediately prior to the Effective Date, remain available for issuance under the Preexisting Plan (1,017,268 shares) plus (iii) the number of shares subject to awards under the Preexisting Plan which become available in accordance with Section 4(b) after the Effective Date plus (iv) 15% of the number of shares issued or delivered by the Company during the term of the Plan other than issuances or deliveries under the Plan or other incentive compensation plans of the Company; provided, however, that the total number of shares with respect to which ISOs may be granted shall not exceed the number specified under clause (i) plus the number specified under clause (ii) above; and provided further, that the total number of shares which may be issued and delivered in connection with Awards other than Options shall not exceed 10% of the total number of shares reserved under the Plan. Any shares of Stock delivered under the Plan shall consist of authorized and unissued shares or treasury shares.

(b) *Share Counting Rules.* The Committee may adopt reasonable counting procedures to ensure appropriate counting, avoid double counting (as, for example, in the case of tandem or substitute awards) and make adjustments if the number of shares of Stock actually delivered differs from the number of shares previously counted in connection with an Award. Shares subject to an Award or an award under the Preexisting Plan that is canceled, expired, forfeited, settled in cash or otherwise terminated without a delivery of shares to the Participant will again be available for Awards, and shares withheld in payment of the exercise price or taxes relating to an Award or Preexisting Plan award and shares equal to the number surrendered in payment of any exercise price or taxes relating to an Award or Preexisting Plan award shall be deemed to constitute shares not delivered to the Participant and shall be deemed to again be available for Awards under the Plan. In addition, in the case of any Award granted in substitution for an award of a company or business acquired by the Company or a subsidiary or affiliate, shares issued or issuable in connection with such substitute Award shall not be counted against the number of shares reserved under the Plan, but shall be available under the Plan by virtue of the Company's assumption of the plan or arrangement of the acquired company or business. This Section 4(b) shall apply to the number of shares reserved and available for ISOs only to the extent consistent with applicable regulations relating to ISOs under the Code.

5. *Eligibility; Per-Person Award Limitations.* Awards may be granted under the Plan only to Eligible Persons. For purposes of the Plan, an "Eligible Person" means an employee of the Company or any subsidiary or affiliate, including any executive officer, a

5

non-employee director of the Company, a consultant or other person who provides substantial services to the Company or a subsidiary or affiliate, and any person who has been offered employment by the Company or a subsidiary or affiliate, provided that such prospective employee may not receive any payment or exercise any right relating to an Award until such person has commenced employment with the Company or a subsidiary or affiliate. An employee on leave of absence may be considered as still in the employ of the Company or a subsidiary or affiliate for purposes of eligibility for participation in the Plan. For purposes of the Plan, a joint venture in which the Company or a subsidiary has a substantial direct or indirect equity investment shall be deemed an affiliate, if so determined by the Committee. In each calendar year during any part of which the Plan is in effect, an Eligible Person may be granted Awards intended to qualify as "performance-based compensation" under Code Section 162(m) under each of Section 6(b), 6(c), 6(d), 6(e), 6(f), or 6(g) relating to up to his or her Annual Limit (such Annual Limit to apply separately to the type of Award authorized under each specified subsection, except that the limitation applies to Dividend Equivalents under Section 6(f) only if such Dividend Equivalents are granted separately from and not as a feature of another Award). A Participant's Annual Limit, in any year during any part of which the Participant is then eligible under the Plan, shall equal 500,000 shares plus the amount of the Participant's unused Annual Limit relating to the same type of Award as of the close of the previous year, subject to adjustment as provided in Section 11(c). In the case of an Award which is not valued in a way in which the limitation set forth in the preceding sentence would operate as an effective limitation satisfying Treasury Regulation 1.162-27(e)(4) (including a Performance Award under Section 7 not related to an Award specified in Section 6), an Eligible Person may not be granted Awards authorizing the earning during any calendar year of an amount that exceeds the Participant's Annual Limit, which for this purpose shall equal \$3 million plus the amount of the Participant's unused cash Annual Limit as of the close of the previous year (this limitation is separate and not affected by the number of Awards granted during such calendar year subject to the limitation in the preceding sentence). For this purpose, (i) "earning" means satisfying performance conditions so that an amount becomes payable, without regard to whether it is to be paid currently or on a deferred basis or continues to be subject to any service requirement or other non-performance condition, and (ii) a Participant's Annual Limit is used to the extent an amount or number of shares may be potentially earned or paid under an Award, regardless of whether such amount or shares are in fact earned or paid.

6. Specific Terms of Awards.

(a) *General.* Awards may be granted on the terms and conditions set forth in this Section 6. In addition, the Committee may impose on any Award or the exercise thereof, at the date of grant or thereafter (subject to Section 11(e)), such additional terms and conditions, not inconsistent with the provisions of the Plan, as the Committee shall determine, including terms requiring forfeiture of Awards in the event of termination of employment or service by the Participant and terms permitting a Participant to make elections relating to his or her Award. The Committee shall retain full power and discretion with respect to any term or condition of an Award

6

that is not mandatory under the Plan. The Committee shall require the payment of lawful consideration for an Award to the extent necessary to satisfy the requirements of the Delaware General Corporation Law, and may otherwise require payment of consideration for an Award except as limited by the Plan.

(b) *Options.* The Committee is authorized to grant Options to Participants on the following terms and conditions:

(i) *Exercise Price.* The exercise price per share of Stock purchasable under an Option (including both ISOs and non-qualified Options) shall be determined by the Committee, provided that such exercise price shall be not less than the Fair Market Value of a share of Stock on the date of grant of such Option, subject to Sections 6(e) and 8(a).

(ii) *Option Term; Time and Method of Exercise.* The Committee shall determine the term of each Option, provided that in no event shall the term of any ISO exceed a period of ten years from the date of grant. The Committee shall determine the time or times at which or the circumstances under which an Option may be exercised in whole or in part (including based on achievement of performance goals and/or future service requirements), the methods by which such exercise price may be paid or deemed to be paid and the form of such payment (subject to Section 11(k)), including, without limitation, cash, Stock, other Awards or awards granted under other plans of the Company or any subsidiary or affiliate, or other property (including notes and other contractual obligations of Participants to make payment on a deferred basis, such as through "cashless exercise" arrangements, to the extent permitted by applicable law), and the methods by or forms in which Stock will be delivered or deemed to be delivered in satisfaction of Options to Participants (including deferred delivery of shares representing the Option "profit," at the election of the Participant or as mandated by the Committee, with such deferred shares subject to any vesting, forfeiture or other terms as the Committee may specify).

(iii) *ISOs.* The terms of any ISO granted under the Plan shall comply in all respects with the provisions of Code Section 422, including but not limited to the requirement that no ISO shall be granted more than ten years after the Effective Date.

(iv) *Non-Employee Director Option Grants.* At any time that the Compensation and Nominating Committee grants across-the-board options to employees, Non-Employee Directors shall also be granted options, using the same ratio of number of options granted to amount of compensation as is used in determining options granted to employees in the across-the-board option grant. For this purpose, the Non-Employee Director's compensation in the prior year shall be used, with any units included in such compensation valued as of the date of their award.

(c) *Restricted Stock.* The Committee is authorized to grant Restricted Stock to Participants on the following terms and conditions:

7

(i) *Grant and Restrictions.* In addition to any restrictions imposed by law, Restricted Stock shall be subject to such restrictions on transferability, risk of forfeiture and other restrictions, if any, as the Committee may impose, which restrictions may lapse separately or in combination at such times, under such circumstances (including based on achievement of performance goals and/or future service requirements), in such installments or otherwise and under such other circumstances as the Committee may determine at the date of grant or thereafter. Except to the extent restricted under the terms of the Plan and any Award document relating to the Restricted Stock, a Participant granted Restricted Stock shall have all of the rights of a stockholder, including the right to vote the Restricted Stock and the right to receive dividends thereon (subject to any mandatory reinvestment or other requirement imposed by the Committee).

(ii) *Forfeiture.* Except as otherwise determined by the Committee, upon termination of employment or service during the applicable restriction period, Restricted Stock that is at that time subject to restrictions shall be forfeited and reacquired by the Company; provided that the Committee may provide, by rule or regulation or in any Award document, or may determine in any individual case, that restrictions or forfeiture conditions relating to Restricted Stock will lapse in whole or in part, including in the event of terminations resulting from specified causes.

(iii) *Certificates for Stock.* Restricted Stock granted under the Plan may be evidenced in such manner as the Committee shall determine. If certificates representing Restricted Stock are registered in the name of the Participant, the Committee may require that such certificates bear an appropriate legend referring to the terms, conditions and restrictions applicable to such Restricted Stock, that the Company retain physical possession of the certificates, and that the Participant deliver a stock power to the Company, endorsed in blank, relating to the Restricted Stock.

(iv) *Dividends and Splits.* As a condition to the grant of an Award of Restricted Stock, the Committee may require that any dividends paid on a share of Restricted Stock shall be either (A) paid with respect to such Restricted Stock at the dividend payment date in cash, in kind, or in a number of shares of unrestricted Stock having a Fair Market Value equal to the amount of such dividends, or (B) automatically reinvested in additional Restricted Stock or held in kind, which shall be subject to the same terms as applied to the original Restricted Stock to which it relates, or (C) deferred as to payment, either as a cash deferral or with the amount or value thereof automatically deemed reinvested in shares of Deferred Stock, other Awards or other investment vehicles, subject to such terms as the Committee shall determine or permit a Participant to elect. Unless otherwise determined by the Committee, Stock distributed in connection with a Stock split or Stock dividend, and other property distributed as a dividend, shall be subject to restrictions and a risk of forfeiture to the same extent as the Restricted Stock with respect to which such Stock or other property has been distributed.

8

(d) *Deferred Stock.* The Committee is authorized to grant Deferred Stock to Participants, which are rights to receive Stock, other Awards, or a combination thereof at the end of a specified deferral period, subject to the following terms and conditions:

(i) *Award and Restrictions.* Issuance of Stock will occur upon expiration of the deferral period specified for an Award of Deferred Stock by the Committee (or, if permitted by the Committee, as elected by the Participant). In addition, Deferred Stock shall be subject to such restrictions on transferability, risk of forfeiture and other restrictions, if any, as the Committee may impose, which restrictions may lapse at the expiration of the deferral period or at earlier specified times (including based on achievement of performance goals and/or future service requirements), separately or in combination, in installments or otherwise, and under such other circumstances as the Committee may determine at the date of grant or thereafter. Deferred Stock rights may be satisfied by delivery of Stock, other Awards, or a combination thereof (subject to Section 11(k)), as determined by the Committee at the date of grant or thereafter.

(ii) *Forfeiture.* Except as otherwise determined by the Committee, upon termination of employment or service during the applicable deferral period or portion thereof to which forfeiture conditions apply (as provided in the Award document evidencing the Deferred Stock), all Deferred Stock that is at that time subject to such forfeiture conditions shall be forfeited; provided that the Committee may provide, by rule or regulation or in any Award document, or may determine in any individual case, that restrictions or forfeiture conditions relating to Deferred Stock will lapse in whole or in part, including in the event of terminations resulting from specified causes.

(iii) *Dividend Equivalents.* Unless otherwise determined by the Committee, Dividend Equivalents on the specified number of shares of Stock covered by an Award of Deferred Stock shall be either (A) paid with respect to such Deferred Stock at the dividend payment date in cash or in shares of unrestricted Stock having a Fair Market Value equal to the amount of such dividends, or (B) deferred with respect to such Deferred Stock, either as a cash deferral or with the amount or value thereof automatically deemed reinvested in additional Deferred Stock, other Awards or other investment vehicles having a Fair Market Value equal to the amount of such dividends, as the Committee shall determine or permit a Participant to elect.

(e) *Bonus Stock and Awards in Lieu of Obligations.* The Committee is authorized to grant Stock as a bonus, or to grant Stock or other Awards in lieu of obligations of the Company or a subsidiary or affiliate to pay cash or deliver other property under the Plan or under other plans or compensatory arrangements, subject to such terms as shall be determined by the Committee.

(f) *Dividend Equivalents.* The Committee is authorized to grant Dividend Equivalents to a Participant, entitling the Participant to receive cash, Stock, other Awards, or other property equivalent to all or a portion of the dividends paid with respect to a

9

specified number of shares of Stock. Dividend Equivalents may be awarded on a free-standing basis or in connection with another Award. The Committee may provide that Dividend Equivalents shall be paid or distributed when accrued or shall be deemed to have been reinvested in additional Stock, Awards, or other investment vehicles, and subject to restrictions on transferability, risks of forfeiture and such other terms as the Committee may specify.

(g) *Other Stock-Based Awards.* The Committee is authorized, subject to limitations under applicable law, to grant to Participants such other Awards that may be denominated or payable in, valued in whole or in part by reference to, or otherwise based on, or related to, Stock or factors that may influence the value of Stock, including, without limitation, convertible or exchangeable debt securities, other rights convertible or exchangeable into Stock, purchase rights for Stock, Awards with value and payment contingent upon performance of the Company or business units thereof or any other factors designated by the Committee, and Awards valued by reference to the book value of Stock or the value of securities of or the performance of specified subsidiaries or affiliates or other business units. The Committee shall determine the terms and conditions of such Awards. Stock delivered pursuant to an Award in the nature of a purchase right granted under this Section 6(g) shall be purchased for such consideration, paid for at such times, by such methods, and in such forms, including, without limitation, cash, Stock, other Awards, notes, or other property, as the Committee shall determine. Cash awards, as an element of or supplement to any other Award under the Plan, may also be granted pursuant to this Section 6(g).

(h) *Performance Awards.* Performance Awards, denominated in cash or in Stock or other Awards, may be granted by the Committee in accordance with Section 7.

7. Performance Awards, Including Annual Incentive Awards.

(a) *Performance Awards Generally.* The Committee is authorized to grant Performance Awards on the terms and conditions specified in this Section 7. Performance Awards may be denominated as a cash amount, a number of shares of Stock, or a specified number of other Awards (or a combination of the foregoing) which may be earned upon achievement or satisfaction of performance conditions specified by the Committee. In addition, the Committee may specify that any other Award shall constitute a Performance Award by conditioning the right of a Participant to exercise the Award or have it settled, and the timing thereof, upon achievement or satisfaction of such performance conditions as may be specified by the Committee. The Committee may use such business criteria and other measures of performance as it may deem appropriate in establishing any performance conditions, and may exercise its discretion to reduce or increase the amounts payable under any Award subject to performance conditions, except as limited under Sections 7(b) and 7(c) in the case of a Performance Award intended to qualify as "performance-based compensation" under Code Section 162(m).

(b) *Performance Awards Granted to Covered Employees.* If the Committee determines that a Performance Award to be granted to an Eligible Person who is designated by the Committee as likely to be a Covered Employee should qualify as

10

"performance-based compensation" for purposes of Code Section 162(m), the grant, exercise and/or settlement of such Performance Award shall be contingent upon achievement of a preestablished performance goal and other terms set forth in this Section 7(b). Such Performance Awards shall be subject to the per-person maximum limitation set forth in Section 5.

(i) *Performance Goal Generally.* The performance goal for such Performance Awards shall consist of one or more business criteria and a targeted level or levels of performance with respect to each of such criteria, as specified by the Committee consistent with this Section 7(b). The performance goal shall be objective and shall otherwise meet the requirements of Code Section 162(m) and regulations thereunder (including Regulation 1.162-27 and successor regulations thereto), including the requirement that the level or levels of performance targeted by the Committee result in the achievement of performance goals being "substantially uncertain." The Committee may determine that such Performance Awards shall be granted, exercised and/or settled upon achievement of any one performance goal or that two or more of the performance goals must be achieved as a condition to grant, exercise and/or settlement of such Performance Awards. Performance goals may differ for Performance Awards granted to any one Participant or to different Participants.

(ii) *Business Criteria.* One or more of the following business criteria for the Company, on a consolidated basis, and/or for specified subsidiaries or affiliates or other business units of the Company shall be used by the Committee in establishing performance goals for such Performance Awards: (1) net sales; (2) earnings from operations, earnings before or after taxes, earnings before or after interest, depreciation, amortization, or extraordinary or special items; (3) net income or net income per common share (basic or diluted); (4) return on assets, return on invested capital, return on total capital, or return on equity; (5) cash flow, free cash flow, cash flow return on investment, or net cash provided by operations; (6) interest expense after taxes; (7) economic value created; (8) operating margin, or profit margin; (9) stock price or total stockholder return; and (10) strategic business criteria, consisting of one or more objectives based on meeting specified market penetration, geographic business expansion goals, cost targets, customer satisfaction, employee satisfaction, management of employment practices and employee benefits, supervision of litigation and information technology, and goals relating to acquisitions or divestitures of subsidiaries, affiliates or joint ventures. The targeted level or levels of performance with respect to such business criteria may be established at such levels and in such terms as the Committee may determine, in its discretion, including in absolute terms, as a goal relative to performance in prior periods, or as a goal compared to the performance of one or more comparable companies or an index covering multiple companies.

(iii) *Performance Period; Timing for Establishing Performance Goals.* Achievement of performance goals in respect of such Performance Awards shall be measured over a performance period of up to one year or more than one year, as

11

specified by the Committee. A performance goal shall be established not later than the earlier of (A) 90 days after the beginning of any performance period applicable to such Performance Award or (B) the time 25% of such performance period has elapsed.

(iv) *Performance Award Pool.* The Committee may establish a Performance Award pool, which shall be an unfunded pool, for purposes of measuring performance of the Company in connection with Performance Awards. The amount of such Performance Award pool shall be based upon the achievement of a performance goal or goals based on one or more of the business criteria set forth in Section 7(b)(ii) during the given performance period, as specified by the Committee in accordance with Section 7(b)(iv). The Committee may specify the amount of the Performance Award pool as a percentage of any of such business criteria, a percentage thereof in excess of a threshold amount, or as another amount which need not bear a strictly mathematical relationship to such business criteria.

(v) *Settlement of Performance Awards; Other Terms.* Settlement of such Performance Awards shall be in cash, Stock, other Awards or other property, in the discretion of the Committee. The Committee may, in its discretion, increase or reduce the amount of a settlement otherwise to be made in connection with such Performance Awards, but may not exercise discretion to increase any such amount payable to a Covered Employee in respect of a Performance Award subject to this Section 7(b). Any settlement which changes the form of payment from that originally specified shall be implemented in a manner such that the Performance Award and other related Awards do not, solely for that reason, fail to qualify as "performance-based compensation" for purposes of Code Section 162(m). The Committee shall specify the circumstances in which such Performance Awards shall be paid or forfeited in the event of termination of employment by the Participant or other event (including a Change in Control) prior to the end of a performance period or settlement of such Performance Awards.

(c) *Annual Incentive Awards Granted to Designated Covered Employees.* The Committee may grant an Annual Incentive Award to an Eligible Person who is designated by the Committee as likely to be a Covered Employee. Such Annual Incentive Award will be intended to qualify as "performance-based compensation" for purposes of Code Section 162(m), and therefore its grant, exercise and/or settlement shall be contingent upon achievement of pre-established performance goals and other terms set forth in this Section 7(c).

(i) *Grant of Annual Incentive Awards.* Not later than the earlier of 90 days after the beginning of any performance period applicable to such Annual Incentive Award or the time 25% of such performance period has elapsed, the Committee shall determine the Covered Employees who will potentially receive Annual Incentive Awards, and the amount(s) potentially payable thereunder, for that performance period. The amount(s) potentially payable shall be based upon the achievement of a performance goal or goals based on one or more of the business criteria set forth in

12

Section 7(b)(ii) in the given performance period, as specified by the Committee. The Committee may designate an annual incentive award pool as the means by which Annual Incentive Awards will be measured, which pool shall conform to the provisions of Section 7(b)(iv). In such case, the portion of the Annual Incentive Award pool potentially payable to each Covered Employee shall be preestablished by the Committee. In all cases, the maximum Annual Incentive Award of any Participant shall be subject to the limitation set forth in Section 5.

(ii) *Payout of Annual Incentive Awards.* After the end of each performance period, the Committee shall determine the amount, if any, of the Annual Incentive Award for that performance period payable to each Participant. The Committee may, in its discretion, determine that the amount payable to any Participant as a final Annual Incentive Award shall be reduced from the amount of his or her potential Annual Incentive Award, including a determination to make no final Award whatsoever, but may not exercise discretion to increase any such amount. The Committee shall specify the circumstances in which an Annual Incentive Award shall be paid or forfeited in the event of termination of employment by the Participant or other event (including a Change in Control) prior to the end of a performance period or settlement of such Annual Incentive Award.

(d) *Written Determinations.* Determinations by the Committee as to the establishment of performance goals, the amount potentially payable in respect of Performance Awards and Annual Incentive Awards, the level of actual achievement of the specified performance goals relating to Performance Awards and Annual Incentive Awards, and the amount of any final Performance Award and Annual Incentive Award shall be recorded in writing in the case of Performance Awards intended to qualify under Section 162(m). Specifically, the Committee shall certify in writing, in a manner conforming to applicable regulations under Section 162(m), prior to settlement of each such Award granted to a Covered Employee, that the performance objective relating to the Performance Award and other material terms of the Award upon which settlement of the Award was conditioned have been satisfied.

8. Certain Provisions Applicable to Awards.

(a) *Stand-Alone, Additional, Tandem, and Substitute Awards.* Awards granted under the Plan may, in the discretion of the Committee, be granted either alone or in addition to, in tandem with, or in substitution or exchange for, any other Award or any award granted under another plan of the Company, any subsidiary or affiliate, or any business entity to be acquired by the Company or a subsidiary or affiliate, or any other right of a Participant to receive payment from the Company or any subsidiary or affiliate. Awards granted in addition to or in tandem with other Awards or awards may be granted either as of the same time as or a different time from the grant of such other Awards or awards. Subject to Section 11(k), the Committee may determine that, in granting a new Award, the in-the-money value of any surrendered Award or award may be applied to reduce the exercise price of any Option, or purchase price of any other Award.

13

(b) *Term of Awards.* The term of each Award shall be for such period as may be determined by the Committee, subject to the express limitations set forth in Section 6(b)(ii).

(c) *Form and Timing of Payment under Awards; Deferrals.* Subject to the terms of the Plan (including Section 11(k)) and any applicable Award document, payments to be made by the Company or a subsidiary or affiliate upon the exercise of an Option or other Award or settlement of an Award may be made in such forms as the Committee shall determine, including, without limitation, cash, Stock, other Awards or other property, and may be made in a single payment or transfer, in installments, or on a deferred basis. The settlement of any Award may be accelerated, and cash paid in lieu of Stock in connection with such settlement, in the discretion of the Committee or upon occurrence of one or more specified events (subject to Section 11(k)). Installment or deferred payments may be required by the Committee (subject to Section 11(e)) or permitted at the election of the Participant on terms and conditions established by the Committee. Payments may include, without limitation, provisions for the payment or crediting of reasonable interest on installment or deferred payments or the grant or crediting of Dividend Equivalents or other amounts in respect of installment or deferred payments denominated in Stock.

(d) *Exemptions from Section 16(b) Liability.* With respect to a Participant who is then subject to the reporting requirements of Section 16(a) of the Exchange Act in respect of the Company, the Committee shall use reasonable efforts to implement transactions under the Plan and administer the Plan in a manner that will ensure that each transaction with respect to such a Participant is exempt from liability under Rule 16b-3 or otherwise not subject to liability under Section 16(b)), except that this provision shall not limit sales by such a Participant, and such a Participant may engage in other non-exempt transactions under the Plan. The Committee may authorize the Company to repurchase any Award or shares of Stock deliverable or delivered in connection with any Award (subject to Section 11(k)) in order to avoid a Participant who is subject to Section 16 of the Exchange Act incurring liability under Section 16(b). Unless otherwise specified by the Participant, equity securities or derivative securities acquired under the Plan which are disposed of by a Participant shall be deemed to be disposed of in the order acquired by the Participant.

(e) *Loan Provisions.* With the consent of the Committee, and subject at all times to, and only to the extent, if any, permitted under and in accordance with, laws and regulations and other binding obligations or provisions applicable to the Company, the Company may make, guarantee, or arrange for a loan or loans to a Participant with respect to the exercise of any Option or other payment in connection with any Award, including the payment by a Participant of any or all federal, state, or local income or other taxes due in connection with any Award. Subject to such limitations, the Committee shall have full authority to decide whether to make a loan or loans hereunder and to determine the amount, terms, and provisions of any such loan or loans, including the interest rate, if any, to be charged in respect of any such loan or loans, whether the loan or loans are to be with or without recourse against the borrower, the terms on which the loan is to be repaid and conditions, if any, under which the loan or loans may be forgiven.

14

(f) *Limitation on Vesting of Certain Awards.* Restricted Stock will vest over a minimum period of one year except in the event of a Participant's death, disability, or retirement, or in the event of a Change in Control or other special circumstances.

9. Change in Control.

(a) *Effect of "Change in Control" on Non-Performance Based Awards.* In the event of a "Change in Control," the following provisions shall apply to non-performance based Awards, including Awards as to which performance conditions previously have been satisfied or are deemed satisfied under Section 9(b), unless otherwise provided by the Committee in the Award document:

(i) All deferral of settlement, forfeiture conditions and other restrictions applicable to Awards granted under the Plan shall lapse and such Awards shall be fully payable as of the time of the Change in Control without regard to deferral and vesting conditions, except to the extent of any waiver by the Participant or other express election to defer beyond a Change in Control and subject to applicable restrictions set forth in Section 11(a);

(ii) Any Award carrying a right to exercise that was not previously exercisable and vested shall become fully exercisable and vested as of the time of the Change in Control and shall remain exercisable and vested for the balance of the stated term of such Award without regard to any termination of employment or service by the Participant other than a termination for "cause" (as defined in any employment or severance agreement between the Company or a subsidiary or affiliate and the Participant then in effect or, if none, as defined by the Committee and in effect at the time of the Change in Control), subject only to applicable restrictions set forth in Section 11(a); and

(iii) The Committee may, in its discretion, determine to extend to any Participant who holds an Option the right to elect, during the 60-day period immediately following the Change in Control, in lieu of acquiring the shares of Stock covered by such Option, to receive in cash the excess of the Change in Control Price over the exercise price of such Option, multiplied by the number of shares of Stock covered by such Option, and to extend to any Participant who holds other types of Awards denominated in shares the right to elect, during the 60-day period immediately following the Change in Control, in lieu of receiving the shares of Stock covered by such Award, to receive in cash the Change in Control Price multiplied by the number of shares of Stock covered by such Award.

(b) *Effect of "Change in Control" on Performance-Based Awards.* In the event of a "Change in Control," with respect to an outstanding Award subject to achievement of performance goals and conditions, such performance goals and conditions shall be deemed

15

to be met or exceeded if and to the extent so provided by the Committee in the Award document governing such Award or other agreement with the Participant.

(c) *Definition of "Change in Control."* A "Change in Control" shall be deemed to have occurred if, after the Effective Date, there shall have occurred any of the following:

(i) Any "person," as such term is used in Section 13(d) and 14(d) of the Exchange Act (other than the Company, any trustee or other fiduciary holding securities under an employee benefit plan of the Company, or any company owned, directly or indirectly, by the shareholders of the Company in substantially the same proportions as their ownership of stock of the Company), acquires voting securities of the Company and immediately thereafter is a "15% Beneficial Owner." For purposes of this provision, a "15% Beneficial Owner" shall mean a person who is the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 15% or more of the combined voting power of the Company's then-outstanding voting securities; provided that the term "15% Beneficial Owner" shall not include any person who, at all times following such an acquisition of securities, remains eligible to file a Schedule 13G pursuant to Rule 13d-1(b) under the Exchange Act, or remains exempt from filing a Schedule 13D under Section 13(d)(6)(b) of the Exchange Act, with respect to all classes of Company voting securities;

(ii) During any period of two consecutive years commencing on or after the Effective Date, individuals who at the beginning of such period constitute the Board, and any new director (other than a director designated by a person (as defined above) who has entered into an agreement with the Company to effect a transaction described in subsections (i), (iii) or (iv) of this definition) whose election by the Board or nomination for election by the Company's shareholders 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 (the "Continuing Directors") cease for any reason to constitute at least a majority thereof;

(iii) The shareholders of the Company have approved a merger, consolidation, recapitalization, or reorganization of the Company, or a reverse stock split of any class of voting securities of the Company, or the consummation of any such transaction if shareholder approval is not obtained, other than any such transaction which would result in at least 60% of the combined voting power of the voting securities of the Company or the surviving entity outstanding immediately after such transaction being beneficially owned by persons who together beneficially owned at least 80% of the combined voting power of the voting securities of the Company outstanding immediately prior to such transaction, with the relative voting power of each such continuing holder compared to the voting power of each other continuing holder not substantially altered as a result of the transaction; provided that, for purposes of this paragraph (iii), such continuity of ownership (and preservation of relative voting power) shall be deemed to be satisfied if the failure to meet such 60%

16

threshold (or to substantially preserve such relative voting power) is due solely to the acquisition of voting securities by an employee benefit plan of the Company, such surviving entity or a subsidiary thereof; and provided further, that, if consummation of the corporate transaction referred to in this Section 9(c)(iii) is subject, at the time of such approval by shareholders, to the consent of any government or governmental agency or approval of the shareholders of another entity or other material contingency, no Change in Control shall occur until such time as such consent and approval has been obtained and any other material contingency has been satisfied;

(iv) The shareholders of the Company have approved 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 (or any transaction having a similar effect); provided that, if consummation of the transaction referred to in this Section 9(c)(iv) is subject, at the time of such approval by shareholders, to the consent of any government or governmental agency or approval of the shareholders of another entity or other material contingency, no Change in Control shall occur until such time as such consent and approval has been obtained and any other material contingency has been satisfied; and

(v) any other event which the Board of Directors of the Company determines shall constitute a Change in Control for purposes of this Plan;

provided that a Change in Control shall not be deemed to have occurred if, prior to the later of occurrence of the specified event that would otherwise constitute a Change in Control under paragraphs (i) through (iv) hereof or the expiration of seven days after the Company has obtained actual notice that such an event has occurred, the Continuing Directors of the Company then in office, by a majority vote thereof, determine that the occurrence of such specified event shall not be deemed to be a Change in Control hereunder or shall not be deemed to be a Change in Control with respect to a particular Participant.

(d) *Definition of "Change in Control Price."* The "Change in Control Price" means an amount in cash equal to the higher of (i) the amount of cash and fair market value of property that is the highest price per share paid (including extraordinary dividends) in any transaction triggering the Change in Control or any liquidation of shares following a sale of substantially all assets of the Company, or (ii) the highest Fair Market Value per share at any time during the 60-day period preceding and 60-day period following the Change in Control.

10. Additional Award Forfeiture Provisions

(a) *Forfeiture of Options and Other Awards and Gains Realized Upon Prior Option Exercises or Award Settlements.* Unless otherwise determined by the Committee, each Award granted hereunder shall be subject to the following additional forfeiture conditions, to which the Participant, by accepting an Award hereunder, agrees. If any of the events specified in Section 10(b)(i), (ii), or (iii) occurs (a "Forfeiture Event"), all of the following forfeitures will result:

17

(i) The unexercised portion of the Option, whether or not vested, and any other Award not then settled (except for an Award that has not been settled solely due to an elective deferral by the Participant and otherwise is not forfeitable in the event of any termination of service of the Participant) will be immediately forfeited and canceled upon the occurrence of the Forfeiture Event; and

(ii) The Participant will be obligated to repay to the Company, in cash, within five business days after demand is made therefor by the Company, the total amount of Award Gain (as defined herein) realized by the Participant upon each exercise of an Option or settlement of an Award (regardless of any elective deferral) that occurred on or after (A) the date that is six months prior to the occurrence of the Forfeiture Event, if the Forfeiture Event occurred while the Participant was employed by the Company or a subsidiary or affiliate, or (B) the date that is six months prior to the date the Participant's employment by the Company or a subsidiary or affiliate terminated, if the Forfeiture Event occurred after the Participant ceased to be so employed. For purposes of this Section, the term "Award Gain" shall mean (i), in respect of a given Option exercise, the product of (X) the Fair Market Value per share of Stock at the date of such exercise (without regard to any subsequent change in the market price of shares) minus the exercise price times (Y) the number of shares as to which the Option was exercised at that date, and (ii), in respect of any other settlement of an Award granted to the Participant, the Fair Market Value of the cash or Stock paid or payable to Participant (regardless of any elective deferral) less any cash or the Fair Market Value of any Stock or property (other than an Award or award which would have itself then been forfeitable hereunder and excluding any payment of tax withholding) paid by the Participant to the Company as a condition of or in connection such settlement.

(b) *Events Triggering Forfeiture.* The forfeitures specified in Section 10(a) will be triggered upon the occurrence of any one of the following Forfeiture Events at any time during the Participant's employment by the Company or a subsidiary or affiliate or during the one-year period following termination of such employment:

(i) The Participant, acting alone or with others, directly or indirectly, prior to a Change in Control, (A) engages, either as employee, employer, consultant, advisor, or director, or as an owner, investor, partner, or stockholder unless the Participant's interest is insubstantial, in any business in an area or region in which the Company conducts business at the date the event occurs, which is directly in competition with a business then conducted by the Company or a subsidiary or affiliate; (B) induces any customer or supplier of the Company or a subsidiary or affiliate, or other company with which the Company or a subsidiary or affiliate has a business relationship, to curtail, cancel, not renew, or not continue his or her or its business with the Company or any subsidiary or affiliate; or (C) induces, or attempts to influence, any employee or service provider to the Company or a subsidiary or affiliate to terminate such employment or service. The Committee shall, in its discretion, determine which lines of business the Company conducts on any particular date and which third parties may

18

reasonably be deemed to be in competition with the Company. For purposes of this Section 10(b)(i), a Participant's interest as a stockholder is insubstantial if it represents beneficial ownership of less than five percent of the outstanding class of stock, and a Participant's interest as an owner, investor, or partner is insubstantial if it represents ownership, as determined by the Committee in its discretion, of less than five percent of the outstanding equity of the entity;

(ii) The Participant discloses, uses, sells, or otherwise transfers, except in the course of employment with or other service to the Company or any subsidiary or affiliate, any confidential or proprietary information of the Company or any subsidiary or affiliate, including but not limited to information regarding the Company's current and potential customers, organization, employees, finances, and methods of operations and investments, so long as such information has not otherwise been disclosed to the public or is not otherwise in the public domain, except as required by law or pursuant to legal process, or the Participant makes statements or representations, or otherwise communicates, directly or indirectly, in writing, orally, or otherwise, or takes any other action which may, directly or indirectly, disparage or be damaging to the Company or any of its subsidiaries or affiliates or their respective officers, directors, employees, advisors, businesses or reputations, except as required by law or pursuant to legal process; or

(iii) The Participant fails to cooperate with the Company or any subsidiary or affiliate by making himself or herself available to testify on behalf of the Company or such subsidiary or affiliate in any action, suit, or proceeding, whether civil, criminal, administrative, or investigative, or otherwise fails to assist the Company or any subsidiary or affiliate in any such action, suit, or proceeding by providing information and meeting and consulting with members of management of, other representatives of, or counsel to, the Company or such subsidiary or affiliate, as reasonably requested.

(c) *Agreement Does Not Prohibit Competition or Other Participant Activities.* Although the conditions set forth in this Section 10 shall be deemed to be incorporated into an Award, a Participant is not thereby prohibited from engaging in any activity, including but not limited to competition with the Company and its subsidiaries and affiliates. Rather, the non-occurrence of the Forfeiture Events set forth in Section 10(b) is a condition to the Participant's right to realize and retain value from his or her compensatory Options and Awards, and the consequence under the Plan if the Participant engages in an activity giving rise to any such Forfeiture Event are the forfeitures specified herein. The Company and the Participant shall not be precluded by this provision or otherwise from entering into other agreements concerning the subject matter of Section 10(a) and 10(b).

(d) *Committee Discretion.* The Committee may, in its discretion, waive in whole or in part the Company's right to forfeiture under this Section, but no such waiver shall be effective unless evidenced by a writing signed by a duly authorized officer of the Company. In addition, the Committee may impose additional conditions on Awards, by

19

inclusion of appropriate provisions in the document evidencing or governing any such Award.

11. General Provisions.

(a) *Compliance with Legal and Other Requirements.* The Company may, to the extent deemed necessary or advisable by the Committee, postpone the issuance or delivery of Stock or payment of other benefits under any Award until completion of such registration or qualification of such Stock or other required action under any federal or state law, rule or regulation, listing or other required action with respect to any stock exchange or automated quotation system upon which the Stock or other securities of the Company are listed or quoted, or compliance with any other obligation of the Company, as the Committee may consider appropriate, and may require any Participant to make such representations, furnish such information and comply with or be subject to such other conditions as it may consider appropriate in connection with the issuance or delivery of Stock or payment of other benefits in compliance with applicable laws, rules, and regulations, listing requirements, or other obligations. The foregoing notwithstanding, in connection with a Change in Control, the Company shall take or cause to be taken no action, and shall undertake or permit to arise no legal or contractual obligation, that results or would result in any postponement of the issuance or delivery of Stock or payment of benefits under any Award or the imposition of any other conditions on such issuance, delivery or payment, to the extent that such postponement or other condition would represent a greater burden on a Participant than existed on the 90th day preceding the Change in Control.

(b) *Limits on Transferability; Beneficiaries.* No Award or other right or interest of a Participant under the Plan shall be pledged, hypothecated or otherwise encumbered or subject to any lien, obligation or liability of such Participant to any party (other than the Company or a subsidiary or affiliate thereof), or assigned or transferred by such Participant otherwise than by will or the laws of descent and distribution or to a Beneficiary upon the death of a Participant, and such Awards or rights that may be exercisable shall be exercised during the lifetime of the Participant only by the Participant or his or her guardian or legal representative, except that Awards and other rights (other than ISOs) may be transferred to one or more transferees during the lifetime of the Participant, and may be exercised by such transferees in accordance with the terms of such Award, but only if and to the extent such transfers are permitted by the Committee, subject to any terms and conditions which the Committee may impose thereon (including limitations the Committee may deem appropriate in order that offers and sales under the Plan will meet applicable requirements of registration forms under the Securities Act of 1933 specified by the Securities and Exchange Commission). A Beneficiary, transferee, or other person claiming any rights under the Plan from or through any Participant shall be subject to all terms and conditions of the Plan and any Award document applicable to such Participant, except as otherwise determined by the Committee, and to any additional terms and conditions deemed necessary or appropriate by the Committee.

20

(c) *Adjustments.* In the event that any large, special and non-recurring dividend or other distribution (whether in the form of cash or property other than Stock), recapitalization, forward or reverse split, Stock dividend, reorganization, merger, consolidation, spin-off, combination, repurchase, share exchange, liquidation, dissolution or other similar corporate transaction or event affects the Stock such that an adjustment is determined by the Committee to be appropriate under the Plan, then the Committee shall, in such manner as it may deem equitable, adjust any or all of (i) the number and kind of shares of Stock which may be delivered in connection with Awards granted thereafter, (ii) the number and kind of shares of Stock by which annual per-person Award limitations are measured under Section 5, (iii) the number and kind of shares of Stock subject to or deliverable in respect of outstanding Awards and (iv) the exercise price, grant price or purchase price relating to any Award or, if deemed appropriate, the Committee may make provision for a payment of cash or property to the holder of an outstanding Option (subject to Section 11(k)). In addition, the Committee is authorized to make adjustments in the terms and conditions of, and the criteria included in, Awards (including Performance Awards and performance goals and any hypothetical funding pool relating thereto) in recognition of unusual or nonrecurring events (including, without limitation, events described in the preceding sentence, as well as acquisitions and dispositions of businesses and assets) affecting the Company, any subsidiary or affiliate or other business unit, or the financial statements of the Company or any subsidiary or affiliate, or in response to changes in applicable laws, regulations, accounting principles, tax rates and regulations or business conditions or in view of the Committee's assessment of the business strategy of the Company, any subsidiary or affiliate or business unit thereof, performance of comparable organizations, economic and business conditions, personal performance of a Participant, and any other circumstances deemed relevant; provided that no such adjustment shall be authorized or made if and to the extent that the existence of such authority (i) would cause Options, or Performance Awards granted under Section 8 to Participants designated by the Committee as Covered Employees and intended to qualify as "performance-based compensation" under Code Section 162(m) and regulations thereunder to otherwise fail to qualify as "performance-based compensation" under Code Section 162(m) and regulations thereunder, or (ii) would cause the Committee to be deemed to have authority to change the targets, within the meaning of Treasury Regulation 1.162-27(e)(4)(vi), under the performance goals relating to Options granted to Covered Employees and intended to qualify as "performance-based compensation" under Code Section 162(m) and regulations thereunder.

(d) Tax Provisions.

(i) *Withholding.* The Company and any subsidiary or affiliate is authorized to withhold from any Award granted, any payment relating to an Award under the Plan, including from a distribution of Stock, or any payroll or other payment to a Participant, amounts of withholding and other taxes due or potentially payable in connection with any transaction involving an Award, and to take such other action as the Committee may deem advisable to enable the Company and Participants to satisfy obligations for the payment of withholding taxes and other tax obligations relating to any Award. This authority shall include authority to withhold or receive Stock or

21

other property and to make cash payments in respect thereof in satisfaction of a Participant's withholding obligations, either on a mandatory or elective basis in the discretion of the Committee. Other provisions of the Plan notwithstanding, only the minimum amount of Stock deliverable in connection with an Award necessary to satisfy statutory withholding requirements will be withheld.

(ii) *Required Consent to and Notification of Code Section 83(b) Election.* No election under Section 83(b) of the Code (to include in gross income in the year of transfer the amounts specified in Code Section 83(b)) or under a similar provision of the laws of a jurisdiction outside the United States may be made unless expressly permitted by the terms of the Award document or by action of the Committee in writing prior to the making of such election. In any case in which a Participant is permitted to make such an election in connection with an Award, the Participant shall notify the Company of such election within ten days of filing notice of the election with the Internal Revenue Service or other governmental authority, in addition to any filing and notification required pursuant to regulations issued under Code Section 83(b) or other applicable provision.

(iii) *Requirement of Notification Upon Disqualifying Disposition Under Code Section 421(b).* If any Participant shall make any disposition of shares of Stock delivered pursuant to the exercise of an Incentive Stock Option under the circumstances described in Code Section 421(b) (relating to certain disqualifying dispositions), such Participant shall notify the Company of such disposition within ten days thereof.

(e) *Changes to the Plan.* The Board may amend, suspend or terminate the Plan or the Committee's authority to grant Awards under the Plan without the consent of stockholders or Participants; provided, however, that any amendment to the Plan shall be submitted to the Company's stockholders for approval not later than the earliest annual meeting for which the record date is after the date of such Board action if such stockholder approval is required by any federal or state law or regulation or the rules of any stock exchange or automated quotation system on which the Stock may then be listed or quoted or if such amendment would materially increase the number of shares reserved for issuance and delivery under the Plan or materially increase the benefits to Participants under the Plan, and the Board may otherwise, in its discretion, determine to submit other amendments to the Plan to stockholders for approval; and provided further, that, without the consent of an affected Participant, no such Board action may materially and adversely affect the rights of such Participant under any outstanding Award. Without the approval of stockholders, the Committee will not amend or replace previously granted Options in a transaction that constitutes a "repricing," as such term is used in Instruction 3 to Item 402(b)(2)(iv) of Regulation S-K, as promulgated by the Securities and Exchange Commission. With regard to other terms of Awards, the Committee shall have no authority to waive or modify any such Award term after the Award has been granted to the extent the waived or modified term would be mandatory under the Plan for any Award newly granted at the date of the waiver or modification.

22

(f) *Right of Setoff.* The Company or any subsidiary or affiliate may, to the extent permitted by applicable law, deduct from and set off against any amounts the Company or a subsidiary or affiliate may owe to the Participant from time to time, including amounts payable in connection with any Award, owed as wages, fringe benefits, or other compensation owed to the Participant, such amounts as may be owed by the Participant to the Company, including but not limited to amounts owed under Section 10(a), although the Participant shall remain liable for any part of the Participant's payment obligation not satisfied through such deduction and setoff. By accepting any Award granted hereunder, the Participant agrees to any deduction or setoff under this Section 11(f).

(g) *Unfunded Status of Awards; Creation of Trusts.* The Plan is intended to constitute an "unfunded" plan for incentive and deferred compensation. With respect to any payments not yet made to a Participant or obligation to deliver Stock pursuant to an Award, nothing contained in the Plan or any Award shall give any such Participant any rights that are greater than those of a general creditor of the Company; provided that the Committee may authorize the creation of trusts and deposit therein cash, Stock, other Awards or other property, or make other arrangements to meet the Company's obligations under the Plan. Such trusts or other arrangements shall be consistent with the "unfunded" status of the Plan unless the Committee otherwise determines with the consent of each affected Participant.

(h) *Nonexclusivity of the Plan.* Neither the adoption of the Plan by the Board nor its submission to the stockholders of the Company for approval shall be construed as creating any limitations on the power of the Board or a committee thereof to adopt such other incentive arrangements, apart from the Plan, as it may deem desirable, including incentive arrangements and awards which do not qualify under Code Section 162(m), and such other arrangements may be either applicable generally or only in specific cases.

(i) *Payments in the Event of Forfeitures; Fractional Shares.* Unless otherwise determined by the Committee, in the event of a forfeiture of an Award with respect to which a Participant paid cash consideration, the Participant shall be repaid the amount of such cash consideration. No fractional shares of Stock shall be issued or delivered pursuant to the Plan or any Award. The Committee shall determine whether cash, other Awards or other property shall be issued or paid in lieu of such fractional shares or whether such fractional shares or any rights thereto shall be forfeited or otherwise eliminated.

(j) *Compliance with Code Section 162(m).* It is the intent of the Company that Options granted to Covered Employees and other Awards designated as Awards to Covered Employees subject to Section 7 shall constitute qualified "performance-based compensation" within the meaning of Code Section 162(m) and regulations thereunder, unless otherwise

determined by the Committee at the time of allocation of an Award. Accordingly, the terms of Sections 7(b), (c), and (d), including the definitions of Covered Employee and other terms used therein, shall be interpreted in a manner consistent with Code Section 162(m) and regulations thereunder. The foregoing notwithstanding, because the Committee cannot determine with certainty whether a given Participant will be a Covered Employee with respect to a fiscal year that has not yet been completed, the term

Covered Employee as used herein shall mean only a person designated by the Committee as likely to be a Covered Employee with respect to a specified fiscal year. If any provision of the Plan or any Award document relating to a Performance Award that is designated as intended to comply with Code Section 162(m) does not comply or is inconsistent with the requirements of Code Section 162(m) or regulations thereunder, such provision shall be construed or deemed amended to the extent necessary to conform to such requirements, and no provision shall be deemed to confer upon the Committee or any other person discretion to increase the amount of compensation otherwise payable in connection with any such Award upon attainment of the applicable performance objectives.

(k) *Certain Limitations Relating to Accounting Treatment of Awards.* Other provisions of the Plan notwithstanding, the Committee's authority under the Plan (including under Sections 8(c), 8(d), 11(c) and 11(d)) is limited to the extent necessary to ensure that any Option or other Award of a type that the Committee has intended to be subject to fixed accounting with a measurement date at the date of grant or the date performance conditions are satisfied under APB 25 shall not become subject to "variable" accounting solely due to the existence of such authority, unless the Committee specifically determines that the Award shall remain outstanding despite such "variable" accounting. In addition, other provisions of the Plan notwithstanding, (i) if any right under this Plan would cause a transaction to be ineligible for pooling-of-interests accounting that would, but for the right hereunder, be eligible for such accounting treatment, such right shall be automatically adjusted so that pooling-of-interests accounting shall be available, including by substituting Stock or cash having a Fair Market Value equal to any cash or Stock otherwise payable in respect of any right to cash which would cause the transaction to be ineligible for pooling-of-interests accounting, and (ii) if the authority of the Continuing Directors to determine that an event shall not constitute a Change in Control or other authority under Section 9(c) would cause a transaction to be ineligible for pooling-of-interests accounting that would, but for such authority, be eligible for such accounting treatment, such authority shall be limited to the extent necessary so that such transaction would be eligible for pooling-of-interests accounting.

(l) *Governing Law.* The validity, construction, and effect of the Plan, any rules and regulations relating to the Plan and any Award document shall be determined in accordance with the laws of the State of Delaware, without giving effect to principles of conflicts of laws, and applicable provisions of federal law.

(m) *Awards to Participants Outside the United States.* The Committee may modify the terms of any Award under the Plan made to or held by a Participant who is then resident or primarily employed outside of the United States in any manner deemed by the Committee to be necessary or appropriate in order that such Award shall conform to laws, regulations, and customs of the country in which the Participant is then resident or primarily employed, or so that the value and other benefits of the Award to the Participant, as affected by foreign tax laws and other restrictions applicable as a result of the Participant's residence or employment abroad shall be comparable to the value of such an Award to a Participant who is resident or primarily employed in the United States. An Award may be modified under this Section 11(m) in a manner that is inconsistent with the

express terms of the Plan, so long as such modifications will not contravene any applicable law or regulation or result in actual liability under Section 16(b) for the Participant whose Award is modified.

(n) *Limitation on Rights Conferred under Plan.* Neither the Plan nor any action taken hereunder shall be construed as (i) giving any Eligible Person or Participant the right to continue as an Eligible Person or Participant or in the employ or service of the Company or a subsidiary or affiliate, (ii) interfering in any way with the right of the Company or a subsidiary or affiliate to terminate any Eligible Person's or Participant's employment or service at any time, (iii) giving an Eligible Person or Participant any claim to be granted any Award under the Plan or to be treated uniformly with other Participants and employees, or (iv) conferring on a Participant any of the rights of a stockholder of the Company unless and until the Participant is duly issued or transferred shares of Stock in accordance with the terms of an Award or an Option is duly exercised. Except as expressly provided in the Plan and an Award document, neither the Plan nor any Award document shall confer on any person other than the Company and the Participant any rights or remedies thereunder.

(o) *Severability; Entire Agreement.* If any of the provisions of this Plan or any Award document is finally held to be invalid, illegal or unenforceable (whether in whole or in part), such provision shall be deemed modified to the extent, but only to the extent, of such invalidity, illegality or unenforceability, and the remaining provisions shall not be affected thereby; provided, that, if any of such provisions is finally held to be invalid, illegal, or unenforceable because it exceeds the maximum scope determined to be acceptable to permit such provision to be enforceable, such provision shall be deemed to be modified to the minimum extent necessary to modify such scope in order to make such provision enforceable hereunder. The Plan and any Award documents contain the entire agreement of the parties with respect to the subject matter thereof and supersede all prior agreements, promises, covenants, arrangements, communications, representations and warranties between them, whether written or oral with respect to the subject matter thereof.

(p) *Plan Effective Date and Termination.* The Plan shall become effective if, and at such time as, the stockholders of the Company have approved it by the affirmative votes of the holders of a majority of the voting securities of the Company present, or represented, and entitled to vote on the subject matter at a duly held meeting of stockholders. Unless earlier terminated by action of the Board of Directors, the Plan will remain in effect until such time as no Stock remains available for delivery under the Plan and the Company has no further rights or obligations under the Plan with respect to outstanding Awards under the Plan.

MINERALS TECHNOLOGIES INC.
RETIREMENT
ANNUITY
PLAN

(As amended and restated effective January 1, 2001
with certain earlier effective dates)

Minerals Technologies Inc.
Retirement Annuity Plan

(As amended and restated effective January 1, 2001
with certain earlier effective dates)

TABLE OF CONTENTS

| | Page |
|------------|---------------------------|
| SECTION 1 | <u>1</u> |
| SECTION 2 | <u>4</u> |
| SECTION 3 | <u>5</u> |
| SECTION 4 | <u>7</u> |
| SECTION 5 | <u>19</u> |
| SECTION 6 | <u>20</u> |
| SECTION 7 | <u>20</u> |
| SECTION 8 | <u>21</u> |
| SECTION 9 | <u>24</u> |
| SECTION 10 | <u>24</u> |
| SECTION 11 | <u>25</u> |
| SECTION 12 | <u>25</u> |
| SECTION 13 | <u>25</u> |
| SECTION 14 | <u>27</u> |
| SECTION 15 | <u>28</u> |
| SECTION 16 | <u>29</u> |
| SCHEDULE A | |
| SCHEDULE B | |
| SCHEDULE C | |
| SCHEDULE D | |

MINERALS TECHNOLOGIES INC.
RETIREMENT ANNUITY PLAN

SECTION 1

Definitions

Wherever used in this Plan:

a. "Anniversary Year" means 1) the twelve-month period following the date on which an Employee first begins his employment with an Employer, as well as successive twelve-month periods thereafter, and 2) the twelve-month period following the date on which an Employee returns to the employ of the Company or an Associate Company after incurring a One-Year Break in Service, as well as successive twelve-month periods thereafter. No Anniversary Year shall be credited for purposes of vesting unless in such anniversary year the Employee has completed 1,000 or more Hours of Service for an Employer.

b. "Annuitant" means a person receiving annuity payments under this Plan.

c. "Annuity Trust Fund" means the trust fund created by the Company to finance annuities under this Plan.

d. "Associate Company" means any corporation of which the Company owns directly or indirectly at least 80% of the issued and outstanding shares of stock, which, with the consent of the Company adopts this Plan and executes the Trust Agreement pursuant to the provisions of Section 11 hereof, and when action is required to be taken hereunder by an Associate Company such action shall be authorized by its Board of Directors.

e. "Career Earnings" means the Member's aggregate Earnings during his period of Creditable Service, except that

- (1) his Earnings for each calendar year prior to 1998 shall be the average of the Member's Earnings during the five consecutive calendar years prior to 1998 during which he rendered Creditable Service which yield the highest average, provided his Earnings are not reduced thereby; and
- (2) only his Earnings during his last 35 years of Creditable Service shall be counted; provided that, such a calculation shall not lessen said Member's Career Earnings below the result of a prior calculation.

f. "Code" means the Internal Revenue Code of 1986, as from time to time amended.

g. "Company" means Minerals Technologies Inc., a Delaware corporation, and any successor corporation and when action is required to be taken hereunder by the Company, such action shall be authorized by the Compensation and Nominating Committee or the Board of Directors of the Company.

h. "Disability Leave Status" means the status of a Member who has been determined, pursuant to Section 4e. hereof, to be totally and permanently disabled and who has fully utilized his benefits under the Employer's short-term disability program.

i. "Earnings" means the actual salary, wages, bonus, or other remuneration earned by an Employee from an Employer for his service with the Employer, as determined by such Employer, provided that no part of the cost of any employee benefit, including without limitation stock options, perquisites and group insurance, or of any expense reimbursement, including without limitation, relocation costs, or of any remuneration received in the form of salary continuance or lump sum severance by an Employee while no longer providing services to the Company shall constitute earnings hereunder. No part of any bonus or other remuneration forming part of the compensation of any Employee shall be used as a basis for a Retirement Annuity under this Plan, if such bonus should cause such annuity to become discriminatory under the applicable provisions of the Code. In the case of a Member formerly employed by Pfizer Inc. or any of its subsidiaries, ("Pfizer"), "Earnings" shall include any such earnings from Pfizer to the extent that Pfizer has transferred the accumulated benefit obligation of such person under the Pfizer Inc. Retirement Annuity Plan (the "Pfizer Plan") to the Company under the terms and conditions of the Reorganization Agreement between Pfizer Inc. and Minerals Technologies Inc. dated as of September 28, 1992.

With respect to Plan Years ending on or before December 31, 1993, a Member's Earnings shall not include any amounts in excess of \$200,000 (as adjusted by the Secretary of the Treasury, or his delegate, at the same time and in the same manner as under section 415(d) of the Code to reflect cost of living increases).

In addition to other applicable limitations set forth in the Plan, and notwithstanding any other provision of the Plan to the contrary, for Plan Years beginning on or after January 1, 1994, the annual Earnings of each Employee taken into account under the Plan shall not exceed the OBRA '93 annual compensation limit. The OBRA '93 annual compensation limit is \$150,000, as adjusted by the Commissioner for increases in the cost-of-living in accordance with section 401(a)(17)(B) of the Code. The cost-of-living adjustment in effect for a calendar year applies to any period, not exceeding 12 months, over which Earnings is determined (determination period) beginning in such calendar year. If a determination period consists of fewer than 12 months, the OBRA '93 annual compensation limit will be multiplied by a fraction, the numerator of which is the number of months in the determination period, and the denominator of which is 12. For Plan Years beginning on or after January 1, 1994, any reference in this Plan to the limitation under section 401(a)(17) of the Code shall mean the OBRA '93 annual compensation limit set forth in this provision. For this purpose, for determination periods beginning before the first day of the first Plan Year beginning on or after January 1, 1994, the OBRA '93 annual compensation limit is \$150,000.

j. "Employee" means a person who (1) is included in a group or class designated by the Company as eligible for membership in the Plan, (2) is in the service of an Employer within the United States of America or is a United States citizen in the service of an Employer outside of the continental limits of the United States of America, (3) began such service on or prior to December 31, 2001, and (4) has not had a One-Year Break in Service beginning on or after January 1, 2002. Employee shall not include any person who is included in a unit of employees

2

covered by a collective bargaining agreement that does not provide for the coverage of such person under the Plan if there is evidence that retirement benefits were the subject of good faith bargaining. A person who is a United States citizen and who is employed outside the continental limits of the United States of America in the service of a foreign subsidiary (including foreign subsidiaries of such foreign subsidiary) of the Company shall be considered, for all purposes of this Plan, as employed in the service of the Company if (x) the Company has entered into an agreement under section 3121(1) of the Code which applies to the foreign subsidiary of which such person is an employee and (y) contributions under a funded plan of deferred compensation, whether or not a plan described in section 401(a), 403(a), or 405(a), of said Code, are not provided by any other person with respect to the remuneration paid to such individual by the foreign subsidiary. The groups and classes designated by the Company are set forth in Schedule A.

k. "Employer" means the Company or any Associate Company. For purposes of sections 410 and 411 of the Code, "Employer" also shall mean any corporation or other trade or business that is treated under the first sentence of section 414(b) or under section 414(c) of the Code as constituting the same "employer" as the Company or an Associate Company, with respect to any period of such affiliated status.

l. "Hours of Service" means all hours for which an Employee is directly or indirectly paid, or entitled to payment (including back pay for periods for which such awards pertain), by an Employer (or any company which is a member of the same controlled group of corporations, within the meaning of section 1563(a) of the Code as the Employer or any trade or business whether or not incorporated which is under common control of an Employer as determined under regulations prescribed under section 414 of the Code at the time of such service) for the performance of duties, or for reasons other than the performance of duties, such as vacation, accident, injury, sickness, short-term disability or authorized leave of absence. The Plan shall use the equivalency method for determining Hours of Service credited to an Employee based on months of employment determined in accordance with Department of Labor Regulations Section 2530.200b-3(e) (1)(iv). An Employee shall be credited with 190 Hours of Service if under this Section 1. such Employee would be credited with at least one Hour of Service during a month. In the case of a payment which is made or due on account of a period during which an Employee performs no duties, Hours of Service will be determined in accordance with Department of Labor Regulations Section 2530.200b-2(b) and (c).

m. "Leased Employee" means any person performing services for an Employer as a leased employee pursuant to an agreement with a leasing organization who shall for purposes of the Plan continue to be an employee of such leasing organization, and not of an Employer, notwithstanding amendments to the Code which require that such person may have to be counted as an employee of an Employer in order to perform certain plan qualification tests as contained therein.

n. "Member" means an Employee or former Employee to whom an annuity is credited under the Plan.

o. "One-Year Break in Service" shall be an Anniversary Year in which the Member does not perform more than five hundred Hours of Service.

3

p. "Plan" means this Minerals Technologies Inc. Retirement Annuity Plan.

q. "Plan Year" means (i) the period beginning October 22, 1992, the effective date of the Plan, and ending December 31, 1992, and (ii) each 12 month period thereafter commencing on January 1 and ending on December 31 while the Plan is in effect.

r. "Primary Social Security Benefit" means the annual amount available to the Member at age 65, or later if the Employee shall retire after age 65, under the Old Age Insurance provisions of Title II of the Social Security Act in effect at the time of his termination of employment, without regard to any increases in the wage base or benefit levels that take effect after the date of termination of employment, subject to the following: if any Employee terminates service prior to age 65, his Primary Social Security Benefit shall be estimated by assuming continuation of his Earnings until age 65 at the same rate in effect at termination of employment; provided however, that, if the Employee Retires pursuant to Section 4d.(ii), his Primary Social Security Benefit shall be estimated by assuming that he will not receive any income after retirement which would be treated as wages for purposes of the Social Security Act. The Retirement Committee may adopt rules governing the computation of such amounts, and the fact that an Employee does not actually receive such amount because of failure to apply or continuance of work, or for any other reason, shall be disregarded. Notwithstanding the foregoing, actual salary history will be used to calculate the Primary Social Security Benefit if this will result in a larger benefit under the Plan for the Employee, but only if documentation of such history is provided by the Employee within two years after the later of his termination of employment or the date the Employee receives notice of his benefits under the Plan.

s. "Retire" means to terminate service by a Member who is an Employee in the service of an Employer after meeting the requirements of Sections 4a., b. or d., respectively, for normal retirement, late retirement or early retirement hereunder.

t. "Retirement Annuity" means the payments made pursuant to Section 4a., b. or d. of the Plan to retired Members or their beneficiaries.

u. "Trustee" means the trustee appointed by the Company pursuant to Section 7.

v. "Vest" means to acquire, in accordance with the express provisions of the Plan, a nonforfeitable interest in an annuity under the Plan.

w. "Vested Annuity" means the payments made pursuant to Section 4c. of the Plan.

Wherever used in this Plan, the masculine pronoun shall include the feminine pronoun and the feminine pronoun shall include the masculine and the singular includes the plural and the plural includes the singular.

SECTION 2

Eligibility for Membership

a. Employees of the Company: All persons who were Employees of the Company on October 22, 1992, shall be included in the membership of the Plan as of October 22, 1992.

4

All persons who become Employees of the Company on or after October 22, 1992, but prior to January 1, 2002, shall become Members of the Plan as of the date of their employment, subject to Section lj. hereof.

b. Employees of Associate Companies: Subject to Section lj. hereof, if a corporation becomes an Associate Company on or prior to December 31, 2001, all Employees who are in the service of such corporation on the date it becomes an Associate Company become Members of the Plan as of such date and all Employees who enter the service of a corporation after it has become an Associate Company but on or prior to December 31, 2001, become Members of the Plan as of the date of employment.

c. Leased Employees: No Leased Employee shall be eligible to become a Member of the Plan. However, if a Leased Employee becomes an Employee of the Company on or prior to December 31, 2001, all years of service completed while a Leased Employee shall be credited solely for purposes of vesting pursuant to Section 4c. of the Plan but shall not be deemed to be Prior Service within the meaning of Section 3a.

d. New Employees: No persons who become Employees on or after January 1, 2002, shall be eligible to become Members of the Plan.

SECTION 3

Service Credited Under Plan

a. Prior Service: Service rendered by a person who is in the service of an Employer, before the date on which he becomes a Member, who continues in service on and after the date he becomes a Member, shall be known as "Prior Service" except as provided in Section 4a. and Section 11.

b. Membership Service: Service rendered by an Employee for an Employer after the date he becomes a Member shall be known as "Membership Service."

c. Special Service: Service rendered outside the United States by a person employed by a corporation which is a subsidiary or affiliate of the Company, but not an Associate Company, at the time of such service (1) before the date on which he becomes a Member, who continues in service on and after the date he becomes a Member, or (2) during a period of interrupted Membership Service followed by a return to such service, shall be known as "Special Service."

d. Creditable Service: Membership Service plus Prior Service and Special Service, if any, shall be known as "Creditable Service" under the Plan. A Member shall be credited with a full year of Creditable Service under the Plan only if he completes at least 1,000 Hours of Service within an Anniversary Year and no fractional years will be credited under the Plan; provided, however, that for purposes only of 1) determining the Social Security calculation used in Section 4a.2 and 2) determining a Member's Career Earnings, and his eligibility for early retirement under clauses (i) and (ii) of Section 4d. below, the Member's Creditable Service shall be determined on the basis of his number of months of Membership Service plus Prior Service and Special Service without regard to whether he completes at least 1,000 Hours of Service

5

within an Anniversary Year. "Creditable Service" shall include any service credited to a Member under the Pfizer Plan for a Member who is employed by the Company or any of its subsidiaries on October 22, 1992 and who was an active participant in the Pfizer Plan immediately prior to such date. Creditable Service for purposes of benefit accrual shall not be granted under the prior sentence until there is a transfer of assets from the Pfizer Plan to the Plan attributable to benefits accrued by Members under the Pfizer Plan. "Creditable Service," for purposes of Section 4c., shall include each full year of service for the period during which a Member was employed by Zedmark Refractories Corporation and/or Zedmark, Inc. prior to October 3, 1989, except if such Member was covered at such time by a collective bargaining agreement that did not provide for coverage of such Member under the Pfizer Plan. "Creditable Service" for purposes of benefit accrual under the Plan shall include each full year of service for the period during which a Member was employed by Zedmark Refractories Corporation and/or Zedmark, Inc. prior to October 3, 1989, provided such number of full years of service may not exceed the number of full years of service the Member is employed by the Company after October 3, 1989; and provided, further, such Member was not covered, on October 3, 1989, by a collective bargaining agreement that did not provide for coverage of such Member under the Pfizer Plan. "Creditable Service", for purposes of Sections 4c. and 4d., shall include each full year of service for the period during which a Member was employed by Nalco Chemical Company prior to June 1, 1988, if such Member was a Transferred Employee, as defined in the Purchase Agreement dated June 1, 1988, between Quigley Company, Inc. and Pfizer Inc. as purchasers and Nalco Chemical Company as seller.

e. Military Service: For the purpose of this Plan, those Employees who were in the service of the Armed Forces of the United States, at the time they would have become eligible for membership under the Plan except for such service, or who subsequently enlisted in the Armed Forces or were inducted into said Armed Forces, shall be credited with all the benefits under this Plan for service actually rendered to an Employer prior to their entrance into said Armed Forces, and shall be credited with time spent on active duty in said Armed Forces for the purposes of computing length of service and benefits payable under the Plan; provided that such Employees return to active service with an Employer within the time limits provided by law after their separation or discharge from active duty from said Armed Forces, having satisfactorily completed their period of training and service. Notwithstanding the foregoing, in the case of any such military service up to 501 Hours of Service shall be credited under Section 11. for any single continuous period of such service. Notwithstanding any provision of this Plan to the contrary, effective as of December 12, 1994 contributions, benefits and service credit with respect to qualified military service will be provided in accordance with Code Section 414(u).

f. Leave of Absence: Interruption of active service on account of leave of absence authorized by an Employer or transfer on Special Service shall not be considered termination of service. Time spent on authorized leave of absence shall be credited for the purpose of computing length of service and benefits payable under the Plan on the following basis: Members shall receive credit for each full year spent on authorized leave of absence for each full year of Creditable Service that they render to an Employer following return to active service, except that time spent on authorized leave of absence for medical reasons shall be credited without requirement of subsequent Creditable Service and time spent on civic leave shall be credited upon return to active service. Notwithstanding the foregoing, in the case of Maternity/Paternity Leave, as defined below, up to 501 Hours of Service shall be credited in the

6

Anniversary Year in which the Maternity/Paternity Leave begins, if the Employee would otherwise have incurred a One-Year Break in Service in that Anniversary Year, otherwise up to 501 Hours of Service shall be credited in the following Anniversary Year to prevent a One-Year Break in Service. Maternity/ Paternity Leave means an absence from work (1) by reason of the pregnancy of an Employee, (2) by reason of the birth of a child of an Employee, (3) by reason of the placement of a child with the Employee in connection with the adoption of the child, or (4) for the purposes of caring for the child during the period immediately following the birth or placement for adoption.

g. Termination of Service: On termination of service, and after he has subsequently incurred a One-Year Break in Service commencing on or prior to December 31, 2001, a person shall forfeit all credit for service previously credited under the Plan unless

(1) He is reemployed within five years after his termination of service; or

(2) He is reemployed after his termination of service and thereafter completes at least 24 consecutive months of Creditable Service; or

(3) He is eligible to receive a Retirement Annuity or a Vested Annuity under Section 4c.; or

(4) He is reemployed before the number of consecutive One-Year Breaks in Service equals or exceeds the greater of (a) five consecutive One-Year Breaks in Service or (b) the aggregate number of Anniversary Years credited for vesting under the Plan prior to such termination and thereafter completes at least one such Anniversary Year;

provided, however, that if the termination and commencement of a One-Year Break in Service occur on or after January 1, 2002, the person shall not be eligible to become a Member of the Plan upon reemployment but shall retain any rights under the Plan in which he may be vested at the time of his termination.

If a reemployed Employee does not forfeit his service credit as provided above, for purposes only of determining his "Career Earnings," the last calendar year in which he rendered Creditable Service shall be treated as being consecutive with the first calendar year in which he renders Creditable Service after his reemployment.

h. General: For the purpose of this Plan, length of service shall be computed in accordance with the employment records of the Company or Associate Company, or of a subsidiary or affiliated corporation of either, as the case may be. No Employee may voluntarily terminate his status as an active Member in the Plan during his period of employment.

SECTION 4

Benefits to Employees

a. Normal Retirement: Each Member who attains his normal retirement date, i.e., age 65, shall be eligible for normal retirement as of the first day of the month following, and if

7

permitted under the provisions of the Age Discrimination in Employment Act, as amended, and other applicable law, shall be retired as of the first day of the month following.

Upon normal retirement, a Member shall receive a Retirement Annuity, subject to the provisions of and payable in the form described in Section 4f. hereof, which shall accrue and be equal to the greater of:

(1) 1.4 per cent of his Career Earnings; or

(2) 1.75 per cent of his Career Earnings, less 1.50 per cent of his Primary Social Security Benefit multiplied by his years of Creditable Service, but in no event more than 35 years.

Unless otherwise provided under the Plan, each section 401(a)(17) Employee's accrued benefit under this Plan will be the greater of the accrued benefit determined for such Employee under (a) or (b) below:

(a) the section 401(a)(17) Employee's accrued benefit determined with respect to the benefit formula applicable for the Plan Year beginning on or after January 1, 1994, as applied to such Employee's total years of Creditable Service taken into account under the Plan for the purposes of benefit accruals, or

(b) the sum of:

- (i) the section 401(a)(17) Employee's accrued benefit as of the last day of the last Plan Year beginning before January 1, 1994, frozen in accordance with Section 1.401(a)(4)-13 of the Treasury Regulations, and

- (ii) the section 401(a)(17) Employee's accrued benefit determined under the benefit formula applicable for the Plan Year beginning on or after January 1, 1994, as applied to such Employee's years of Creditable Service for Plan Years beginning on or after January 1, 1994, for purposes of benefit accruals.

A section 401(a)(17) Employee means an Employee whose current accrued benefit as of a date on or after the first day of the first Plan Year beginning on or after January 1, 1994, is based on Career Earnings for a year beginning prior to the first day of the first Plan Year beginning on or after January 1, 1994, that exceeded \$150,000.

- (1) In the case of any group or class which is designated as eligible for membership in the Plan, an Employer may limit the Prior Service of persons included in such group or class to service rendered on and after a date to be determined by the Employer.
- (2) Except in the case of a person in the service of a corporation which becomes an Associate Company, the Prior Service benefits of any Employee who is a Member of the Plan, but who was absent from his Employer during all or part of the calendar year next preceding the date he becomes a Member, because of sickness, disability, service in the Armed Forces of the United States, or like reasons beyond his control, and who entered the service of his Employer

8

prior to such calendar year, shall be computed by crediting to him as Earnings for such calendar year -

- (i) All Earnings actually received by such Employee in such calendar year before or after the period of absence from his Employer, and

(ii) The Earnings he would have received in such calendar year during the period of absence based on a forty-hour week at his straight-time rate of pay at the time of leaving his Employer and any increased rate to which he would have been entitled as a result of automatic length-of-service increases or a general increase, and any bonuses or other payments made in such calendar year during such period of absence to which he would normally have been entitled.

- b. Late Retirement: In the event that a Member remains in service after attainment of his normal retirement date, he may retire on his own application setting forth a date for retirement which shall be the first of the month not less than 30 days following the filing of the application.

c. Vesting: Upon the completion of five Anniversary Years of Creditable Service, a Member shall acquire a nonforfeitable right to receive, after his termination and at his election, a Vested Annuity in an amount computed as follows: either (i) at age 65, a Retirement Annuity computed as provided in Section 4a. hereof, or (ii) prior to age 65 but after age 55 (or age 50 if such annuity payments commence prior to January 1, 1994), an annuity which shall be computed by multiplying the Member's Retirement Annuity computed as provided in Section 4a. hereof by the applicable percentage set forth in Schedule B1 (or Schedule B2 if such annuity payments commence prior to January 1, 1994). The foregoing notwithstanding, the Vested Annuity payable to a Member who terminates employment on or after January 1, 1994, shall in no event be less than the annuity to which he would have been entitled had he terminated employment as of December 31, 1993, under the terms and conditions of the Plan as then in effect (the "1993 Annuity").

A Member who terminates employment on or after January 1, 1994, may elect to receive his 1993 Annuity, if any, prior to attaining age 55. If a Member makes such an election, the remaining portion of his Vested Annuity, if any, determined as of the date he elects to receive the 1993 Annuity and expressed as a benefit payable at age 65, shall be the amount obtained by subtracting the Member's 1993 Annuity from the product of his Retirement Annuity multiplied by the Actuarial Factor, and dividing the result thereof by the Actuarial Factor. For purposes of this computation, the "Actuarial Factor" shall mean the product of 40% multiplied by the actuarial equivalent value of an annual benefit of \$1 commencing at age 55, determined as of the date the Member begins to receive his 1993 Annuity. The remaining portion of the Vested Annuity so determined shall be payable under the terms and conditions of this Plan in effect at the Member's termination of employment.

A Member who terminates employment with a Vested Annuity accrued as of December 31, 1993 may elect to receive such amount accrued as of such date in any of the optional forms of benefit available to such Member as of December 31, 1993. If the amount of the vested portion of a Member's benefit at the time of the Member's termination of service is zero, the Member shall be deemed to have received a distribution of such zero vested interest in such benefit.

9

Notwithstanding anything herein to the contrary, a Member who is not otherwise vested, shall become vested upon attaining his normal retirement date, i.e., age 65.

d. Early Retirement: Any Member may retire before the attainment of age 65 provided he has reached age 55 and (i) has 10 years or more of Creditable Service; or (ii) his attained age when added to his years of Creditable Service equals or exceeds 90. On early retirement, a Member shall receive a Retirement Annuity commencing at age 65, equal to the annuity to which his Creditable Service up to the date of his retirement would then produce, or, at his election made at any time prior to age 65, a Retirement Annuity commencing on the first day of any month following his earlier retirement and prior to age 65, which shall be computed by applying the percentages set forth in Schedule C hereof to the amount of the annuity computed in accordance with Section 4a.; provided that, if a Member's attained age when added to his years of Creditable Service equals or exceeds 90, his Retirement Annuity shall be computed by so applying the percentage set forth in Schedule D hereof.

e. Disability Leave Status: Upon total and permanent disability as determined by a physician appointed by the Member's Employer, a Member who has completed at least five years of Creditable Service will be eligible for Disability Leave Status. Such status may be terminated or suspended by the Retirement Committee if at any time before age 65 the Member again engages in regular full-time employment, fails or refuses to undergo any medical examination ordered by the Retirement Committee, or the Retirement Committee determines on the basis of medical examination that the Member has sufficiently recovered to engage in regular full-time employment. While on Disability Leave Status, a Member will be credited with Membership Service, and with Earnings at the same rate as he had earned in the calendar year prior to the calendar year in which he became totally and permanently disabled, until the Member Retires, dies, reaches age 65, or his Disability Leave Status is sooner terminated or suspended.

f. Form of Benefit Payments:

(1) Normal Form: If a Member is married on the date his benefits commence, such Member shall receive a benefit payable in the form of a joint and survivor annuity which shall provide for an amount actuarially reduced from the amount computed under Section 4a. to be paid to the Member for his lifetime; and for an annuity in an amount equal to one-half of such reduced amount to be paid to the Member's spouse to whom he was married on the date his benefits commence, for her lifetime, if surviving at the time of the Member's death. The form of benefit shall also provide that if the Member dies after retirement but prior to the date on which his benefit becomes payable, his surviving spouse will nevertheless be entitled to receive the lifetime annuity to which she would otherwise be entitled beginning at the date that the Member's annuity would have become payable and under such circumstances, at her option, the surviving spouse may elect to have benefits commence prior to the date on which the Member's annuity would have become payable on an appropriately reduced actuarial basis. The benefit payable to the Member and his spouse shall have the equivalent actuarial value of the benefits determined under Section 4a. above. In lieu of said joint and survivor annuity, the Member may, in accordance with section 417 of the Code, elect in writing, with the written consent of his spouse, acknowledging the effect of such election and witnessed by a Plan representative or a notary public, at any time within 90 days prior to the commencement of his benefits, to receive

10

his benefits in the form of a single annuity payable for his lifetime as computed under Section 4a. above, or may revoke any such election previously made by him. Notwithstanding the foregoing, if a Member becomes divorced from his spouse after his benefits commence, such Member may elect in writing to cancel such joint and survivor annuity and to receive his benefits thereafter in any form permitted under the Plan; provided that, (a) the Member obtains a valid written release, as determined by the Retirement Committee, from his former spouse releasing the Plan from any claim the former spouse may have against the Plan and (b) the Member's benefit is adjusted actuarially, including, but not limited to, adjustments for the value of benefits previously paid and for the value of the protection provided by the cancelled joint and survivor annuity while it was in effect.

Each vested Member upon his termination of service and each married Member within a reasonable period of time prior to his benefit commencement date shall receive a written explanation of the joint and survivor annuity form of benefit, the right to elect to waive such benefit and the consequences thereof, the right of the Member's spouse with respect thereto and the right to revoke such waiver and the consequences thereof, together with an explanation of the optional forms of retirement benefit available to the Member and a general explanation of the financial effect of the various optional forms of retirement benefit, including the joint and survivor retirement benefit and the straight life annuity. Such married Member may request additional information within 60 days thereafter, in which case the Retirement Committee shall within 30 days of such request furnish him with a written explanation of the additional information requested, in which case his deadline for making such election and his benefit commencement date, if applicable, shall be postponed if necessary so that there is at least 60 days between the furnishing of such additional information and the expiration of the period during which he has the right to elect an optional form of benefit other than the joint and survivor annuity.

A Member who is not married at the time that his benefits commence will receive his benefits in the form of a single annuity payable for his lifetime as computed under Section 4a. above.

(2) Optional Forms: At any time at least 30 days and not more than 90 days prior to the commencement of his retirement benefits, a Member who is eligible for a Retirement Annuity under Section 4a., b., or d. of the Plan may, in accordance with section 417 of the Code, elect, with the written and witnessed consent of his spouse in the case of a married Member, to convert the benefits otherwise payable after retirement into a retirement benefit of equivalent actuarial value in accordance with one of the options named below, or may revoke any such election previously made by him; provided, however, that if one of the options named below shall be so elected and the other named person or persons shall die before the payment of any part of such benefit, then and in that event the benefit shall be restored to the amount of the Retirement Annuity as provided in Section 4a., b., or d. hereof, as if no such election had been made; and provided further, that if one of the options named below shall be so elected and the Member shall die before the date of his retirement then the election shall be of no effect and no payments shall be due under the option; and further provided that the Member may (with applicable spousal consent) waive the 30-day period described above provided that payment of benefits commences at least 7 days after the notification of the optional benefits is provided to Member. Regardless of the form of payment, all distributions shall comply with section

11

401(a)(9) of the Code and the Treasury Regulations thereunder, including the minimum distribution incidental death benefit requirement of section 401(a)(9)(G) of the Code and the Treasury Regulations thereunder, and such provisions shall override any Plan provisions otherwise inconsistent therewith.

Option 1: A reduced Retirement Annuity commencing at or after the Member's retirement payable during his life, with the provision that after his death it shall continue during the life of and shall be paid to the person (including his spouse) nominated by him by written designation duly acknowledged and filed with the Retirement Committee at the time such election is made, provided that if the Member dies after retirement but prior to the date on which his benefit becomes payable, his surviving beneficiary will nevertheless be entitled to receive such a lifetime annuity beginning at the

date that the Member's annuity would have become payable and also provided that under such circumstances at his option, the surviving beneficiary may elect to have benefits commence prior to the date on which the Member's annuity would have become payable on an appropriately reduced actuarial basis.

Option 2: A reduced Retirement Annuity commencing at or after the Member's retirement payable during his life, with the provision that after his death an allowance of one-half the rate of his reduced allowance shall be continued during the life of, and it shall be paid to, the person, other than his spouse for whom this is the normal form of benefit provided in Section 4f.(1) above, nominated by him by written designation duly acknowledged and filed with the Retirement Committee at the time such election is made, provided that if the Member dies after retirement but prior to the date his benefit becomes payable, his surviving beneficiary will nevertheless be entitled to receive such a lifetime annuity beginning at the date that the Member's annuity would have become payable and also provided that under such circumstances, at his option, the surviving beneficiary may elect to have benefits commence prior to the date on which the Member's annuity would have become payable on an appropriately reduced actuarial basis.

Option 3: A retirement benefit in a single lump sum that shall be the actuarial equivalent of the benefit which would otherwise be payable to him, provided that such benefit must be elected by the Member prior to the date of his retirement.

(3) A Member may, at the time he elects one of the options described above, name a second person, who, in the event the first named person shall die before the commencement of the annuity to the Member, shall acquire all the rights which the first named person would otherwise have had.

(4) Optional benefit payments shall commence at the end of the month following the month in which the last payment to the deceased annuitant was made.

(5) Where a Member is entitled to or elects to receive a reduced retirement annuity commencing after the Member's retirement under which an allowance would have been paid to such Member's spouse or other beneficiary after the Member's death, and, prior to the date his benefit becomes payable, the Member elects any other form of benefit, then and in that event the benefit so payable on his account shall be reduced actuarially to reflect any cost

12

attributable to the benefit earlier so provided to his spouse or other beneficiary as the case may be.

(6) (a) Notwithstanding anything in the Plan to the contrary, the distribution of a Member's benefit who is not a 5-percent owner shall be made or must commence by the later of the April 1 next following the calendar year in which he reaches age 70½ or retires. If a Member is a 5-percent owner, distribution of the Member's benefits under the Plan must commence no later than April 1 next following the calendar year in which he reaches age 70½. A Member who is a 5-percent owner will be subject to the above distribution rights if he is a 5-percent owner at any time during the Plan Year ending with or within the calendar year in which he attains age 66½ or any later Plan Year.

(b) The amount of the minimum distributions required under this Section 4f.(6) shall be no less than the minimum amounts required under section 401(a)(9) of the Code and the Treasury Regulations issued thereunder based upon the annually adjusted life expectancy of an unmarried Member or the annually adjusted joint life expectancy of a married Member and his spouse, and shall be payable no less frequently than annually. After the initial benefit payment has been made, the amount of the succeeding benefit payments must be made by the end of each of the next following calendar years. As of each following January 1 the Member's benefit shall be adjusted to reflect any additional benefits accrued as of the immediately preceding December 31 and any additional accruals for any twelve consecutive month period shall be offset (but not below zero) by the actuarial value (determined in accordance with applicable law) of benefits received by the Member for such period.

(c) The minimum distribution payable to a Member will be distributed to him, at his election, either:

(I) as a single payment, or

(II) over a period of time extending over the life of the Member or over the lives of the Member and his spouse (or designated beneficiary) or over a period not extending beyond the life expectancy of the Member or the life expectancy of the Member and his spouse (or designated beneficiary).

(d) With respect to minimum distributions payable to a spouse of a Member, the following distribution limitations shall apply:

(I) Where distribution has commenced to the Member prior to his death, distribution to the surviving spouse shall be over a period that is no longer than the period under which the Member was receiving benefits;

(II) Where distribution has not commenced to the Member at the time of his death, distribution to the surviving spouse shall begin no later than the date upon which the Member would have attained age 70½, and shall be payable over the life of the surviving spouse or over a period not extending beyond the life expectancy of the surviving spouse. (If the surviving spouse dies before distribution of her benefit commences, the limitations applicable to the

13

distribution of any benefit remaining payable under the Plan shall be determined hereunder as if the surviving spouse were the Member.)

(e) With respect to minimum distributions payable to a designated beneficiary of a Member (other than the spouse), the following distribution limitations shall apply:

(I) Where distribution has commenced to the Member prior to his death, distribution to the designated beneficiary shall be over a period that is no longer than the period under which the Member was receiving benefits;

(II) Where distribution has not commenced to the Member at the time of his death, distribution to the designated beneficiary shall begin no later than one year after the date of the Member's death, or such later date as may be permitted by Treasury Regulations, and shall be payable over the life of the designated beneficiary or over a period not extending beyond the life expectancy of the designated beneficiary.

(f) In all other cases where minimum distributions have not commenced to the Member at the time of his death, no benefit remaining payable under the Plan shall be distributed over a period that exceeds five years after the Member's death.

g. Adjustment For Federal Old Age Benefits: If a Member who is eligible for a Retirement Annuity under Section 4a., b., or d. of the Plan retires before his Federal Old Age Benefit is payable, he may, at any time or from time to time, elect to have the retirement benefit otherwise payable after retirement to him for his lifetime under the normal form of benefit, or under an optional benefit payment, whichever is applicable, actuarially adjusted to provide, so far as practicable, a constant total retirement income inclusive of the estimated Federal Old Age Benefit, both before and after the Federal benefit is scheduled to begin.

h. Benefits To Surviving Spouse: In the event a Member dies, after having become vested under the Plan, leaving a surviving spouse to whom the Member was legally married for one year or more prior to his death, an annuity at one-half the rate of the annuity which the Member would have been entitled to receive under Section 4f.(1) had he retired and commenced receipt of benefits as of the first of the month following the date of his death, if the Member was eligible for retirement at the time of his death, or an annuity at one-half the rate of the annuity which the Member would have been entitled to receive under Section 4f.(1) had he retired and commenced receipt of benefits on the date he first would have been eligible to do so, if the Member was not eligible for retirement at the time of his death, shall be paid to such spouse, commencing at the end of the month following the month in which the Member would have attained his normal retirement date or earlier if the spouse so elects, but not earlier than the date the Member first would have reached age 55, as the case may be, for the life of such spouse.

i. (1) All annuities shall be payable in monthly installments; provided that any annuity which has an actuarially computed present value at the time of termination of service which is less than \$5,000 shall be paid in a lump sum of equivalent actuarial value. Monthly installment payments shall commence at the end of the month in which retirement occurs and continue until death. Full payment will be made for the month in which death occurs.

14

(2) Each Member, or any person to whom a Retirement Annuity, Vested Annuity or other benefit under this Plan is payable, shall be responsible for providing the Retirement Committee with any changes in his current address. If any person to whom a Retirement Annuity, Vested Annuity or other benefit under this Plan is payable shall not have provided evidence satisfactory to the Retirement Committee of his continued life and address for a period of two years after or during which such annuity or other benefit is payable, the Retirement Committee shall send by registered mail a notice addressed to such person at his last address known to the Committee describing the annuity or other benefit payable to him and stating that unless he communicates with the Committee within 30 days from the date of such notice, the Retirement Committee may suspend payments of the annuity or other benefit to such person while it causes an investigation to be made as to the continued life and address of such person.

(3) If any person to whom a benefit is payable hereunder is an infant, or if the Retirement Committee determines that any person to whom a Retirement Annuity or other benefit is payable is incompetent by reason of physical or mental disability, the Committee shall have power to cause the payments becoming due to such person to be made to another for his benefit without responsibility of the Committee or the Trustee to see to the application of such payments. Payments made pursuant to such power shall operate as a complete discharge of the Annuity Trust Fund, the Trustee and the Retirement Committee.

(4) Notwithstanding the other provisions of this Section, a Member who retires or becomes entitled to a Vested Annuity shall receive an annuity computed as provided for under the provisions of the Plan in effect on the date of his termination of service or retirement, except that: (a) effective for payments made under Section 4a., b., or d. of the Plan, the Retirement Annuity of a Member who was eligible for normal or late retirement under the Pfizer Plan prior to January 1, 1990, shall be increased by the greater of the increase attributable to (b) below or 10%, provided that any increase attributable to this Section (a) shall be a minimum of \$35 per month for any eligible Member who at retirement had either (i) completed at least 25 years of Creditable Service, or (ii) attained his normal retirement date and completed at least 10 years of Creditable Service; and (b) except for those Members who on and after January 1, 1994 elect a retirement benefit in a single lump sum as described in Option 3 under Section 4f.(2) hereof, any change in the years used in calculating Career Earnings under Section 1e.(1) of the Plan that would improve the benefits payable to a Member who had retired prior to the effective date of such change or changes, shall be applied to calculate the Career Earnings of such Member.

j. Limitation on Benefits: The annual benefit shall be defined and adjusted as provided in section 415(b)(2) of the Code and no annual annuity shall be payable in excess of (A) the lesser of the maximum dollar amount permitted by section 415(b)(1)(A) of the Code, or (B) 100% of the average earnings of the Member for the three consecutive calendar years which yield the highest average during which the Member was an active participant in the Plan, subject to the following conditions:

- (I) An annual benefit which is provided in a form other than a straight life annuity or a joint and survivor annuity described in section 417(b) of the Code shall be adjusted to an equivalent benefit in the form of a straight life annuity on

15

the basis of reasonable actuarial assumptions permitted under the Code and an interest rate assumption equal to the greater of 5% or the interest rate used by the Plan to convert such straight life annuity into such other form of benefit;

(II) If an annual benefit begins before a Member's Social Security Retirement Age, but on or after age 62, the otherwise applicable dollar limitation shall be adjusted as follows: (a) if a Member's Social Security Retirement Age is 65, and benefits commence on or after age 62, the dollar limitation is reduced by 5/9 of one percent for each month by which the Member's annual retirement benefit begins before the month in which the Member attains age 65, and (b) if a Member's Social Security Retirement Age is greater than age 65, and benefits begin on or after age 62, the dollar limitation is reduced by 5/9 of one percent for each of the first 36 months and 5/12 of one percent for each additional month (up to 24 months) by which the Member's annual retirement benefit begins before the month in which the Member attains his Social Security Retirement Age.

(III) If an annual retirement benefit begins before a Member attains age 62, the otherwise applicable dollar limitation shall be adjusted to the actuarial equivalent of a benefit commencing at age 62 using an interest rate assumption equal to the greater of 5% or the interest rate used by the Plan.

(IV) If an annual benefit begins after a Member's Social Security Retirement Age, the otherwise applicable dollar limitation shall be adjusted so that it is the actuarial equivalent of an annual benefit commencing at his Social Security Retirement Age using an interest rate assumption equal to the lesser of 5% or the interest rate used by the Plan;

(V) An annual benefit which is attributable all or in part to employee contributions or rollover contributions (as defined in section 402(c), 403(a)(4) or 408(d)(3) of the Code) shall be reduced so that it will be the equivalent of an annual benefit derived solely from employer contributions; and

(VI) If any Member has completed (1) fewer than 10 years of participation in a defined benefit plan, the dollar limitation under Section 4j.(A) otherwise applicable to him shall be reduced by multiplying it by a fraction, the numerator of which is his years of participation in the Plan as of the close of the limitation year and the denominator of which is 10, and/or (2) fewer than 10 years of Creditable Service with the Employer, the limitations under Sections 4j.(A), 4j.(B) and 4j.(7) otherwise applicable to him shall be reduced by multiplying it by a fraction, the numerator of which is his years of Creditable Service as of the close of the limitation year and the denominator of which is 10.

(VII) Notwithstanding the foregoing, if the Participant has never participated in any defined contribution plans, the adjustments set forth in this Section 4j shall not cause his annual benefit to be reduced below, if applicable, \$10,000 or such proportional amount thereof as shall be applicable because fewer than 10 years of Creditable Service have been completed.

16

(VIII) Effective as of January 1 of each calendar year, the maximum annual dollar amount referred to in Section 4j.(A) shall increase to the maximum annual dollar amount as determined by the Secretary of the Treasury for such calendar year pursuant to section 415(d)(1)(A) of the Code. Notwithstanding Section 4i.(4), such increased maximum dollar amount shall also be applicable to Members who have retired under Section 4a., b., or d. of the Plan regardless of whether they have actually begun to receive such benefits.

(IX) With respect to a Member who was a participant in the Pfizer Plan before October 3, 1973, in lieu of the foregoing the maximum computed under this subsection shall be the annuity payable under the Pfizer Plan provision in effect as of October 2, 1973 based upon (a) his aggregate creditable earnings on such date plus (b) his rate of earnings under the Pfizer Plan in effect as of such date times his years of creditable service after such date.

(X) The term "Social Security Retirement Age" means the social security retirement age as defined under section 415(b)(8) of the Code which shall mean age 65 in the case of a Member attaining age 62 before January 1, 2000 (i.e., born before January 1, 1938), age 66 for a Member attaining age 62 after December 31, 1999, and before January 1, 2017 (i.e., born after December 31, 1937, but before January 1, 1955), and age 67 for a Member attaining age 62 after December 31, 2016 (i.e., born after December 31, 1954).

(XI) The term "limitation year" shall mean the calendar year.

k. The limitation of this Section with respect to any Member who at any time has participated in any other defined benefit plan maintained by an employer or by a corporation which is a member of a controlled group of corporations, within the meaning of section 1563(a), determined without regard to section 1563(a)(4) and (e)(3)(C), and section 415(h) of the Code, of which an Employer is a member, shall apply as if the total benefits payable under all defined benefit plans in which the Member has been a participant were payable from one plan.

l. (1) The benefits provided under this Plan shall be reduced in the case of any Member or beneficiary under uniform rules adopted by the Committee, by the amount of any benefits payable to such Member or beneficiary under any other qualified non-government pension plan or program or any retirement or pension benefits payable to him under the laws of any foreign government, to the extent that the benefits payable under such other plan or program are based on service which is included in Prior Service, Membership Service or Special Service, hereunder, and are not attributable to contributions made to such other plan or program by the Member.

(2) The benefits provided under this Plan shall be reduced, under uniform rules adopted by the Retirement Committee, in the case of any Member reemployed by an Employer to avoid duplication of any benefits previously paid by this Plan to such Member after a prior termination of service, provided that in no event shall any benefits provided under this Plan be payable during any period of reemployment. Such reduction shall not apply to the extent that the Member shall, upon reemployment, repay to the Trustee any amount received from the Trust

17

with interest thereon compounded annually, at the rate to be determined by the Retirement Committee from the date or dates of receipt of such benefits to the date of repayment to the Trust.

(3) Whenever the amount of a benefit under this Plan is to be determined by an actuarial procedure, the following interest rate and mortality assumptions will be used. In the case of annuity forms of benefit payments, the interest rate assumption shall be 7 1/2% per annum and the mortality assumption shall be based upon the latest Unisex Mortality Table prepared by the Plan's actuary and adopted by the Retirement Committee. In the case of the lump sum form of payment, (i) for Members who Retire prior to July 1, 1995, the interest rate assumption shall be the Pension Benefit Guaranty Corporation discount rate for immediate annuities for the month three months prior to the month in which the Member Retires, and the mortality assumption shall be based upon the Mortality Tables specified by the Pension Benefit Guaranty Corporation with a unisex blend of 85% male and 15% female; and (ii) for Members who Retire on or after July 1, 1995, the interest rate assumption shall be the annual rate of interest on 30-year Treasury securities as specified by the Commissioner of the Internal Revenue Service for the full calendar month four months prior to the month in which the Member Retires, and the mortality assumption shall be based upon the mortality table prescribed under Section 417(e)(3)(A)(ii)(1) of the Code as in effect on the date on which the Member Retires.

m. Qualified Domestic Relations Order: Notwithstanding anything in the Plan to the contrary, the payment of any benefit to which a Member may be entitled under this Section 4 shall be subject to a qualified domestic relations order within the meaning of section 414(p) of the Code, the validity of which shall be determined pursuant to Section 8a.(3)(d).

n. Notwithstanding any provision of the Plan to the contrary that would otherwise limit a distributee's election under this Section, a distributee may elect, at the time and in the manner prescribed by the Retirement Committee, to have any portion of an eligible rollover distribution paid directly to an eligible retirement plan specified by the distributee in a direct rollover. In the event that the provisions of this Section 4m. or any part thereof cease to be required by law as a result of subsequent legislation or otherwise, this Section 4m. or applicable part thereof shall be ineffective without necessity of further amendment of the Plan.

(I) The term "eligible rollover distribution" shall mean any distribution of all or any portion of the balance to the credit of the distributee, except that an eligible rollover distribution does not include: any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the distributee or the joint lives (or joint life expectancies) of the distributee and the distributee's designated beneficiary, or for a specified period of ten years or more; any distribution to the extent such distribution is required under section 401(a)(9) of the Code; and the portion of any distribution that is not includible in gross income (determined without regard to exclusion for net unrealized appreciation with respect to employer securities). For purposes of the foregoing:

(II) The term "eligible retirement plan" shall mean an individual retirement account described in section 408(a) of the Code, an individual retirement annuity described in section 408(b) of the Code, an annuity plan described in section 403(a) of

18

the Code, or a qualified trust described in section 401(a) of the Code, that accepts the distributee's eligible rollover distribution. However, in the case of an eligible rollover distribution to the surviving spouse, an eligible retirement plan is an individual retirement account or individual retirement annuity.

(III) The term "distributee" shall mean an Employee or former Employee. In addition, the Employee's or former Employee's surviving spouse and the Employee's or former Employee's spouse or former spouse who is the alternate payee under a qualified domestic relations order, as defined in section 414(p) of the Code, are distributees with regard to the interest of the spouse or former spouse.

(IV) The term "direct rollover" shall mean a payment by the Plan to the eligible retirement plan specified by the distributee.

SECTION 5

Contributions

All of the Retirement Annuity payments provided under this Plan shall be financed entirely by means of contributions made by the Company and Associate Companies, subject to conditions set forth under Sections 9 and 12.

a. Service Contributions: Subject to the future financial needs and condition of the business as determined by its Board of Directors and Section 6a, (i) it is the intention of the Company to continue the Plan and, within the time allowed by law for filing of its Federal income tax return for each fiscal year, to make regular contributions each year in such amounts as are necessary to maintain the Plan on a sound actuarial basis, and to meet minimum funding standards prescribed by any applicable law and (ii) upon transfer from Special Service to service with an Employer, appropriate contributions shall be made with respect to each Employee so transferred to provide the benefits for such Special Service.

b. Actuarial Calculations: The Company shall adopt from time to time, service and mortality tables and the rates of interest to be used in actuarial calculations required in connection with the Plan. As an aid to the Company in adopting such tables the actuary designated by the Company shall from time to time submit recommendations to the Company as to possible changes affecting such tables. The actuary shall, in addition, make annual valuations of the contingent assets and liabilities of the Plan and establish the rate of Company contributions payable to the Plan.

- c. Continuation of Plan: Anything herein to the contrary notwithstanding, the continuation of this Plan and the payment of contributions are not assumed as contractual obligations of the Company or any other Employer.

19

SECTION 6

Funding the Plan

a. Trust Fund: All contributions made by an Employer to provide the benefits under this Plan shall be paid into the Annuity Trust Fund. Notwithstanding anything herein to the contrary, any contribution by the Company to the Annuity Trust Fund is conditioned upon the deductibility of the contribution by the Company under the Code and, to the extent any such deduction is disallowed, the Company shall, within one year following the disallowance of the deduction, demand repayment of such disallowed contribution and the Trustee shall return such contribution within one year following the disallowance. Earnings of the Plan attributable to the excess contribution may not be returned to the Company, but any losses attributable thereto must reduce the amount so returned. The Annuity Trust Fund will be held and invested as described in the Trust Agreement, a brief description of the provisions of which is given in Section 7 hereof. No part of the Annuity Trust Fund may be used for, or diverted to, purposes other than for the exclusive benefit of Employees or their beneficiaries, nor may any part of the Annuity Trust Fund be remitted to the Company, except as otherwise permitted under ERISA, provided, however, that the reasonable expenses of the Trustee in the administration of this trust as well as fees and other charges incurred for investment counseling and for actuarial services and expenses of the Retirement Committee and the Plan Assets Committee will be paid out of the Annuity Trust Fund.

- b. Annuities: Notwithstanding anything herein to the contrary, the Retirement Committee or the Plan Assets Committee may provide for the funding of the payment of any benefits prescribed by the Plan through the purchase of immediate or deferred annuities, as the case may be, from any governmental agency or insurance company or companies, approved by the Company.

SECTION 7

Administration of the Trust Fund - The Trust Agreement

The Company has entered into a trust agreement with State Street Bank and Trust Company (the "Trust Agreement"), providing for the administration of the Annuity Trust Fund by that bank as Trustee thereof, which includes provisions with respect to the powers and authority of the Trustee (in its discretion and/or as directed by an investment adviser appointed by the Plan Assets Committee) as to the investment and reinvestment of the Annuity Trust Fund and the income therefrom and provisions with respect to the administration of the Annuity Trust Fund, the limitations on the liability of the Trustee, authority of the Company to settle the accounts of the Trustee and of the Retirement Committee on behalf of all persons having any interest in the Annuity Trust Fund, and from time to time, to appoint a substitute, successor or additional Trustees, and that, with respect to any payments to or for the benefit of any employee or beneficiary under this Plan, the Trustee shall follow the directions of the Retirement Committee. The Trust Agreement further provides that the Company shall have the right, from time to time, to modify or amend the Trust Agreement in whole or in part, provided that no such amendment shall divert any part of the Annuity Trust Fund to purposes other than the exclusive benefit of Employees or their beneficiaries; provided, however, that the reasonable expenses of

20

the Trustee in the administration of this trust as well as fees and other charges incurred for investment counseling (including any investment adviser) and for actuarial services and expenses of the Retirement Committee and of the Plan Assets Committee will be paid out of the Annuity Trust Fund. The Trust Agreement shall be deemed to form a part of this Plan, and any and all rights or benefits which may accrue to any person under this Plan shall be subject to all the terms and provisions of said Trust Agreement.

SECTION 8

Committees

- a. (1) Retirement Committee: This Plan is administered by a Retirement Committee consisting of at least three persons appointed by the Board of Directors of the Company. Members of the Retirement Committee may resign at any time upon due notice in writing. The Board of Directors of the Company may remove any Retirement Committee Members and appoint others in their places. The Retirement Committee may act by a majority of its members.

(2) The Retirement Committee shall be the Plan Administrator and shall have fiduciary responsibility under the Employee Retirement Income Security Act of 1974, as amended, for the general operation of the Plan, except that the Retirement Committee shall have no responsibility for or control over the investment of the Plan assets, other than the authority to provide for the purchase of annuities pursuant to Section 6b. of the Plan and to give written directions to the Trustee or Investment Advisor with respect to the liquidity requirements of the Plan. The Retirement Committee may appoint or employ, and compensate such persons as it deems necessary to render advice with respect to any responsibility of the Retirement Committee under the Plan. The Retirement Committee may allocate to any one or more of its members any responsibility it may have under the Plan and may designate any other person or persons to carry out any responsibility of the Retirement Committee under the Plan, other than its authority described above with respect to the retention of cash and the purchase of annuities. Any person may serve in more than one fiduciary capacity with respect to the Plan.

(3) Duties:

- (a) The Retirement Committee will determine the names of Annuitants and joint Annuitants and the amounts that are payable to them from the Annuity Trust Fund in accordance with the provisions of this Plan.
- (b) The Retirement Committee shall keep in convenient form such data as shall be necessary for actuarial valuations of the contingent assets and liabilities of the Plan and for checking the experience thereof.
- (c) The Retirement Committee shall determine the manner in which the funds of the Plan shall be dispensed including the form of voucher or waiver to be used in making disbursements and the due notification of persons authorized to approve and sign the same.
- (d) The Retirement Committee shall determine whether a judgment, decree or order, including approval of a property settlement agreement, made pursuant to a state domestic relations law, including a community property law, that relates to the provision of child support,

21

alimony payments, or marital property rights of a spouse, former spouse, child, or other dependent of the Member is a qualified domestic relations order within the meaning of section 414(p) of the Code, and shall give the required notices and segregate any amounts that may be subject to such order if it is a qualified domestic relations order, and shall administer the distributions required by any such qualified domestic relations order.

(4) Administration of Plan: The Retirement Committee is authorized to make such rules and regulations as may be necessary to carry out the provisions of the Plan and will determine any questions arising in the administration, interpretation and application of the Plan, which determination shall be conclusive and binding on all parties. The Retirement Committee is also authorized to provide for accelerated vesting and to purchase or arrange for payment of an appropriate annuity or any other form of payment or to permit the immediate distribution of Plan benefits in those cases involving groups of Employees involuntarily terminated, including, but not limited to, cases involving groups of Employees who involuntarily cease to render Creditable Service due to a liquidation, sale, or other means of terminating the parent-subsidary or controlled group relationship with an Employer or the sale or other transfer to a third party of all or substantially all of the assets used by the Employer in a trade or business conducted by the Employer, when the Retirement Committee determines that such action is appropriate to prevent inequities with respect to such Employees, and the determination of the Committee in such matters shall be conclusive and binding on all parties. Further, the Retirement Committee, upon the written request of the Company's Vice President-Human Resources, is authorized, with respect to a Member of the Plan who has five or more years of Creditable Service and who is transferred to the purchaser of a portion of the Company's operations, effective the day after the closing date of the sale, to grant additional Creditable Service and additional credit for age under the Plan, in each case up to one percent for each year of Creditable Service, and to advance the date through which a Member's Earnings are calculated pursuant to Section 1i. hereof, so as to prevent hardship with respect to his participation in said purchaser's pension plan. The Retirement Committee is also authorized to waive, either in whole or in part, the percentage reductions for early commencement of retirement benefits set forth in Section 4d. in those cases where groups of Employees have terminated employment either as a result of a reduction in the work force or for similar economic reasons, and, the determination of the Retirement Committee shall be conclusive and binding on all parties. The Retirement Committee is also authorized to adopt such rules and regulations as it may consider necessary or desirable for the conduct of its affairs and the transaction of its business, including, but not limited to, the power on the part of the Retirement Committee to act without formally convening and to provide that action of the Retirement Committee may be expressed by written instrument signed by a majority of its members. It shall elect a Secretary, who need not of necessity be a member of the Retirement Committee, who shall record the minutes of its proceedings and shall perform such other duties as may from time to time be assigned to him. The Retirement Committee may retain legal counsel (who may be counsel for the Company) when and if it be found necessary to do so and may also employ such other assistants, clerical or otherwise, as may be requisite, and expend such monies as may be requisite in their work. All of these expenses of the Retirement Committee and the reasonable expenses of the Trustee in the administration of the trust as well as for actuarial services will be paid out of the Annuity Trust Fund. In exercising such powers and authorities, the Retirement Committee shall at all times exercise good faith, apply standards of uniform application and refrain from arbitrary action.

22

b. (1) Plan Assets Committee: A Plan Assets Committee consisting of at least three persons appointed by the Board of Directors of the Company shall have exclusive authority and fiduciary responsibility under the Employee Retirement Income Security Act of 1974, as amended, (i) to appoint and remove investment advisers, if any, under the Plan and the Trust Agreement, (ii) to direct the segregation of assets of the Annuity Trust Fund into an investment adviser account or accounts at any time, and from time to time to add to or withdraw assets from such investment adviser account or accounts as it deems desirable or appropriate and also to direct the Company's contribution or any portion thereof into any of the accounts maintained under the trust, (iii) to direct the Trustee to enter into an agreement or agreements with an insurance company or companies designated by the Plan Assets Committee as provided in the Trust Agreement, (iv) to establish investment guidelines for areas other than those set forth above and, within such guidelines, to direct the Trustee to purchase and sell securities or to enter into one or more agreements with one or more companies, partnerships or joint ventures and to transfer assets of the Annuity Trust Fund to such entities for purposes of investment therein; provided however, that, except as expressly set forth above, the Plan Assets Committee shall have no responsibility for or control over the investment of the Plan assets held in the Annuity Trust Fund established hereunder. In addition, the Plan Assets Committee shall

receive the reports and recommendations of the actuary designated by the Company under Section 5b. hereof concerning actuarial assumptions to be adopted on subjects including, but not limited to, Employee turnover, rate of mortality, disability rate, ages at actual retirement, rate of pay increases, investment income and size of participant group, and make such recommendations and de terminations based upon such reports and recommendations as it may deem necessary or appropriate. The Plan Assets Committee may appoint or employ such persons as it deems necessary to render advice with respect to any responsibility of the Plan Assets Committee under the Plan. The Plan Assets Committee may allocate to any one or more of its members any responsibility that it may have under the Plan and may designate any other person or persons to carry out any responsibility of the Plan Assets Committee under the Plan. Any person may serve in more than one fiduciary capacity with respect to the Plan. Members of the Plan Assets Committee may resign at any time upon due notice in writing. The Board of Directors of the Company may remove any Plan Assets Committee members and appoint others in their places. The Plan Assets Committee may act by a majority of its members.

(2) The Plan Assets Committee is authorized to make such rules and regulations as may be necessary to carry out its duties under the Plan. The Plan Assets Committee is also authorized to adopt such rules and regulations as it may consider necessary or desirable for the conduct of its affairs and the transaction of its business, including, but not limited to, the power on the part of the Plan Assets Committee to act without formally convening and to provide that action of the Plan Assets Committee may be expressed by written instrument signed by a majority of its members. It shall elect a Secretary, who need not of necessity be a member of the Plan Assets Committee, who shall record the minutes of its proceedings and shall perform such other duties as may from time to time be assigned to him. The Plan Assets Committee may retain legal counsel (who may be counsel for the Company) when and if it be found necessary to do so and may also employ such other assistants, clerical or otherwise, as may be requisite, and expend such monies as may be requisite in their work. All of these expenses of the Plan Assets Committee as well as expenses for investment counseling will be paid out of the Annuity Trust Fund.

23

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

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

SECTION 9

Amendments and Changes in Plan and Coverage

The Company reserves the right in its sole and absolute discretion, through its Board of Directors in accordance with its established rules of procedure, at any time to modify, suspend or discontinue this Plan or the Annuity Trust Fund in whole or in part and to change the Trustee or the funding method.

The Retirement Committee may make administrative changes to the Plan so as to conform with or take advantage of governmental requirements, statutes or regulations.

SECTION 10

Non-Alienation of Benefits

No benefit payable under the provisions of the Plan shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge, and any attempt so to anticipate, alienate, sell, transfer, assign, pledge, encumber or charge the same shall be void; nor shall any such benefits be in any manner liable for or subject to the debts, contracts, liabilities, engagements or torts of any Member or beneficiary except as specifically provided in the Plan, in Code Section 401(a)(13), or by a qualified domestic relations order within the meaning of section 414(p) of the Code, or by any other applicable law.

24

SECTION 11

Associate Companies

a. Adoption of Plan: Any corporation or affiliate, with the consent of the Company, by taking appropriate corporate action may become an Associate Company and secure the benefits of this Plan for its employees by adopting this Plan as its Retirement Annuity Plan and by executing the Trust Agreement. As a condition to such corporation or affiliate becoming an Associate Company, the Company may require such corporation to modify or amend any pension plan which such corporation or affiliate may then have so as to conform to the provisions of this Plan, or to limit Prior Service, as defined in Section 3, to service rendered for such corporation on and after a date to be determined by the Company. The Associate Company shall thereafter promptly deliver to the Trustee a certified copy of the resolutions or other documents evidencing its adoption of this Plan and also a written instrument showing the consent by the Comp any to such adoption.

b. Employee Transfers: Any Employee who is transferred from one Employer under this Plan to another Employer under this Plan shall receive upon retirement a Retirement Annuity based on his Creditable Service with all such Employers.

c. Withdrawal: The Company may upon thirty (30) days written notice request an Associate Company to withdraw from the Plan and upon the expiration of such thirty (30) day period, unless such Associate Company has taken the appropriate corporate action to accomplish such withdrawal, such Associate Company shall be deemed to have withdrawn from the Plan and the provisions of Section 12 shall apply. The Retirement Committee shall give written notice to the Trustee of any such withdrawal.

SECTION 12

Withdrawal from Plan

Any Employer may withdraw from the Plan by giving the Retirement Committee thirty (30) days written notice of its intention to withdraw. In the event any Employer withdraws from the Plan, the Retirement Committee shall thereupon determine, on the basis of actuarial valuation, that portion of the Annuity Trust Fund held on account of the Employees of such Employer not yet retired. The Retirement Committee in its discretion shall direct the Trustee either (1) to continue to hold such assets under this Plan on the date of such withdrawals; or (2) to deliver such assets to such trustee or trustees as shall be selected by such withdrawing Employer; or (3) to use such assets to purchase an appropriate retirement annuity for each Employee of such withdrawing Employer who was a Member on the date of such withdrawal.

SECTION 13

Termination of Plan

a. Application of Funds: Upon complete or partial termination of the Plan, in accordance with the established rules of procedure of the Employer, the rights of all affected

25

Members to affected benefits accrued to the date of such termination, to the extent then funded, shall be non-forfeitable. If the Plan is terminated by an Employer for any reason, the funds in the trust shall be used and applied by the Retirement Committee, after expenses, exclusively for the benefit of Members and Annuitants at the time of termination in accordance with the formula set forth below by either purchasing or arranging for payment of an appropriate annuity or any other form of payment approved by the Retirement Committee, and for no other purpose, and when so used and applied the trust shall finally cease and be at an end. The funds shall be allocated for distribution in the following order:

(1) In the case of a benefit, payable as an annuity to a Member or beneficiary, which was in pay status as of the beginning of the three-year period ending on the termination date of the Plan, to each such benefit, based on the provisions of the Plan (as in effect under the five-year period ending on such date) under which such benefit would be the least.

(2) In the case of a benefit, payable as an annuity to a Member or beneficiary, which would have been in pay status as of the beginning of such three-year period if the Member had retired prior to the beginning of the three-year period and if his benefits had commenced (in the normal form of annuity under the Plan) as of the beginning of such period, to each such benefit based on the provisions of the Plan (as in effect during the five-year period ending on such date) under which such benefit would be the least.

(3) To all other benefits, if any, of individuals under the Plan subject to the Pension Benefit Guaranty Corporation insurance guarantee and to any additional benefits to a substantial owner, as that term is defined in Section 4022(b)(5)(A) of the Employee Retirement Income Security Act of 1974, which would be subject to the guarantee but for their "substantial owner" status.

(4) To all other non-forfeitable benefits under the Plan and, if the assets are not sufficient to cover all such remaining non-forfeitable benefits, then to the benefits resulting from the Plan as in effect five years prior to the date of termination, and if assets remain after satisfaction of such benefits, then to each increase in benefits resulting from amendments during the last five years in the order in which those amendments occurred.

(5) To all other benefits under the Plan.

(6) In the event that there remain additional funds available for distribution after the funds have been distributed as provided in said paragraphs (1), (2), (3), (4) and (5) above, any other provisions of this Plan notwithstanding, any funds, remaining may be reclaimed by the Employer. Any of such funds remaining, but not reclaimed by the Employer, shall be distributed in such a manner that all the Annuitants and Members included in paragraphs (1), (2), (3), (4) and (5) above shall receive an additional amount determined by multiplying the total value of these remaining assets in the Annuity Trust Fund by a percentage computed by dividing the value as of the date of termination of such Annuitant's remaining benefits or such Member's benefits, as the case may be, by the total value as of the date of termination of the remaining benefits, or the benefits of all such Annuitants or Members under the Plan, as the case may be.

26

b. The provisions of this Section 13b. shall apply (a) in the event the Plan is terminated, to any Member who is a highly compensated employee or highly compensated former employee (as defined in section 414(q) of the Code) of an Employer and (b) in any other event, to any Member who is one of the twenty-five highest compensated Employees or former Employees of an Employer for a Plan Year. Notwithstanding the foregoing, for each Plan Year the Employer may elect to determine the status of highly compensated employees under the simplified snapshot method described in Internal Revenue Service Revenue Procedure 93-42 or, to the extent permitted by Treasury Regulations, on a calendar year basis. The amount of the annual payments under the Plan to any Member to whom this Section 13b. applies shall not exceed an amount equal to the payments that would be made under the Plan during the Plan Year on behalf of the Member under a single life annuity which is the actuarial equivalent to the sum of all of the Members accrued benefits under the Plan.

c. The provisions of Subsection b. of Section 13 shall not apply if (a) the value of the benefits which would be payable under the Plan to a Member described in Subsection b. of Section 13 is less than one percent of the value of the current liabilities (as defined in section 412(l)(7) of the Code) under the Plan or (b) the value of the Plan's assets equals or exceeds, immediately after payment of a benefit under the Plan to such a Member, one hundred ten percent of the value of the current liabilities under the Plan.

d. Notwithstanding the preceding provisions of Subsection b. of Section 13, in the event the Plan is terminated, the restrictions contained in such Subsection shall not be applicable if the benefits payable under the Plan to any Member who is a highly compensated employee or a highly compensated former Employee are limited to benefits which are nondiscriminatory under section 401(a)(4) of the Code.

e. Change in Law: In the event that it should subsequently be determined by statute, court decision, administrative ruling or otherwise, that the provisions of Subsection b. of Section 13 are no longer necessary to qualify the Plan under the Code, such provisions shall be ineffective without the necessity of further amendment of the Plan.

SECTION 14

Plan Mergers and Consolidations

In the event of any merger or consolidation of the Plan with, or transfer in whole or in part of the assets and liabilities of the Annuity Trust Fund to another trust fund held under any other plan of deferred compensation maintained or to be established for the benefit of all or some of the Members of this Plan, the assets of the Annuity Trust Fund applicable to such Members shall be transferred to the other trust fund only if:

a. Each Member would, if either this Plan or the other plan were to terminate at such time, receive a benefit immediately after the merger, consolidation or transfer which is equal to or greater than the benefit he would have been entitled to receive immediately before the merger, consolidation or transfer if this Plan had then terminated;

27

b. The Employer and any new or successor employer of the affected Members shall authorize such transfer of assets; and

c. Such new or successor employer shall assume all liabilities with respect to such Members' inclusion in the new employees plan.

SECTION 15

Claims Procedure

Any request by a Member or any other person for any benefit alleged to be due under the Plan shall be known as a "Claim" and the Member or such other person making a Claim shall be known as a "Claimant."

A Claim shall be filed when a written statement has been made by the Claimant or his authorized representative and delivered to the Vice President-Human Resources, Minerals Technologies Inc., 405 Lexington Avenue, New York, New York 10174-1901. This statement shall include a general description of the benefit which the Claimant believes is due and the reasons that the Claimant believes such benefit to be due, to the extent this is within the knowledge of the Claimant. It shall not be necessary for the Claimant to cite any particular Section or Sections of the Plan, but only to set out the facts known to him which he believes constitute a basis for a Claim.

Within 90 days of the receipt of the Claim by the Plan, the Vice President-Human Resources shall (i) notify the Claimant that the Claim has been approved, (ii) notify the Claimant that the Claim has been partially approved and partially denied, or (iii) notify the Claimant that the Claim has been denied. Notice of the decision shall be in writing and shall be delivered to the Claimant either personally or by first-class mail. Special circumstances may require an extension of time for processing the claim. In such event, written notice of the extension shall be furnished to the Claimant prior to the termination of the initial 90 day period but in no event shall the extension exceed a period of 90 days from the end of such initial period. The notice shall indicate the special circumstances requiring an extension of time and the date by which the Plan expects to render the final decision.

In the event a Claim is denied in whole or in part, the notice of denial shall set forth (i) the specific reason or reasons for the denial, (ii) specific reference to the pertinent Plan provisions on which the denial is based, (iii) a description of any additional material or information necessary for the Claimant to perfect the Claim and an explanation of why such material or information is necessary, and (iv) an explanation of the Plan's claims review procedure and a statement of the Claimant's right to bring a civil action under Section 502(a) of ERISA.

Within 60 days of the receipt of a notice of denial of a Claim in whole or in part, a Claimant or his duly authorized representative (i) may request a review upon written application to the Retirement Committee, (ii) may review documents pertinent to the Claim, and (iii) may submit issues and comments in writing to the Retirement Committee. Notice shall be deemed to be received when delivered if delivered personally pursuant to the foregoing provisions of this

28

Section or three days after it has been deposited post-paid in a depository maintained by the U.S. Post Office addressed to Claimant at the address designated by him or her in the Claim or if Claimant has moved at the last known address shown for Claimant on the Employer's records.

It shall be the duty of the Retirement Committee to review a Claim for which a request for review has been made and to render a decision not later than 60 days after receipt of a request for review; provided, however, that if special circumstances require an extension of time for processing, a decision shall be rendered no later than 120 days after receipt of a request for review. Written notice of any such extension shall be furnished to the Claimant within 60 days after receipt of request for review. The decision shall be in writing and shall include the specific reasons for the decision and specific references to the pertinent Plan provisions on which the decision is based. In the event a Claim is denied, the decision shall also include (i) a statement that the Claimant may receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the Claimant's claim for benefits and (ii) a statement describing any voluntary appeal procedures offered by the Plan along with a statement of the Claimant's right to bring an action under Section 502(a) of ERISA. The decision shall be delivered to the Claimant either personally or by first-class mail. If the decision on review is not furnished within such time, the Claim shall be deemed denied on review.

SECTION 16

Top-Heavy Rule

a. Notwithstanding any provision in the Plan to the contrary, if the Plan is determined by the Retirement Committee to be top-heavy, as that term is defined in section 416 of the Code, in any calendar year, then for that calendar year the vesting schedule and minimum benefit rules, as set forth below, shall be applicable. Determination of whether the Plan is top-heavy shall be made in accordance with section 416(g) of the Code.

b. Definitions solely applicable to this Section 16.

(1) "Compensation" shall mean the amount reportable by an Employer for Federal income tax purposes as wages paid to the Member for such period.

(2) "Determination Date," the date for determining whether the Plan is top-heavy, shall be the December 31 of the preceding year.

(3) "Key Employee" shall have the same meaning as in section 416(i)(1) of the Code.

(4) "Non-Key Employee" shall mean an employee other than a Key Employee as defined in subsection b.(3) above.

(5) "Testing Period" shall mean the period of consecutive years, not exceeding five (5), during which a Member had the greatest aggregate compensation from his Employer, but not including years in which this Plan was determined not to be top-heavy.

29

(6) "Valuation Date," for minimum funding purposes, shall be a date within the twelve-month period ending on the Determination Date, regardless of whether a valuation for minimum funding purposes is performed in that year.

c. For the purpose of determining whether this Plan is top-heavy, this Plan and the Company's Savings and Investment Plan shall be aggregated, as provided in section 416(g)(2)(A) of the Code.

d. Vesting Schedule: Employees shall acquire a vested interest in an annuity under the Plan in accordance with the following schedule:

20% of the accrued benefit under Section 4a. after two (2) Anniversary Years of Creditable Service; 40% of the accrued benefit under Section 4a. after three (3) Anniversary Years of Creditable Service; 60% of the accrued benefit under Section 4a. after four (4) Anniversary Years of Creditable Service; 80% of the accrued benefit under Section 4a. after five (5) Anniversary Years of Creditable Service; and 100% of the accrued benefit under Section 4a. after six (6) Anniversary Years of Creditable Service.

e. Minimum Benefit Rule: A Non-Key Employee's benefit shall not be less than the lesser of: 2% of his average compensation during the testing period, not exceeding the compensation limitation under section 401(a)(17) of the Code and applicable regulations, multiplied by those years of service with his Employer in which this Plan is determined to be top-heavy or 20% of his average compensation during the Testing Period; provided, however, that any minimum benefit provided under this Section 16 shall be offset by the actuarial equivalent of the value of the Employer's contributions to the Company's Savings and Investment Plan on the Non-Key Employee's behalf. Such actuarial equivalent shall be calculated using the Pension Benefit Guaranty Corporation

immediate annuity lump sum factor, with male and female factors equally weighted, in effect three (3) months prior to termination of employment. All accruals derived from Employer contributions, whether or not attributable to years in which the Plan is top-heavy, may be used in determining whether the minimum accrued benefit requirements for a Non-Key Employee has been satisfied.

f. If the Plan becomes top-heavy and in a subsequent year ceases to be top-heavy, the vesting schedule under Section 16d. shall revert to the vesting schedule under Section 4c. of the Plan provided, however, that any Employee who has completed at least three (3) or more years of Creditable Service at the time the Plan ceases to be top-heavy and who had at least one (1) Hour of Service while the Plan was a top-heavy plan, shall be entitled to elect, within a reasonable period (such period to be determined by the Retirement Committee when relevant but in no event no earlier than 60 days following the latest of (i) the date upon which the reversion to the prior vesting schedule became effective, or (ii) the day the Employee is issued written notice by the Retirement Committee that the prior schedule is applicable), whether the vesting schedule in Section 16d. or in Section 4c. is applicable to his benefit.

October 2001

SCHEDULE A

Groups or classes eligible for participation in the Retirement Annuity Plan (except in each case employees covered by a collective bargaining agreement that does not provide for coverage of such employees under the Plan if there is evidence that retirement benefits were the subject of good faith bargaining):

- 1. All employees in the service of Minerals Technologies Inc.
- 2. All employees in the service of the following Associate Companies:
 - Barretts Minerals Inc.
 - Specialty Minerals Inc.
 - MINTEQ International Inc.
 - Specialty Minerals (Michigan) Inc.
 - Specialty Minerals Mississippi Inc.
 - Synsil Products Inc.

SCHEDULE B - Vested Benefit Table

The following table sets forth the percentages which will apply at the ages indicated in the computation of vested benefits:

- 1. Effective on or after January 1, 1994 -

| <u>Age That Annuity Payments Commence</u> | <u>Percentage of Vested Annuity</u> |
|---|---|
| 65+ | 100% |
| 64 | 94 |
| 63 | 88 |
| 62 | 82 |
| 61 | 76 |
| 60 | 70 |
| 59 | 64 |
| 58 | 58 |
| 57 | 52 |
| 56 | 46 |
| 55 | 40 |

- 2. Effective prior to January 1, 1994 -

| <u>Age That Annuity Payments Commence</u> | <u>Percentage of Vested Annuity</u> |
|---|---|
| 65+ | 100% |
| 64 | 96 |
| 63 | 92 |
| 62 | 88 |
| 61 | 84 |
| 60 | 80 |
| 59 | 76 |
| 58 | 72 |
| 57 | 68 |

| | |
|----|----|
| 56 | 64 |
| 55 | 60 |
| 54 | 56 |
| 53 | 52 |
| 52 | 48 |
| 51 | 44 |
| 50 | 40 |

SCHEDULE C

Early Retirement Table

The following table sets forth the percentages which will apply at the ages indicated in the computation of early retirement benefits:

| <u>Age</u> | <u>Percentage</u> |
|------------|-------------------|
| 65 | 100 |
| 64 | 96 |
| 63 | 92 |
| 62 | 88 |
| 61 | 84 |
| 60 | 80 |
| 59 | 76 |
| 58 | 72 |
| 57 | 68 |
| 56 | 64 |
| 55 | 60 |

SCHEDULE D

Alternate Early Retirement Table

The following table sets forth the percentages which will apply at the ages indicated in the computation of early retirement benefits:

| <u>Age</u> | <u>Service</u> | <u>Percentage</u> |
|------------|----------------|-------------------|
| 64 | 26 | 100 |
| 63 | 27 | 100 |
| 62 | 28 | 100 |
| 61 | 29 | 100 |
| 60 | 30 | 100 |
| 59 | 31 | 96 |
| 58 | 32 | 92 |
| 57 | 33 | 88 |
| 56 | 34 | 84 |
| 55 | 35 | 80 |

MINERALS TECHNOLOGIES INC.

SAVINGS AND INVESTMENT PLAN

(As amended and restated effective
January 1, 2001 with certain earlier effective dates)

MINERALS TECHNOLOGIES INC.
SAVINGS AND INVESTMENT PLAN
(As amended and restated effective as of January 1, 2001
with certain earlier effective dates)

TABLE OF CONTENTS

| | Page |
|---|---------------------------|
| I. PURPOSES..... | <u>1</u> |
| II. DEFINITIONS..... | <u>1</u> |
| III. EFFECTIVE DATE..... | <u>5</u> |
| IV. ELIGIBILITY..... | <u>5</u> |
| V. PARTICIPATION..... | <u>6</u> |
| VI. CONTRIBUTIONS..... | <u>6</u> |
| VII. INVESTMENT OF FUNDS..... | <u>14</u> |
| VIII. CREDITS TO MEMBERS' ACCOUNTS..... | <u>17</u> |
| IX. SUSPENSION OF CONTRIBUTIONS..... | <u>18</u> |
| X. WITHDRAWALS..... | <u>18</u> |
| XI. SETTLEMENT UPON TERMINATION OF EMPLOYMENT..... | <u>20</u> |
| XII. SAVINGS AND INVESTMENT PLAN COMMITTEE..... | <u>25</u> |
| XIII. TRUST AGREEMENT..... | <u>28</u> |
| XIV. ASSOCIATE COMPANIES..... | <u>28</u> |
| XV. VOTING RIGHTS..... | <u>29</u> |
| XVI. ADMINISTRATIVE COSTS..... | <u>30</u> |
| XVII. NON-ALIENATION OF BENEFITS..... | <u>30</u> |
| XVIII. NOTICE..... | <u>31</u> |
| XIX. INVESTMENTS..... | <u>31</u> |
| XX. TREASURY APPROVAL..... | <u>31</u> |
| XXI. MISCELLANEOUS..... | <u>32</u> |
| XXII. TERMINATION, AMENDMENT OR SUSPENSION OF THE PLAN..... | <u>33</u> |
| XXIII. PLAN MERGERS AND CONSOLIDATIONS..... | <u>33</u> |

| | | |
|-------|-----------------------|--------------------|
| XXIV. | CLAIMS PROCEDURE..... | 34 |
| XXV. | TOP-HEAVY RULE..... | 35 |
| XXVI. | LOAN PROVISIONS..... | 36 |
| | SCHEDULE A..... | 38 |

MINERALS TECHNOLOGIES INC.
SAVINGS AND INVESTMENT PLAN

(As amended and restated effective as of January 1, 2001
with certain earlier effective dates)

I. PURPOSES

The purposes of this Plan are to foster thrift on the part of the eligible employees by affording them the opportunity to make regular savings and investments through payroll deductions in order to provide the opportunity for additional security at retirement, and also to provide them with a proprietary interest in the continued growth and prosperity of the Company. As an incentive, the Company will match a portion of such savings by regular contributions as provided in the Plan.

II. DEFINITIONS

Wherever used in this Plan:

- A. "Account" means the aggregate interest of a Member in the Plan.
- B. "After-Tax Contributions" means contributions made by a Member pursuant to Section VI.A. hereof.
- C. "Associate Company" means any corporation of which Minerals Technologies Inc. owns directly or indirectly at least 80% of the issued and outstanding shares of stock, which, with the consent of the Company, adopts this Plan pursuant to the provisions of Section XIV. hereof, and when action is required to be taken hereunder by an Associate Company such action shall be authorized by its Board of Directors.
- D. "Business Day" means each day of each Plan Year on which the New York Stock Exchange is open for the transaction of business.
- E. "Code" means the Internal Revenue Code of 1986, as from time to time amended.
- F. "Committee" means the Savings and Investment Plan Committee hereinafter provided for in Section XII. hereof.
- G. "Company" means Minerals Technologies Inc., a Delaware corporation, and any successor corporation, and when action is required to be taken hereunder by the Company, such action shall be authorized by the Compensation and Nominating Committee or the Board of Directors of the Company.
- H. "Disability" means any medically determinable physical or mental impairment that renders a Member unable to engage in any substantial gainful activity and which can be expected to result in death or to be of long-continued and indefinite duration, within the meaning of section 72(m)(7) of the Code. Generally, a

Member who is approved for long-term disability by an Employer's long-term disability insurance carrier will be considered "Disabled".

- I. "Employee" means a person who is employed in the service of an Employer within the United States of America or any of its territories or possessions, or who is a United States citizen employed in the service of an Employer outside the continental limits of the United States of America, except a person who is included in a unit of employees covered by a collective bargaining agreement that does not provide for coverage of such person under the Plan if there is evidence that retirement benefits were the subject of good faith bargaining. A person who is a United States citizen or a Participating Resident Alien and who is employed outside the continental limits of the United States of America in the service of a foreign subsidiary (including foreign subsidiaries of such foreign subsidiary) of the Company shall be considered, for all purposes of this Plan, as employed in the service of the Company, if (1) the Company has entered into an agreement under section 3121(l) of the Code which applies to the foreign subsidiary of which such person is an employee, and (2) contributions under a funded plan of deferred compensation, whether or not a plan described in section 401(a), 403(a), or 405(a) of the Code, are not provided by any other person with respect to the remuneration paid to such individual by the foreign subsidiary. In addition, effective January 1, 1997, any person performing services for the Company as a Leased Employee shall, for purposes of the Plan, continue to be an employee of such leasing organization, and not of the Company, notwithstanding the provisions of the Code requiring that such person may have to be counted as an employee of the Company in order to perform certain plan qualification tests as contained therein. The term "Employee" shall also not include any person who is performing services for the Company pursuant to an agreement, contract, or arrangement under which said individual is designated, characterized, or classified as an independent contractor, consultant, or any category or classification other than an employee without regard to whether any determination by an agency, governmental or otherwise, or court concludes that such classification or characterization was in error.
- J. "Employer" means the Company or any Associate Company. For purposes of sections 410 and 411 of the Code, "Employer" also shall mean any corporation or other trade or business that is treated under the first sentence of section 414(b) or under section 414(c) of the Code as constituting the same "employer" as the Company or an Associate Company, with respect to any period of such affiliated status.
- K. "Employer Matching Contributions" means contributions made by an Employer pursuant to Section VI.B. hereof.
- L. "Hours of Service" means all hours for which an Employee is directly or indirectly paid, or entitled to payment (including back pay for periods for which such awards pertain), by an Employer (or any company which is a member of the same controlled group of corporations, within the meaning of section 1563(a) of the Code as an Employer or any trade or business whether or not incorporated which is under common control of an Employer as determined under regulations prescribed under section 414 of the Code at the time of such service) for the performance of duties, or for reasons other than the performance of duties, such as vacation, injury, accident, sickness, short-term Disability or authorized leave of absence. In the case of a payment which is made or due on account of a period during which an Employee performs no duties, Hours of Service will be determined in accordance with the appropriate Department of Labor regulations (section 2530.200b-2(b) and (c)). Notwithstanding any provision of the Plan to the contrary, effective as of December 12, 1994, contributions and benefits with respect to "qualified military service" will be provided in accordance with section 414(u) of the Code.
- M. "Leased Employee" means, effective as of January 1, 1997, any person other than an Employee, who, pursuant to an agreement between an Employer and any other person ("leasing organization") performs services for the Employer (or the Employer and any related persons or entities under common control determined in accordance with section 414(n)(6) of the Code) on a substantially full time basis for a period of at least one year, and such services are performed under the primary direction or control of the recipient. Any person performing services for an Employer as a Leased Employee shall, for purposes of the Plan, not be an employee of the Employer, notwithstanding amendments to the Code which require that such person may have to be counted as an employee of the Employer in order to perform certain plan qualification tests as contained therein.
- N. "Member" means an Employee who participates in the Plan in accordance with the provisions of Section V. hereof, or a former participant in the Plan who retains an Account therein.
- O. "Member Contributions" means the After-Tax Contributions and Qualified Deferred Earnings Contributions made to the Plan pursuant to Section VI.A. hereof.
- P. "Participating Resident Alien" means a person who is not a United States citizen but (1) has previously been employed as a lawful resident alien in the service of an Employer within the United States of America, (2) was a Member of the Plan during such employment, (3) is currently employed at a location outside both the person's country of citizenship and the continental limits of the United States of America, and (4) continues to maintain his eligibility for employment as a lawful resident alien within the United States of America.
- Q. "Plan" means this Minerals Technologies Inc. Savings and Investment Plan, as it may be amended from time to time.
- R. "Plan Year" means (1) the period beginning April 1, 1993 and ending December 31, 1993, and (2) each twelve (12) month period thereafter commencing on January 1 and ending on December 31 while the Plan is in effect.

behalf of a Member under section 401(k) of the Code and the applicable Treasury Regulations thereunder pursuant to Section VI.A. hereof.

T. "Regular Earnings" means for any Plan Year the sum of (1) the regular base pay and bonuses received by a Member, as established by an Employer, plus the Member's overtime pay, premium pay, and call-in/call-back pay, but excluding Christmas gifts, allowances, contest awards, remuneration received in the form of salary continuance or lump sum severance by a Member while no longer providing services to an Employer and other similar payments and (2) any amount which is contributed by a Member's Employer on behalf of the Member pursuant to a salary reduction agreement and which is not includible in gross income under sections 125, 132(f)(4), 402(e)(3), 402(h) or 403(b) of the Code. With respect to each Plan Year commencing after December 31, 1988 and prior to January 1, 1994, a Member's Regular Earnings shall not include any amounts in excess of \$200,000 (as adjusted by the Secretary of the Treasury, or his delegate, at the same time and in the same manner as under section 415(d) of the Code to reflect cost of living increases).

In addition to other applicable limitations set forth in the Plan, and notwithstanding any other provision of the Plan to the contrary, for Plan Years beginning on or after January 1, 1994, the Regular Earnings of each Employee taken into account under the Plan shall not exceed the OBRA '93 annual compensation limit. The OBRA '93 annual compensation limit is \$150,000, as adjusted by the Commissioner for increases in the cost-of-living in accordance with section 401(a)(17)(B) of the Code. The cost-of-living adjustment in effect for a calendar year applies to any period, not exceeding twelve (12) months, over which Regular Earnings is determined (determination period) beginning in such calendar year. If a determination period consists of fewer than twelve (12) months, the OBRA '93 annual compensation limit will be multiplied by a fraction, the numerator of which is the number of months in the determination period, and the denominator of which is twelve (12).

For Plan Years beginning on or after January 1, 1994, any reference in this Plan to the limitation under section 401(a)(17) of the Code shall mean the OBRA '93 annual compensation limit set forth in this provision. If Regular Earnings for any prior determination period is taken into account in determining an Employee's contributions in the current Plan Year, the Regular Earnings for that prior Determination period is subject to the OBRA '93 annual compensation limit in effect for the prior determination period. For this purpose, for determination periods beginning before the first day of the first Plan Year beginning on or after January 1, 1994, the OBRA '93 annual compensation limit is \$150,000.

If Regular Earnings for any prior determination period is taken into account in determining an Employee's contributions in the current Plan Year, the Regular Earnings for that prior determination period is subject to the OBRA '93 annual compensation limit in effect for that prior determination period. For this purpose, for determination periods beginning before the first day of the first Plan Year beginning on or after January 1, 1994, the OBRA '93 annual compensation limit is \$150,000.

Furthermore, for Plan Years beginning prior to January 1, 1997, in determining Regular Earnings, the rules of section 414(q)(6) of the Code shall apply, except that in applying such rules, the term "family" shall include only the spouse of the Employee and any lineal descendants of the Employee who have not attained age 19 before the close of the calendar year.

U. "Rollover Contributions" means the cash rollover contributions made by a Member in respect of distributions from other employee plans pursuant to section 402(c) of the Code.

V. "Temporary Employee" means any Employee whose employment at time of hire is limited in time to a period of less than six (6) months.

W. "Trustee" means the Trustee hereinafter provided for in Section XIII. hereof.

X. "Value Determination Date" means the Business Day as of which the Committee shall determine the value of each Fund established pursuant to Section VII. hereof.

Y. "Vested" means to have acquired, in accordance with the express provisions of the Plan, a nonforfeitable interest in all or part of an Employer's contributions hereunder, which becomes payable as provided in the Plan.

Wherever used in this Plan, the masculine or neuter pronoun shall include the feminine pronoun, and the singular includes the plural.

III. EFFECTIVE DATE

Subject to the provisions of Section XX. hereof, the effective date of the Plan is April 1, 1993. The Plan as in effect prior to the effective date of any amendment will continue to apply to those who terminated employment prior to such date except as otherwise provided by the Plan or under applicable law.

IV. ELIGIBILITY

Effective June 7, 1999, all Employees are eligible to become Members of this Plan from and after such date or the date of their commencing employment with an Employer referred to in Schedule A (a "Schedule A Employer"), whichever is later. Notwithstanding the foregoing, a Temporary Employee who begins employment with a Schedule A Employer on or after June 7, 1999, shall not become eligible to become a Member until the first day of the payroll period following his completion of 1,000 Hours of Service. No Leased Employee will be eligible to be a Member.

V. PARTICIPATION

Participation in the Plan shall be entirely voluntary. An Employee who is eligible to become a Member may become a Member on the first day of any payroll period following or coincident with the date on which he becomes eligible in accordance with Section IV. hereof, by authorizing and directing his Employer in accordance with rules and procedures approved by the Committee to (i) make payroll deductions and (ii) to invest such payroll deductions as hereinafter provided, or with the approval of the Company, as a result of a plan-to-plan transfer to the Plan for the account of said Employee in accordance with Section VI.C. hereof. Such authorizations and directions shall continue in effect unless or until the Member suspends, withdraws, or modifies them, as hereinafter provided, or until termination of employment or of the Plan.

VI. CONTRIBUTIONS

A. Member Contributions

Each employee who is a Member may elect in accordance with rules and procedures approved by the Committee, to contribute in each pay period, by payroll deduction, an amount equal to from 2% to 15%, inclusive, in whole percents of his after-tax Regular Earnings for said period, or a lesser amount in accordance with rules and procedures approved by the Committee (which rules and procedures may be applied uniformly, or solely to any Member who is a "highly compensated employee," as defined below) hereinafter referred to as "After-Tax Contributions." A Member may elect under section 401(k) of the Code and the applicable Treasury regulations thereunder, in accordance with rules and procedures approved by the Committee, to defer receipt of from 2% to 15%, inclusive, in whole percents of his Regular Earnings, or a lesser amount in accordance with rules and procedures established by the Committee (which rules and procedures may be applied uniformly, or solely to any Member who is a "highly compensated employee," as defined below) and to have such deferred earnings, hereinafter referred to as "Qualified Deferred Earnings Contributions," contributed to the Plan by his Employer on his behalf. The total contribution under this Section VI. shall in no event exceed 15% of the Member's Regular Earnings.

Notwithstanding the foregoing, under no circumstances shall an election by a Member be given effect (a) to the extent that the Member's Qualified Deferred Earnings Contributions exceed \$7,000 (or such greater amount as may from time to time be approved for purposes of section 402(g)(1) of the Code) for a Plan Year, or (b) to the extent that an election by a Member who is a "highly compensated employee," as hereinafter defined, might cause the Plan to fail to meet the discrimination standards set forth in section 401(k)(3) of the Code. In this regard, the actual deferral percentage of the Qualified Deferred Earnings Contributions on behalf of Members who are "highly compensated employees" for any Plan Year must either be (a) not more than such percentage for all other Members for such Plan Year multiplied by 1.25, or (b) not more than two (2) percentage points greater than such percentage for all other Members for such Plan Year and not more than such percentage for all other Members for such Plan Year multiplied by two (2).

Effective as of January 1, 1997, "highly compensated employees" shall mean (a) any Employee who is a 5% owner (as defined in section 416(i)(1)(B)(i) of the Code) at any time during the current year or the immediately preceding year, or (b) during the year immediately preceding the current year, had compensation (as defined in section 414(q)(4) of the Code)

from an Employer in excess of \$80,000 (as adjusted pursuant to section 415(d) of the Code, except that the base period for determining any such adjustment shall be the calendar quarter ending September 30, 1996; provided, however, that the definition of "highly compensated employee" as contained in section 414(q) of the Code immediately prior to its amendment by the Small Business Job Protection Act of 1996 ("SBJPA") shall be used for purposes of determining the "non-highly compensated employee" group with respect to the actual deferral percentage ("ADP") test (as defined in section 401(k)(3) of the Code) and the actual contribution percentage ("ACP") test (as defined in section 401(m) of the Code), for the Plan Year beginning January 1, 1997. Notwithstanding the foregoing, the determination of "highly compensated employees" pursuant to (b) above, shall be limited to those Employees who are in the "top paid group" (as defined in section 414(q)(3) of the Code) for the preceding year.

Qualified Deferred Earnings Contributions hereunder shall not exceed the limits set forth in section 401(k)(3) of the Code. For Plan Years beginning prior to January 1, 1997, current year ADP testing shall be employed. Effective January 1, 1998, for purposes of applying such limits:

(i) "prior year ADP testing" (within the meaning of Internal Revenue Service Revenue Notice 98-1) shall be employed; and

(ii) section 401(k)(3) of the Code, Treasury regulations promulgated thereunder and such other guidance as may be issued by the Internal Revenue Service under such section of the Code are incorporated herein by reference.

Election of the amount of After-Tax Contributions and Qualified Deferred Earnings Contributions by a Member shall be made upon enrollment in the Plan in the manner hereinbefore provided, and a Member may change his election at any time in accordance with rules and procedures approved by the Committee, such election to be effective upon the first day of the next succeeding payroll period. A Member who is a "highly compensated employee" shall be required to revise his election either to defer an amount of his Regular Earnings and/or to contribute a portion of his Regular Earnings, in conformity with rules and procedures approved by the Committee, to enable the Plan to meet the non-discrimination tests set forth in the Code and the applicable Treasury regulations thereunder.

In the event that the limits described in section 401(k) of the Code and the applicable Treasury regulations thereunder are inadvertently exceeded, the following provisions shall apply:

(a) The amount of Qualified Deferred Earnings Contributions which may be made on behalf of some or all highly compensated employees shall be reduced by reducing to the extent necessary the highest percentage rates elected by the highly compensated employees. Such adjustment shall be made by first reducing the Qualified Deferred Earnings Contributions of the highly compensated employee with the highest dollar amount of Qualified Deferred Earnings Contributions for the Plan Year to a dollar amount which reduces such highly compensated employee's percentage rate to a level that permits the Plan to satisfy the requirements of section 401(k)(3) of the Code or, if less, to an amount which equals the dollar amount of the Qualified Deferred Earnings Contributions of the

7

highly compensated employee with the next highest amount of Qualified Deferred Earnings Contributions for the Plan Year, and repeating such process until the requirements of section 401(k)(3) of the Code are satisfied.

(b) Qualified Deferred Earnings Contributions subject to reduction under this paragraph ("excess contributions") (calculated as described in section 401(k)(8)(B) of the Code and Treasury regulations thereunder), plus any income and minus any losses allocable thereto, shall be returned to the applicable Employers and paid by such Employers to the affected Members before the close of the Plan Year following the Plan Year in which the excess contributions were made, and to the extent practicable within 2½ months of the close of the Plan Year in which the excess contributions were made. The Account of any affected Member shall be adjusted accordingly, and the Committee shall take, and instruct the appropriate Employers to take, such other action as shall be necessary or appropriate to effectuate such distribution. If the Committee adopts appropriate rules in accordance with regulations issued by the Secretary of the Treasury, the Member may elect, in lieu of a return of the excess contributions, to contribute the excess contributions to the Plan as After-Tax Contributions for the Plan Year in which the excess contributions were made, subject to the limitations of Section VI.E. hereof. The Member's election shall be made within 2½ months of the close of the Plan Year in which the excess contributions were made, or within such shorter period as the Committee may prescribe. In the absence of a timely election by the Member, the Committee shall return his excess contributions as provided in this paragraph (b).

(c) The amount of income attributable to the excess contributions shall be determined by multiplying the total income on the Member's Qualified Deferred Earnings Contributions for the Plan Year in which the excess contributions were made by a fraction, the numerator of which is the amount of excess contributions for that Plan Year and the denominator of which is the total value of the Member's Qualified Deferred Earnings Contributions as of the first Business Day of the Plan Year plus the Member's Qualified Deferred Earnings Contributions for the Plan Year. Income for the period between the end of the applicable Plan Year and the date of the corrective distribution shall be disregarded. Member Contributions shall be remitted to the Trustee within thirty (30) days after the end of the calendar month in which the contributions are deducted, and shall be made in cash; provided, however, that all or any portion of any such contribution to Fund V, as defined in Section VII.A. hereof, in the discretion of the Committee, may be retained and added to the Company's capital funds, and there may be delivered to the Trustee treasury stock or authorized but previously unissued stock of the Company, of a value equal to the amount so retained. Notwithstanding the foregoing, Member Contributions shall be remitted to the Trustee in accordance with the requirements of Department of Labor Regulations section 2510.3-102. The value of any such stock shall be the closing price of the stock on the New York Stock Exchange on the applicable Value Determination Date. After-Tax Contributions and Qualified Deferred Earnings Contributions and the earnings thereon shall be nonforfeitable.

8

B. Employer Matching Contributions

1. Each Employer shall contribute on a bi-weekly basis and allocate to the Account of each of its Employees who is a Member an amount equal to the percent indicated below of the contributions made by such Employee as After-Tax Contributions, or contributed to the Plan by the Employer on behalf of each such Employee as Qualified Deferred Earnings Contributions, up to 6% of such Employee's Regular Earnings, determined before any reduction for Qualified Deferred Earnings Contributions, hereinafter referred to as "Employer Matching Contributions":

| <u>Contributions by or on Behalf of a Member</u> | <u>Employer Matching Contributions</u> |
|--|--|
| First 2% | 100% |
| Next 4% | 50% |

Employer Matching Contributions shall be remitted to the Trustee within thirty (30) days after the end of each calendar month, and shall be made in cash; provided, however, that all or any portion of any such contribution to the Company Common Stock Fund (Fund M), as defined in Section VII.B. hereof, may be retained and added to the Company's capital funds, and there may be delivered to the Trustee treasury stock or authorized but previously unissued stock of the Company, of a value equal to the amount so retained. The value of any such stock contributed by an Employer shall be the closing price of the stock on the New York Stock Exchange on the applicable Value Determination Date. Employer Matching Contributions and the earnings thereon shall be nonforfeitable.

2. At the discretion of the Company, Employer Matching Contributions in any Plan Year may be increased to an amount not to exceed 100% in the aggregate of Member Contributions or contributions made on behalf of Members as Qualified Deferred Earnings Contributions. The additional Employer Matching Contributions, if any, provided for in this Section VI.B.2. shall be allocated to the Account of each Member in the same manner as provided in Section VI.B.1. hereof.
3. Notwithstanding anything hereinabove to the contrary, in the case of all Employer Matching Contributions hereunder, the amount of contributions in a Plan Year shall in no event exceed the amount allowable under the Code and applicable Treasury regulations thereunder to the Employer making the contributions as a deduction for contributions paid to this Plan. Notwithstanding any provisions to the contrary, any contribution by the Company is conditioned upon the deductibility of the contribution by the Company under the Code and, to the extent any such deduction is disallowed, the Company shall, within one (1) year following the disallowance of the deduction, demand repayment of such disallowed contribution and the Trustee shall return such contribution within one (1) year following the disallowance. Earnings of the Plan attributable to the excess contribution may not be returned to the Company, but any losses attributable thereto must reduce the amount so returned.

9

C. Plan-to-Plan Transfers

Assets transferred to the Plan from (i) a pension or profit sharing plan maintained by an Employer as a result of an amendment, termination, merger, or consolidation of said plan or (ii) the Pfizer 401(k) Plan shall constitute a plan-to-plan transfer. For the purpose of this Plan, amounts attributable to a plan-to-plan transfer shall be treated as employee contributions or as employer contributions for all purposes of the Plan, including Sections VI.A. and XXVI. hereof, in accordance with the treatment afforded such assets in the transferor plan, except that such assets may be invested, at the election of the affected Employee in the Funds described in Section VII.A. hereof in accordance with the provisions of Section VII.A. hereof, notwithstanding the fact that they represented employer contributions in the prior plan. An Employee shall be vested in assets in his Account hereunder as a result of a plan-to-plan transfer to at least the same extent as the Employee was vested in such monies under the terms of the transferee plan. Employees affected by this Section VI.C. shall be deemed to be Members of the Plan with respect to such Accounts whether or not they are otherwise eligible to be Members of the Plan pursuant to the other provisions of the Plan.

D. Rollover Contributions

Commencing April 1, 1997, the Committee in its sole discretion, exercised in a uniform and nondiscriminatory manner, may permit an Employee who has satisfied the requirements of Section V. hereof to make a Rollover Contribution to the Plan by delivering, or causing to be delivered, the cash which constitutes such Rollover Contribution to the Trustee in accordance with rules and procedures approved by the Committee. The Employee shall allocate the investment of his Rollover Contribution among the Funds described in Section VII.A. hereof in accordance with rules and procedures approved by the Committee. Notwithstanding any provision to the contrary, under no circumstances shall any funds attributable to any Employee's Rollover Contribution be used in any way as the basis for the allocation of any Employer Matching Contributions pursuant to Section VI.B. hereof or forfeitures pursuant to Section VI.E. hereof.

E. Maximum Additions

Notwithstanding anything contained herein to the contrary, the total annual additions, as hereinafter defined, made to the Account of a Member shall not exceed the lesser of: \$30,000 (or, if greater, 25% of the defined benefit dollar limitation in effect under section 415(b)(1)(A) of the Code), or 25% of compensation (as defined in section 415(c)(3) of the Code), subject to the following:

- (1) If such annual additions exceed the foregoing limitation, any contributions made by the Member, which cause the excess, shall be returned to the Member. If, after returning such contributions to the Member, an excess still exists, such excess shall be reallocated to eligible Members as a forfeiture and credited to the Accounts of such Members on the basis of

10

their respective Account balances. If, after reallocating such excess as forfeitures among all eligible Members, the annual addition still exceeds the applicable limitation for each and every Member, such excess as still remains shall be held unallocated in a suspense account for the limitation year and allocated and reallocated in the next limitation year before any

employer or employee contributions which would constitute annual additions under section 415 of the Code and the Treasury regulations thereunder may be made to the Plan for that limitation year.

(2) Notwithstanding the foregoing, in the case of an Employee who participates in this Plan and in the Company's Retirement Annuity Plan or any other defined benefit plan or defined contribution plan maintained by an Employer, the sum of the defined contribution plan fraction and the defined benefit plan fraction for any year shall not exceed one (1). In the event the sum of such fractions exceeds one (1), the Committee responsible for the administration of the defined benefit plan shall reduce the pension provided under the defined benefit plan in order that none of the plans shall be disqualified under the Code. For purposes of applying the limitations of this Section VI.E., the following rules shall apply:

(a) The term "defined contribution plan fraction" shall mean the actual aggregate annual additions, as hereinafter defined, to this Plan determined as of the close of the year, over the aggregate of the maximum annual additions which could have been made for each year of the Member's service had such annual additions been limited each such year in accordance with the restrictions imposed by section 415 of the Code (or such greater amount prescribed under regulations issued by the Secretary of the Treasury pursuant to the provisions of section 415(d) of the Code to take into account increases in the cost of living).

(b) The term "defined benefit plan fraction" shall mean the projected annual pension payable under the defined benefit plan, over the maximum projected annual pension payable under such plan increased pursuant to section 415(e)(2)(B) of the Code.

(c) The term "limitation year" shall mean the calendar year.

(3) The term "annual addition" shall mean the sum of Employer Matching Contributions, After-Tax Contributions, Qualified Deferred Earnings Contributions and forfeitures. The term "annual addition" shall not include plan-to-plan transfers or, effective April 1, 1997, Rollover Contributions.

(4) The limitations of this Section VI.E. with respect to any Member who at any time has participated in any other defined contribution plan, or in more than one (1) defined benefit plan, maintained by a corporation which is a member of the controlled group of corporations (within the meaning of section 1563(a), determined without regard to section 1563(a)(4) and (e)(3)(C), and section 415(h) of the Code) of which his Employer is a

11

member, shall apply as if the total benefits payable under all defined benefit plans in which the Member has been a participant were payable from one (1) plan, and as if the total annual additions, made to all defined contribution plans in which the member has been a participant, were made to one (1) plan.

The foregoing notwithstanding, effective January 1, 2000, except as otherwise required by law, subsections (2) and (5) of this Section IV.E shall no longer apply.

F. Limitations on After-Tax Contributions and Employer Matching Contributions

Notwithstanding the foregoing, the following rules and limitations shall apply to After-Tax Contributions and Employer Matching Contributions:

With respect to each Plan Year, the spread between the "contribution percentage" (within the meaning of section 401(m)(3) of the Code and the Treasury regulations thereunder) for highly compensated employees (as defined in Section VI.A. hereof) shall not exceed the "contribution percentage" of the remaining Employees required to be considered under section 401(m)(2) of the Code and the Treasury regulations thereunder, by an amount that would cause the Plan to fail to meet the anti-discrimination requirements set forth in section 401(m) of the Code.

If after the close of any Plan Year, the Committee shall determine that the spread between the "contribution percentage" for (A) "highly compensated employees," and (B) the remaining Employees required to be considered under section 401(m)(2) of the Code and the Treasury regulations thereunder, for the Plan Year then ended is such that the Plan would fail to meet the anti-discrimination requirements set forth in section 401(m) of the Code, the following provisions shall apply:

(1) The amount of After-Tax Contributions and Employer Matching Contributions which may be made on behalf of some or all highly compensated employees in the Plan Year shall be reduced by reducing to the extent necessary the highest percentage rates elected by the highly compensated employees. Such adjustment shall be made by first reducing the After-Tax Contributions and Employer Matching Contributions of the highly compensated employee with the highest dollar amount of After-Tax Contributions and Employer Matching Contributions for the Plan Year to a dollar amount which reduces such highly compensated employee's percentage rate to a level that permits the Plan to satisfy the requirements of section 401(m)(2) of the Code or, if less, to an amount which equals the dollar amount of the After-Tax Contributions and Employer Matching Contributions of the highly compensated employee with the next highest amount of After-Tax Contributions and Employer Matching Contributions for the Plan Year, and repeating such process until the requirements of section 401(m)(2) of the Code are satisfied.

12

(2) Notwithstanding any other provision of the Plan, any After-Tax Contributions and Employer Matching Contributions subject to reduction under this paragraph ("excess aggregate contributions", calculated as described within the meaning of section 401(m)(6)(B) of the Code and Treasury regulations thereunder), together with income attributable to the excess aggregate contributions, determined in accordance with paragraph (4), shall be reduced in the following order of priority:

(A) After-Tax Contributions, to the extent of the excess aggregate contributions, together with the income, and excluding any losses, attributable to those contributions, shall be returned to the Member's Employer and paid by such Employer to the affected Members, and then, if necessary,

(B) Employer Matching Contributions, together with the income attributable to those contributions, shall be forfeited and applied to reduce subsequent Employer Matching Contributions.

(3) Any repayment or forfeiture of excess aggregate contributions shall be made before the close of the Plan Year following the Plan Year for which those contributions were made, and to the extent practicable within 2½ months of the close of the Plan Year in which the contributions were made. The After-Tax Contributions and Employer Matching Contributions of any affected Member shall be adjusted accordingly, and the Committee shall take, and instruct the Employer to take, such other action as shall be necessary or appropriate to effectuate such distribution or forfeiture.

(4) The amount of income attributable to the excess aggregate contributions shall be determined by multiplying the total income on the Member's Account attributable to After-Tax Contributions and Employer Matching Contributions for the Plan Year in which the excess aggregate contributions were made by a fraction, the numerator of which is the amount of excess aggregate contributions for that Plan Year and the denominator of which is, the total value of the Member's Account attributable to After-Tax Contributions and Employer Matching Contributions as of the first Business Day of that Plan Year plus the Member's After-Tax Contributions and Employer Matching Contributions for the Plan Year. Income for the period between the end of the applicable Plan Year and the date of the corrective distribution shall be disregarded.

If any highly compensated employee is a member of another qualified plan of an Employer under which deferred cash contributions or matching contributions are made on behalf of the highly compensated employee or under which the highly compensated employee makes after-tax contributions, the Committee shall implement rules, which shall be uniformly applicable to all employees similarly situated, to take into account all such contributions under all such plans in applying the limitations of this Section VI.E.

Employer Matching Contributions and After-Tax Contributions hereunder shall not exceed the limits set forth in section 401(m)(2) of the Code. For Plan Years beginning prior to January 1, 1997, current year ADP testing shall be employed. Effective January 1, 1997, for purposes of applying such limits:

13

(i) "prior year testing" (within the meaning of Internal Revenue Notice 98-1) shall be employed; and

(ii) section 401(m)(2) of the Code, Treasury regulations promulgated thereunder, and such other guidance as may be issued by the Internal Revenue Service under such section of the Code are incorporated herein by reference.

VII. INVESTMENT OF FUNDS

A. Member Contributions

Each Employee who becomes a Member may elect upon enrollment, and thereafter at intervals of at least three (3) months' duration and, commencing May 12, 1997, at any time, by direction in accordance with rules and procedures approved by the Committee, that his future After-Tax Contributions and Qualified Deferred Earnings Contributions shall be invested in one (1) or more of the following Funds:

Fund I - FIXED INCOME FUND - A fund, valued at book, invested and re-invested directly or through one (1) or more collective investment vehicles primarily in obligations of a short term nature, including but not limited to savings accounts, savings and loan accounts, time deposits, certificates of deposit, savings certificates, short term securities issued or guaranteed by the United States of America or any agency or instrumentality thereof, and corporate obligations or participations therein (but excluding specifically any separately managed account obligations of the Company or an Associate Company), although the same may not be legal investments for trustees under the laws applicable thereto, to be selected and held by the Trustee in its sole discretion; or invested or re-invested in whole or in part in one (1) or more investment contracts with one (1) or more insurance companies or other financial institutions as directed from time to time by the Committee, or in a collective investment vehicle investing in such contracts selected by the Committee.

Fund II - BALANCED GROWTH FUND - A fund invested and reinvested by the fund's investment manager in commingled U.S. and international stock funds and in commingled bond funds. The fund's investment manager actively manages the Balanced Growth Fund and employs a systematic evaluation process to determine asset allocations. Under normal market conditions the Balanced Growth Fund average asset mix would be approximately 50% in U.S. equity funds, 10% in international equity funds and 40% in U.S. bond funds. The investment manager may adjust the total allocation to stock or bond funds by plus/minus 20% based on economic or market conditions and liquidity needs.

Fund III - S&P 500 INDEX FUND - A fund invested and reinvested in corporate

common stocks of 500 public companies, seeking to match the risk and return of the Standard & Poor's 500 Index.

Fund IV - GENERAL EQUITY FUND - A fund invested and re-invested by the Trustee or an investment manager directly or through one or more collective investment vehicles in selected common stocks identified based on fundamental valuation measures and anticipated changes in earnings estimates, although the same may not be legal investments for trustees under the laws applicable thereto. The Trustee shall use selected criteria to construct portfolios that have strong value and growth biases.

Fund V - COMPANY STOCK FUND - A fund invested and re-invested in Minerals Technologies Inc. common stock, although such may not be a legal investment for trustees under the laws applicable thereto. The Trustee shall make purchases of such stock in the open market or from the Company if treasury stock or authorized but unissued stock is made available by the Company for such purchase. If such stock is purchased from the Company, its price shall be the closing price of the stock on the New York Stock Exchange on the day of purchase. The Trustee may also purchase such stock from private sources at a cost not in excess of that at which such stock is available on the market.

Fund VI - INTERNATIONAL FUND - A fund invested and reinvested by the investment manager in non-U.S. equity investments. The fund is actively managed by use of a systematic approach to analyze the suitability of investments in individual countries, stocks and markets and the degree of currency exposure with respect to investments in the portfolio. The active management of the International Fund includes both the management of the equity investments in the fund and the management of the risk associated with possible fluctuations in the value of currencies.

A Member shall also have the right, at intervals of at least three (3) months' duration and, commencing May 12, 1997, at any time, as the Committee may by uniform rules permit, to direct that any portion of his Account invested in any of the foregoing Funds be transferred to any other of the above Funds. Such direction to transfer shall be effective as of the first Value Determination Date following receipt of the Member's direction by the Committee's appointed agent.

Commencing May 12, 1997, a Member shall also have the right, at any time, as the Committee may by uniform rules permit, to direct that a portion of his Account invested in any of the foregoing Funds be transferred to the following Fund VII:

Fund VII - MUTUAL FUND WINDOW (Effective May 12, 1997) - A fund administered by the Trustee and its agents employed as securities brokers in which a Member can invest in certain self-managed investments. The investments expected to be available under the Mutual Fund Window are certain mutual funds as specified by the Committee. The Account of each Member who invests in the Mutual Fund Window shall be reduced by any brokerage fees and commissions payable on their individual transactions in the Mutual Fund Window and by any monthly

access fee. The Committee and the Trustee are authorized to sell assets held in the Member's Account for the purpose of paying the commissions and fees described herein. Notwithstanding the foregoing, (i) a Member's investment in Fund VII will be limited to 50% of the difference between the Member's total Account value and the value of such Member's Account attributable to Employer Matching Contributions and earnings thereon, (ii) the minimum amount that may be transferred into Fund VII at any time is \$1,000 and (iii) no amounts invested in Fund I may be directly transferred to Fund VII and no amounts invested in Fund I may be indirectly transferred to Fund VII by first transferring the amounts in Fund I to some other Fund (or Funds) unless such amounts remain invested in the intervening Fund (or Funds) for at least three (3) months.

Amounts transferred between Fund VII and Funds II through VI and the Pfizer Common Stock Fund, as defined in Section VII.E. hereof, or amounts transferred between the mutual funds within Fund VII may not be transferred directly; the Member must first instruct the Committee or its agent, in accordance with rules and procedures approved by the Committee, to sell his interest in the funds which he wishes to transfer. If such an instruction to sell is properly made on or prior to 4:00 p.m. Eastern Standard Time, the sale will be completed at the end of the next Business Day; if such an instruction is made after 4:00 p.m. Eastern Standard Time, the sale will be completed at the end of the second Business Day following the date of the instruction. The Trustee will place the proceeds of such sale in a short-term investment fund, designed to produce a money market rate of return, within Fund VII. Such proceeds will remain in such fund until the Member further instructs the Committee or its agent to transfer all or a portion of such proceeds into one or more of the other funds. For purposes of transferring such amounts between Fund VII and Funds II through VI and the Pfizer Common Stock Fund, or between the mutual funds in Fund VII, the Member may not transfer amounts attributable to the sale of his interest in a fund until the settlement date of such sale, which is normally three (3) Business Days following the sale of an interest in Fund VII, and one (1) Business Day following the sale of an interest in Funds II through VI and the Pfizer Common Stock Fund. The crediting of earnings within the short-term investment fund will not begin until after such settlement date.

A charge in an amount to be established by the Committee, but not to exceed 1% of the value of the amount being transferred, to cover all or part of the administrative cost thereof, may be deducted for such transfers.

B. Employer Matching Contributions

Employer Matching Contributions shall be invested in a separate unsegregated fund consisting solely, except as provided in Section VII.D. hereof, of Minerals Technologies Inc. common stock (hereinafter known as the Company Common Stock Fund (Fund M)). When such contributions are in cash, the Trustee shall make purchases of such stock in the open market or from the Company if treasury stock or authorized but unissued stock is made available by the Company for such purchases. If such stock is purchased from the Company, its price shall be the closing price on the New York Stock Exchange on the day of purchase or, if not

so traded, the average of the closing bid and asked price thereof on such Exchange on the day of purchase. The Trustee may also purchase such stock from private sources at a cost not in excess of that at which such stock could be purchased from the Company as provided herein.

C. Investment of Income Received

Subject to Section VII.D. hereof, interest, cash dividends, stock dividends and capital gains shall be held or invested and re-invested by the Trustee in the same Fund from which they were derived.

D. Cash Balances

Nothing provided herein shall prevent the Trustee or an investment manager appointed by the Committee from maintaining any portion of the above Funds of the Trust Fund in cash or in short-term obligations of the United States Government or agencies thereof or in other types of short-term investments, including commercial paper (other than obligations of the Company or its affiliates), as it may from time to time deem to be in the best interests of the Plan or Trust Fund; provided, however, that cash balances (including any interim investment thereof) shall not be maintained in Fund V or the Pfizer Common Stock Fund except to the extent that such balances are in anticipation of cash distributions from such Funds or are maintained, with respect to Fund V, not to disrupt the non-discretionary purchasing program of the Trustee required by the Plan.

E. Pfizer Common Stock Fund

Amounts transferred to the Plan from Fund P of the Pfizer 401(k) Plan shall be invested in the Pfizer Common Stock Fund and shall remain in such Fund until such time as they are transferred to one or more of the Funds described in Section VII.A. hereof pursuant to a Member's election in accordance with rules and procedures approved by the Committee or distributed pursuant to Section X., Section XI. or Section XXVI. hereof. The Pfizer Common Stock Fund is an unsegregated fund invested and re-invested solely, except as provided in Section VII.D. hereof, in Pfizer Inc. common stock, although such may not be a legal investment for trustees under the laws applicable thereto. No amounts contributed under the Plan may be invested in, or transferred from another Fund into, the Pfizer Common Stock Fund.

VIII. CREDITS TO MEMBERS' ACCOUNTS

The Committee shall maintain in an equitable manner, a separate Account for each Member, in which it shall keep a separate record of such Member's balance in each Fund attributable to all contributions made by or for the Member. Each Member shall receive periodically, but at least once each year, a statement setting forth the status of his Account.

IX. SUSPENSION OF CONTRIBUTIONS

A Member may suspend his Member Contributions at any time by direction to his Employer in accordance with rules and procedures approved by the Committee, to be effective as of the next succeeding payroll period. During such suspension, no contributions will be made by his Employer on behalf of such Member. Subject to Section X.B.(e)(III), such Member shall be eligible to recommence contributions at any time, to be effective on the first day of any payroll period designated by him following his notice of his intent to recommence contributions. A Member who is on military leave of absence may elect to continue his contributions under this Plan. A Member who has been laid off for lack of work or who is on other leave of absence will be deemed to have suspended his contributions until such time as he is restored to the regular service of his Employer, at which time he may immediately recommence contributions under the Plan.

X. WITHDRAWALS

Subject to the limitations imposed under Sections VI.C. and X.B. hereof restricting assets transferred to the Plan and the withdrawal of Qualified Deferred Earnings Contributions until the earliest of the Member's retirement, death, Disability, separation from service, hardship or attainment of age 59½, respectively, a Member may, in accordance with rules and procedures approved by the Committee, request a withdrawal of all or any part of the value of his Account, as of the Value Determination Date coincident with or next following the date such withdrawal is requested in accordance with rules and procedures approved by the Committee, upon the following conditions, provided that, a Member who has attained age 59½ who withdraws the full value of his Account may, in accordance with rules and procedures approved by the Committee, elect to receive a lump sum distribution (i) in Minerals Technologies Inc. common stock equal in value to all or any part of his share in Fund V and his share, if any, in the Company Common Stock Fund (Fund M), (ii) in Pfizer Inc. common stock equal in value to all or any part of his share in the Pfizer Common Stock Fund, and (iii) in cash equal in amount to his share in Funds I, II, III, IV, VI and VII, as applicable, and his remaining share in Fund V, the Pfizer Common Stock Fund and/or the Company Common Stock Fund (Fund M).

Notwithstanding anything in this Section X. to the contrary, effective January 1, 1997, a Member subject to Section 16 of the Securities Exchange Act of 1934, as amended (an "Insider"), may not elect to make a withdrawal from his Account (other than a withdrawal in connection with his termination of service) within six (6) months of the date of an election to increase his interest in (I) Fund V (whether by direction of future After-Tax Contributions or Qualified Deferred Earnings Contributions or by transfer of amounts into Fund V from other Funds pursuant to Section VII.A.) or (II) an investment in Minerals Technologies Inc. common stock under another plan of the Company, to the extent such a withdrawal results in a withdrawal of amounts invested by the Insider in Fund V.

A. Withdrawal - Other Than of Qualified Deferred Earnings Contributions

Except as stated above, a Member shall be entitled to withdraw in cash at any time up to the full value of his Account not attributable to Qualified Deferred Earnings Contributions, plus the cash value, if any, of the balance of his Account invested in the Company Common Stock Fund (Fund M); provided, however, that an Employee shall be entitled to withdraw in cash at any time an amount equal to all or any part of his Account attributable to Employer Matching Contributions only if (i) such contributions have been held under the Plan for at least two (2) years from the date of contribution, or (ii) if the Employee would be entitled to make a hardship withdrawal of such Employer Matching Contributions under the hardship withdrawal standards of Section X.B. hereof, or (iii) at least five (5) years have elapsed since the Employee enrolled in the Plan.

18

B. Withdrawal - Qualified Deferred Earnings Contributions

Except as stated in the second paragraph of this Section X., a Member shall be entitled to make a hardship withdrawal of his Qualified Deferred Earnings Contributions and the amount, if any, in the Pfizer Common Stock Fund attributable to his elective deferrals under section 402(g) of the Code and of the appreciation thereon earned prior to January 1, 1989, up to the amount needed to satisfy the hardship, provided the Member first makes a full withdrawal under Section X.A. hereof and satisfies the Committee as to the existence of such hardship pursuant to the requirements set forth in Section X.B. hereof. Qualified Deferred Earnings Contributions and the appreciation, if any, thereon may not be withdrawn by or distributed to a Member until the earliest of the Member's retirement, death, Disability, separation from service, hardship or attainment of age 59½ if it is on account of: (i) an immediate and heavy financial need of the Member, and (ii) the withdrawal is necessary to satisfy such financial need. The Committee may determine that a withdrawal shall be considered a hardship withdrawal if it is requested on account of:

- (a) unreimbursed medical expenses described in section 213(d) of the Code incurred by the Member, his spouse or dependents (as defined in section 152 of the Code) or expenses necessary for such persons to obtain medical care described in section 213(d) of the Code,
- (b) tuition and related educational fees for the next twelve (12) months of post-secondary education for the Member, his spouse, child or dependent
- (c) the purchase of the Member's principal residence (excluding mortgage payments),
- (d) payments to prevent eviction from, or foreclosure on the mortgage for, the Member's principal residence, or
- (e) such other needs as shall be officially recognized by the Internal Revenue Service as giving rise to an immediate and heavy financial need for purposes of section 401(k) of the Code. A hardship withdrawal shall be deemed to be necessary to satisfy an immediate and heavy financial need for a Member if:
 - (i) the withdrawal does not exceed the amount of the Member's immediate and heavy financial need, including any amounts necessary to pay any federal, state, or local income taxes or penalties reasonably anticipated to result from the withdrawal,

19

(ii) the Member has received all distributions, exclusive of hardship withdrawals, and all non-taxable loans available under each qualified plan maintained by an Employer in which the Member participates,

(iii) the Member's Qualified Deferred Earnings Contributions and After-Tax Contributions under the Plan and any other contributions thereby under any other qualified or non-qualified plan of deferred compensation maintained by an Employer in which the Member participates are suspended for the twelve (12) month period commencing on the date immediately following receipt of the hardship withdrawal, and

(iv) the Member may not have Qualified Deferred Earnings Contributions made on his behalf under the Plan and any other qualified or non-qualified plan of deferred compensation maintained by an Employer in which the Member participates for the calendar year immediately following the calendar year of the hardship withdrawal in excess of the dollar limitation on Qualified Deferred Earnings Contributions referred to in Section VI.A. hereof for such next following calendar year reduced by the amount of the Member's Qualified Deferred Earnings Contributions for the calendar year in which the hardship withdrawal was made.

In no event may the amount of a hardship withdrawal exceed the amount necessary to satisfy the Member's financial need, taking into account the extent such need may be satisfied through the use of other resources reasonably available to the Member. To demonstrate such necessity, the Member must certify to the Committee that the financial need cannot be satisfied:

- (a) Through reimbursement or compensation by insurance or otherwise,
- (b) By reasonable liquidation of the Member's assets, to the extent such liquidation would not itself cause an immediate and heavy financial need,
- (c) By cessation of Qualified Deferred Earnings Contributions under the Plan, or
- (d) By distributions or nontaxable (at the time of the loan) loans from plans maintained by the Company or any other employer, or by borrowing from commercial sources on reasonable commercial terms.

For purposes of the above, the Member's resources shall be deemed to include the assets of his spouse and minor children that are reasonably available to the Member.

Except as provided in this Section X., a hardship withdrawal to a Member shall not affect such Member's eligibility to continue to participate in the Plan, nor shall it affect the non-withdrawn balance of such Member's Account or his rights and privileges with respect thereto.

XI. SETTLEMENT UPON TERMINATION OF EMPLOYMENT

Upon termination of employment, a Member, or in case of death, his designated beneficiary, which in the case of a married Member shall be the Member's spouse, unless, with the consent of the spouse, another beneficiary has been designated, or, if there is no spouse or other designated beneficiary, the Member's legal representative, shall be entitled to the value of his Account, commencing as soon as practicable thereafter, but in no event later than one year following his termination of employment or death, as applicable, upon the following conditions:

20

A. Termination of Employment

1. Forms of Benefit. A Member terminating employment, or in the case of a Disabled Member terminating employment, his legal representative if one has been appointed, shall settle his Account by selecting, in accordance with rules and procedures approved by the Committee, one of the following methods:

- (a) in a lump sum distribution in cash equal to the full value of his Account invested in the Funds described in Section VII. hereof, as applicable,
- (b) in a lump sum distribution in (i) Minerals Technologies Inc. common stock equal in value to all or any part of the Member's share in Fund V and the Company Common Stock Fund (Fund M), if any, plus (ii) Pfizer Inc. common stock equal in value to all or any part of the Member's share in the Pfizer Common Stock Fund, if any, plus (iii) cash equal in amount to the Member's share in Funds I, II, III, IV, VI and VII, as applicable, and his remaining share in Fund V, the Company Common Stock Fund (Fund M) and the Pfizer Common Stock Fund, if any,
- (c) with respect to that portion of the Member's Account, if any, equal to the net value of such Member's Account as of March 31, 1997, in distributions in ten (10) substantially equal annual installments in cash equal to the full value of his Account invested in the Funds described in Section VII. hereof, as applicable, and the remaining portion of the Member's Account payable pursuant to paragraph (a) above, or
- (d) with respect to that portion of the Member's Account, if any, equal to the net value of such Member's Account as of March 31, 1997, in distributions in ten (10) substantially equal annual installments in (i) Minerals Technologies Inc. common stock equal in value to all or any part of the Member's share in Fund V and the Company Common Stock Fund (Fund M), if any, plus (ii) Pfizer Inc. common stock equal in value to all or any part of the Member's share in the Pfizer Common Stock Fund, if any, plus (iii) cash equal in amount to the Member's share in Funds I, II, III, IV, VI and VII, as applicable, and his remaining share in Fund V, the Company Common Stock Fund (Fund M) and the Pfizer Common Stock Fund, if any, and the remaining portion of the Member's Account payable pursuant to paragraph (b) above.

Notwithstanding the above, a Member who terminates employment prior to age 65, other than by Disability, may only elect to settle his Account in accordance

21

with Sections XI.A.1.(a) or (b) hereof. Regardless of the form of payment, all distributions shall comply with section 401(a)(9) of the Code and the Treasury regulations thereunder, including the minimum distribution incidental death benefit requirement of section 401(a)(9)(G) of the Code and the Treasury regulations thereunder, and such provisions shall override any Plan provisions otherwise inconsistent therewith.

2. Accounts Left in the Plan After Termination. Notwithstanding the foregoing, if a Member who has a balance of at least \$5,000 in his Account terminates employment without having made a selection of the form of his benefit in accordance with rules and procedures approved by the Committee, his Account will remain in the Plan until he makes a total withdrawal of his Account, reaches age 65, becomes Disabled, or dies, whichever first occurs, at which time settlement will be made in a lump sum distribution in cash or, if so selected, in cash and/or stock, in accordance with Section XI.A.1.(b) hereof, equal to the full value of his Account, determined as of the Value Determination Date immediately following or coincident with the date such distribution is requested in accordance with rules and procedures approved by the Committee or the date of distribution, if earlier, less the applicable withholding tax. Such Account may be totally withdrawn or may be transferred among Funds in accordance with the terms of the Plan, prior to such distribution. Also, only one (1) partial withdrawal will be permitted with respect to such an Account following termination of employment.

3. Installment Distributions (Applicable to the Portion of the Member's Account, if any, equal to the March 31, 1997 Account balance). The initial installment distribution of a Member's Account pursuant to Sections XI.A.1.(c) and (d) hereof shall be equal to the value of the applicable portion of such Account as of the Value Determination Date immediately following or coincident with the date such distribution is requested in accordance with rules and procedures approved by the Committee, divided by the total number of installment distributions to be made. Subsequent installment distributions shall be equal to the value of such Account as of the Value Determination Date on the date of distribution, divided by the remaining number of installment distributions. For the purpose of determining the value of any Company or Pfizer Inc. common stock distributed hereunder, such value shall be the closing price of the stock on the New York Stock Exchange on such Value Determination Date.

4. Delayed Distribution of Account. Notwithstanding anything to the contrary in the Plan, the benefit of each Member will be distributed or commence to be distributed to him in accordance with section 401(a)(9) of the Code, the Treasury regulations thereunder and other official guidance issued thereunder. Notwithstanding the foregoing, any such Member who attains age 70½ before January 1, 2002, and who has not terminated employment with all Employers, shall have the right to have his distribution commence not later than April 1 of the calendar year following the calendar year in which the Member attains age 70½. In addition, a terminating Member may, subject to Section XI.C. hereof, have payment of his benefit commence at a date which shall be not more than thirteen (13) months following termination. Notwithstanding Section XI.A.3. hereof, in determining

22

the value of the Account of a Member making such an election, the Value Determination Date immediately following or coincident with the date such withdrawal is requested in accordance with Rules and procedures approved by the Committee shall be used.

B. Death

In the event of a Member's death, his designated beneficiary, which in the case of a married Member shall be the Member's spouse unless with the consent of the spouse another beneficiary has been designated, or, if there is no spouse or other designated beneficiary, his legal representative, shall receive as soon as practicable thereafter, but in no event later than one (1) year following the Member's death, in cash the full value of the Member's Account, based upon both his share in the Funds described in Section VII. hereof, as applicable, or, in lieu of such cash payment such beneficiary or representative may select settlement of the Member's Account in accordance with the alternative available under Section XI.A.1.(b) hereof to a Member upon terminating employment, provided that an irrevocable selection in writing of such settlement is received by the Committee not more than six (6) months following such death. Where payment has commenced to a Member prior to his death, payment to his spouse or his designated beneficiary shall be over a period that is no longer than the period under which the Member was receiving benefits.

Where distribution has not commenced to the Member at the time of his death, payments to the spouse of a Member shall be made in a lump sum no later than the date on which the Member would have attained age 70½, and distribution to the designated beneficiary of a Member shall be made in a lump sum no later than one (1) year following the date of the Member's death.

In determining the net value of a Member's Account hereunder, the applicable Value Determination Date shall be the date of distribution. For the purpose of determining the value of Company or Pfizer common stock, such value shall be the closing price of the stock on the New York Stock Exchange on the applicable Value Determination Date.

C. Form of Distributions

Notwithstanding anything in this Plan to the contrary, in the event that the value of the Member's Account is less than or equal to \$3,500 (after December 31, 1997, \$5,000) at the Value Determination Date immediately following or coincident with termination of employment, such value shall be immediately paid in a lump sum in accordance with Section XI.A.1.(b) hereof. Notwithstanding the foregoing, if the value of the Member's Account exceeds \$3,500 (after December 31, 1997, \$5,000) and becomes distributable to him on an immediate lump sum basis prior to his attaining age 65, no such distribution shall be made to him unless he consents to such distribution, in accordance with rules and procedures approved by the Committee, no more than ninety (90) days and no less than thirty (30) days prior to the anticipated date of the Member's distribution, as required by

23

section 1.411(a)-11(c) of the Treasury regulations. Prior to March 22, 1999, if the value of the Member's Account at the time of any distribution exceeds \$3,500 (after December 31, 1997, \$5,000), the value of the Member's Account at any subsequent time will be deemed to exceed \$3,500 (after December 31, 1997, \$5,000). If a distribution is one to which sections 401(a)(11) and 417 of the Code do not apply, such distribution may commence less than thirty (30) days after the notice required under section 1.411(a)-11(c) of the Treasury regulations is given, provided that:

- (i) the Committee clearly informs the Member that the Member has a right to a period of at least thirty (30) days after receiving the notice to consider the decision of whether or not to elect a distribution (and, if applicable, a particular distribution option), and
- (ii) the Member, after receiving the notice, affirmatively elects a distribution.

D. Rollover Distributions

Notwithstanding any provision of the Plan to the contrary that would otherwise limit a distributee's election under this Section XI., effective January 1, 1993, a distributee may elect, at the time and in accordance with rules and procedures approved by the Committee, to have any portion of an eligible rollover distribution paid directly to an eligible retirement plan specified by the distributee in a direct rollover.

An eligible rollover distribution is a distribution of all or any portion of the balance to the credit of the distributee, except that an eligible rollover distribution does not include: any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the distributee or the joint lives (or joint life expectancies) of the distributee and the distributee's designated beneficiary, or for a specified period of ten (10) years or more; any distribution to the extent such distribution is required under section 401(a)(9) of the Code; and the portion of any distribution that is not includible in gross income (determined without regard to the exclusion for net unrealized appreciation with respect to employer securities); and, effective as of January 1, 1999, any hardship distribution described in section 401(k)(2)(b)(i)(IV) of the Code.

An eligible retirement plan is an individual retirement account described in section 408(a) of the Code, an individual retirement annuity described in section 408(b) of the Code, an annuity plan described in section 403(a) of the Code, or a qualified trust described in section 401(a) of the Code, that accepts the distributee's eligible rollover distribution. However, in the case of an eligible rollover distribution to the surviving spouse, an eligible retirement plan is an individual retirement account or individual retirement annuity.

A distributee is an Employee or former Employee. In addition, the Employee's or former Employee's surviving spouse and the Employee's or former Employee's

24

spouse or former spouse who is the alternate payee under a qualified domestic relations order, as defined in section 414(p) of the Code, are distributees with regard to the interest of the spouse or former spouse. A direct rollover is a payment by the Plan to the eligible retirement plan specified by the distributee.

In the event that the provisions of this Section XI.D. or any part thereof cease to be required by law as a result of subsequent legislation or otherwise, this Section XI.D. or applicable part thereof shall be ineffective without necessity of further amendment of the Plan.

E. Qualified Domestic Relations Order

Notwithstanding anything in the Plan to the contrary, the payment of any benefit to which a Member may be entitled under this Section XI. shall be subject to a qualified domestic relations order determined by the Committee to be within the meaning of section 414(p) of the Code.

F. Limitation on Distribution of Qualified Deferred Earnings Contributions

Qualified Deferred Earnings Contributions and any income allocable to such amounts, shall not be distributable earlier than the Member's termination of employment, death or hardship distribution. Such amounts may also be distributed, pursuant to section 401(k)(10) of the Code and solely in the form of a "lump sum distribution," as defined in section 401(k)(10)(B)(ii) of the Code, upon:

- (a) termination of the Plan without the establishment or maintenance of another defined contribution plan (other than an "employee stock ownership plan," as defined in section 4975(e)(7) of the Code) by the Company,
- (b) the disposition by the Company of at least 85% of the assets used by the Company in a trade or business thereof, to a corporation not required after such disposition to be aggregated with the Company pursuant to section 414(b), (c), (m) or (o) of the Code, where the Company continues to maintain the Plan after such disposition, and solely with respect to Employees who, subsequent to such disposition, continue employment with the corporation acquiring such assets, or
- (c) the disposition by the Company of the Company's interest in a subsidiary, to an entity not required after such disposition to be aggregated with the Company pursuant to section 414(b), (c), (m) or (o) of the Code, where the Company continues to maintain the Plan after such disposition, and solely with respect to Employees who, subsequent to such disposition, continue employment with such subsidiary.

XII. SAVINGS AND INVESTMENT PLAN COMMITTEE

- A. This Plan shall be administered by a Savings and Investment Plan Committee consisting of at least three (3) persons, who may be Members of the Plan, appointed by the Board of Directors of the Company. Members of the Committee

25

shall serve at the pleasure of the Board of Directors of the Company, and may resign at any time upon due notice in writing. The Committee shall act by a majority of its members, and the Secretary thereof shall certify its actions to the Trustee.

- B. (1) The Committee shall be the Plan Administrator and shall have fiduciary responsibility under the Employee Retirement Income Security Act of 1974, as amended, for the general operation of the Plan, and the exclusive authority and responsibility (i) to appoint and remove or select investment managers, if any, the Trustee or any successor Trustee under the Plan and the Trust Agreement and pooled investment vehicles and investment advisers thereof, (ii) to direct the segregation of all or a portion of the assets of the Plan Trust into an investment manager account or accounts at any time and from time to time and to add or to withdraw assets from such investment manager account or accounts as it deems desirable or appropriate, (iii) to direct the Trustee to enter into a group annuity contract or contracts, in such form and on such terms as may be approved by the Committee to provide for annuity settlements under the Plan, and (iv) to direct the Trustee to enter into one (1) or more investment contracts with one or more insurance companies or financial institutions as provided in Section VII.A. hereof and in the Trust Agreement; provided, however, that, except as expressly set forth above, the Committee shall have no responsibility for or control over the investment of the Plan assets held in the Funds established hereunder. The Committee may appoint or employ, and compensate such persons as it deems necessary to render advice with respect to any responsibility of the Committee under the Plan. The Committee may allocate to any one (1) or more of its members any responsibility that it may have under the Plan and may designate any other person or persons to carry out any responsibility of the Committee under the Plan. Any person may serve in more than one fiduciary capacity with respect to the Plan.

(2) The Committee shall administer the Plan in accordance with its terms and shall have all powers necessary to carry out the provisions of the Plan not otherwise reserved to the Company, the Board of Directors or the Trustee. The Committee shall have all powers to administer the Plan, within its discretion, other than the power to invest or reinvest the assets of the Plan to the extent such powers have been delegated to the Trustee, an insurance company and/or an asset manager. The Committee shall have total and complete discretion to interpret the Plan and to determine all questions arising in the administration, interpretation and application of the Plan, including the power to construe and interpret the Plan; to decide questions relating to an individual's eligibility to participate in the Plan and/or eligibility for benefits and the amounts thereof; to have fact finder discretionary authority to decide all facts relevant to the determination of eligibility for benefits or participation; to make such adjustments as it deems necessary or desirable to correct any arithmetical or accounting errors; to determine the amount, form, and timing of any distribution to be made hereunder; to approve and enforce any loan hereunder including the repayment thereof, as well as to resolve any conflict. The Committee shall have the discretion to make factual determinations relating to the amount and manner of any allocations and distributions of benefits. In making its decisions, the Committee shall be entitled

26

to, but need not rely upon, information supplied by a Member, beneficiary or representative thereof. The Committee shall have full and complete discretion to determine whether a domestic relations order constitutes a "qualified domestic relations order" under applicable law and whether the putative alternative payee under such an order otherwise qualifies for benefits hereunder. The Committee may correct any defect, supply any omission or reconcile any inconsistency in such manner and to such extent as it shall deem necessary to carry out the purposes of the Plan. The Committee's decision in such matters shall be binding and conclusive as to all parties.

(3) The Committee shall determine whether a judgment, decree, or order, including approval of a property settlement agreement, made pursuant to a state domestic relations law, including a community property law, that relates to the provision of child support, alimony payments, or marital property rights of a spouse, former spouse, child, or other dependent of the Member is a qualified domestic relations order within the meaning of section 414(p) of the Code, and shall give the required notices and segregate any amounts that may be subject to such order if it is a qualified domestic relations order, and shall administer the distributions required by any such qualified domestic relations order.

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

(5) To the extent permitted by law, the Committee, the Boards of Directors of the Employers, and the Employers and their respective officers shall not be liable for the directions, actions or omissions of any agent, legal or other counsel, accountant or any other expert who has agreed to the performance of administrative duties in connection with the Plan or Trust. The Committee, the Boards of Directors of the Employers, and the Employers and their respective officers shall be entitled to rely upon all certificates, reports, data, statistics, analyses and opinions which may be made by such experts and shall be fully protected in respect to any action taken or suffered by them in good faith reliance

27

upon any such certificates, reports, data, statistics, analyses or opinions; all actions so taken or suffered shall be conclusive upon each of them and upon all persons having or claiming to have any interest in or under the Plan.

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

XIII. TRUST AGREEMENT

The Company shall enter into a written Trust Agreement with a trustee of its choice, to become effective upon the date this Plan becomes effective, providing for the administration of the Funds established hereunder. The Trust Agreement shall provide that all of the Funds will be held, managed, invested and re-invested and distributed thereunder in accordance with its provisions and the provisions of the Plan. The Trust Agreement shall provide that it may be amended in whole or in part by the Company at any time or from time to time and in any manner, except that no part of the Trust Fund, either by reason of any amendment, or otherwise, shall ever be used for or diverted to purposes other than for the exclusive benefit of Members and their beneficiaries and the payment of administrative expenses. The Trust Agreement shall be deemed to form a part of the Plan, and any and all rights or benefits which may accrue to any person under this Plan shall be subject to all the terms and provisions of the Trust Agreement.

XIV. ASSOCIATE COMPANIES

1. Any corporation of which the Company owns directly or indirectly 80% of the issued and outstanding shares of stock, with the consent of the Company, by taking appropriate corporate action may become an Associate Company and secure the benefits of this Plan for its employees by adopting this Plan as its Plan, by becoming party to the Trust Agreement, and by taking such other actions as the Company shall consider necessary or desirable to accomplish that purpose. The Company may, upon thirty (30) days' written notice, request an Associate Company to withdraw from the Plan, and upon the expiration of such thirty (30) day period, unless such Associate Company has taken appropriate corporate action to accomplish such withdrawal, such Associate Company shall be deemed to have withdrawn from the Plan. Accounts of the Members of such Associate Company shall be vested and settled in the manner provided in Section XXII.C. hereof.
2. Any Associate Company may at any time segregate from further participation in the Trust under the Trust Agreement. Such Associate Company shall file with the Trustee a document evidencing its segregation from the Trust Fund and its continuance of a Trust in accordance with the provisions of the Trust Agreement as though such Associate Company were the sole creator thereof. In such event, the Trustee shall deliver to itself as Trustee of such trust such part of the Trust Fund as may be determined by the Committee to constitute the appropriate

28

share of the Trust Fund then held in respect of the Members of such Associate Company. Such former Associate Company may thereafter exercise in respect of such Trust Agreement all the rights and powers reserved to the Company and to the Committee under the provisions of the Trust Agreement.

In a similar manner, the appropriate share of the Trust Fund determined by the Committee to be then held in respect of Members in any division, plant, location or other identifiable group or unit of the Company or an Associate Company may be segregated, and the Trustee shall hold such segregated assets in the same manner and for the same purpose as provided above in the event of segregation of an Associate Company, and the Company or any successor owner of the segregated unit shall have the rights and powers hereinabove provided for a segregated Associate Company.

XV. VOTING RIGHTS

- A. The Trustee shall have the sole and exclusive right to vote any securities held in Funds I, II, III, IV, VI and VII, in its discretion. With respect to Minerals Technologies Inc. common stock held in Fund V and the Company Common Stock Fund (Fund M), each Member shall be entitled to give voting instructions to the Trustee with respect to his interest, if any, in such stock. Each Member's interest in Minerals Technologies Inc. common stock shall be computed by multiplying the total number of shares held by the Trustee on the applicable shareholder record date by the ratio of the value of Fund V and the Company Common Stock Fund (Fund M), if any, credited to such Member (as of the most recent Value Determination Date prior to the shareholder record date for which the Committee has completed its determination of the value of such Funds and delivered the results of such determination to the Trustee, but in no event shall such Value Determination Date be more than sixty (60) days prior to the shareholder record date) to the total value of all Minerals Technologies Inc. common stock credited to all Members as of such Value Determination Date, excluding the value of such stock allocated to Members whose accounts have been distributed prior to the shareholder record date. Written notice of any meeting of the Company, the proxy statement and a request for voting instructions will be mailed by the Company to each Member having an interest in Fund V and/or the Company Common Stock

Fund (Fund M), except those Members having only a fractional interest in a common share of the Company. The Trustee shall vote shares and fractional shares of such Company common stock in accordance with the written direction of each Member with respect to his interest, if any, provided such direction is received by the Trustee at least three (3) days before the date set for the meeting at which such Company common stock is to be voted. Shares and fractional shares of Company common stock with respect to which no such direction shall be timely given, shall be voted in the same ratio, to the nearest whole vote, as the shares with respect to which instructions were received from Members. In the event of a tender or exchange offer for Company common stock, each Member shall determine whether his shares shall be tendered or exchanged by notifying the Trustee in writing on a form to be supplied by the Company. In connection with any such tender or exchange offer, the Company shall notify each affected Member of such tender or exchange offer and distribute such information as is distributed to shareholders in connection therewith. Such determination shall be held in confidence by the Trustee. Shares and fractional shares of Company common stock with respect

29

to which no direction shall be timely given shall not be tendered or exchanged by the Trustee on the assumption that the Member does not wish to have his shares tendered or exchanged.

B. With respect to Pfizer Inc. common stock held in Pfizer Inc. Common Stock Fund, each Member shall be entitled to give voting instructions to the Trustee with respect to his interest, if any, in such stock. Each Member's interest in Pfizer Inc. common stock shall be computed by multiplying the total number of shares held by the Trustee on the applicable shareholder record date by the ratio of the value of the Pfizer Inc. Common Stock Fund, if any, credited to such Member (as of the most recent Value Determination Date prior to the shareholder record date for which the Committee has completed its determination of the value of such Fund and delivered the results of such determination to the Trustee, but in no event shall such Value Determination Date be more than sixty (60) days prior to the shareholder record date) to the total value of all Pfizer Inc. common stock credited to all Members as of such Value Determination Date, excluding the value of such stock allocated to Members whose accounts have been distributed prior to the shareholder record date. Written notice of any meeting of Pfizer Inc., the proxy statement and a request for voting instructions will be mailed by the Trustee to each Member having an interest in the Pfizer Inc. Common Stock Fund, except those Members having only a fractional interest in a common share of Pfizer Inc. The Trustee shall vote shares and fractional shares of such Pfizer Inc. common stock in accordance with the written direction of each Member with respect to his interest, if any, provided such direction is received by the Trustee at least three days before the date set for the meeting at which such Pfizer Inc. common stock is to be voted. Shares and fractional shares of Pfizer Inc. common stock with respect to which no such direction shall be timely given, shall be voted in the same ratio, to the nearest whole vote, as the shares with respect to which instructions were received from Members.

XVI. ADMINISTRATIVE COSTS

Subject to the provisions of Section VII.A. hereof pertaining to charges to Member Accounts for certain investment transactions, all costs and expenses of administering the Plan (except certain expenses with respect to the processing of loan applications and with respect to the Mutual Fund Window which shall be borne by such Member and except for the fees and charges of the investment managers which shall be charged against the applicable investment fund) shall be borne by the Company, and until so paid shall represent a lien in favor of the Trustee, or investment manager, as applicable, against each respective Fund.

XVII. NON-ALIENATION OF BENEFITS

No benefit payable under the provisions of the Plan shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, or charge, and any attempt so to anticipate, alienate, sell, transfer, assign, pledge, encumber or charge the same shall be void; nor shall benefits be in any manner liable for or subject to the debts, contracts, liabilities, engagements or torts of any Member or beneficiary except as specifically provided (i) by a qualified domestic relations order within the meaning of section 414(p) of the Code, or (ii) in connection with a judgment or settlement entered into on or after August 5, 1997, involving the Plan pursuant to the requirements of section 401(a)(13)(C) of the Code.

30

XVIII. NOTICE

Whenever an Employer, the Committee or the Trustee is required to take action pursuant to a request or direction from an eligible Employee or a Member participating in the Plan, such request or direction must be given at such time and in the form prescribed by the Employer, the Committee or the Trustee, as applicable.

XIX. INVESTMENTS

Each Member shall assume all risk in connection with any decrease in the market value of any investment in the respective Funds in which he participates, including Fund V, the Company Common Stock Fund (Fund M) and the Pfizer Common Stock Fund, if any, and such Funds shall be the sole source of all payments to be made under the Plan.

Neither the Company, any Associate Company, the Committee or the Trustee, nor any officer or employee of any of them, is authorized to advise a Member as to the manner in which his contributions to the Plan should be invested. The election of the Fund or Funds in which a Member participates is his sole responsibility, and the fact that designated Funds are available to Members for investment or that limitations may be established with respect to maximum investments in one or more Funds shall not be construed as a recommendation for or against the investment of a Member's contributions hereunder in any of such Funds.

XX. TREASURY APPROVAL

This Plan and the contributions thereto shall be conditional upon a determination by the Internal Revenue Service that the Plan meets the applicable requirements of section 401(a) of the Code and that the Trust is exempt under section 501(a) of the Code. Contributions made to the Plan are conditioned upon their deductibility under the Code.

31

XXI. MISCELLANEOUS

- A. The provisions of the Plan shall be construed, regulated and administered according to the laws of the State of New York, except to the extent superseded by any controlling Federal statute.
- B. If any Member, former Member, or beneficiary, in the judgment of the Committee, is legally, physically or mentally incapable of personally receiving and receipting for any payment due hereunder payment may be made to the guardian or other legal representative of such Member, former Member or beneficiary or to such other person or institution who, in the opinion of the Committee, is then maintaining or has custody of such Member, former Member or beneficiary. Such payments shall constitute a full discharge with respect to such payments.
- C. Nothing contained herein or in the Trust Agreement shall entitle any Member, former Member, beneficiary or any other person to the right or privilege of examining or having access to the books or records of the Company, any Associate Company, the Committee or the Trustee; nor shall any such person have any right, legal or equitable, against the Company or an Associate Company, or any director, officer, employee, agent or representative thereof, or against the Committee or the Trustee, except as expressly provided herein.
- D. The Committee shall be fully protected in respect to any action taken or suffered by them in good faith in reliance upon the advice or opinion of any actuary, accountant, legal counsel, appraiser, or physician, and all action so taken or suffered shall be conclusive upon all Members, former Members, beneficiaries, heirs, distributees, personal representatives and any other person claiming under the Plan.
- E. Participation in the Plan shall not be construed as conferring any legal rights upon any Member for a continuation of employment nor shall it interfere with the rights of the Company or any Associate Company to terminate any Member and to treat him without regard to the effect which such treatment might have upon him as a Member.
- F. Notwithstanding any other provision of the Plan to the contrary, an Insider (as defined in Section X. hereof) may not elect to (i) increase his interest in Fund V (whether by direction of future After-Tax or Qualified Deferred Earnings Contributions or by transfer of amounts into Fund V from other Funds pursuant to Section VII.A. hereof) within six (6) months of an election to decrease his interest in Fund V (or in an investment in Minerals Technologies Inc. common stock under another plan of the Company), or (ii) decrease his interest, if any, in Fund V (whether by direction of future After-Tax Contributions or Qualified Deferred Earnings Contributions or by transfer of amounts out of Fund V to other Funds pursuant to Section VII.A. hereof) within six (6) months of an election to increase his interest in Fund V (or in an investment in Mineral Technologies Inc. common stock under another plan of the Company), or (iii) increase his interest in Fund V (whether by direction of future After-Tax Contributions or Qualified Deferred Earnings Contributions or by transfer of amounts into Fund V from other Funds pursuant to Section VII.A. hereof) within six (6) months of (I) a cash withdrawal from his Account (other than a cash

32

withdrawal in connection with such Insider's termination of employment to the extent that such withdrawal results in a withdrawal of an amount invested in Fund V, or (II) a withdrawal from any other plan maintained by the Company (other than a cash withdrawal in connection with such Insider's termination of employment) to the extent that such withdrawal constitutes a withdrawal of Mineral Technologies Inc. common stock. To the extent any provision of the Plan or action of the Plan administrators involving an Insider is deemed not to comply with an applicable condition of Rule 16b-3, it shall be deemed null and void as to such Insider, to the extent permitted by law and deemed advisable by the Plan administrators.

XXII. TERMINATION, AMENDMENT OR SUSPENSION OF THE PLAN

- A. The Company expects to continue the Plan indefinitely but reserves the right to amend, suspend or discontinue it in whole or in part at any time and in its sole and absolute discretion of its Board of Directors in accordance with its established rules of procedure. Such amendments or modifications may be retroactive if necessary or appropriate to qualify or maintain the Plan or Trust as a Plan or Trust meeting the requirements of section 401 of the Code, to secure and maintain the tax exemption of the Trust under section 501 of the Code, and in order that the contributions to the Plan be deductible under section 404(a) of the Code or any other applicable provisions of the Code and Treasury regulations issued thereunder.
- B. In the event of suspension of the Plan, all provisions of the Plan shall continue in effect during such period of suspension, except Sections V., VI., and those provisions of Section X. hereof which permit resumption of contributions. Upon continuous suspension of the Plan for a period of three (3) years, the Plan shall terminate.
- C. In the event of termination of the Plan in whole or in part or upon the complete discontinuance of contributions, Accounts of affected Members shall be settled and distributed under the provisions of Section XI.A. hereof as though the termination of employment had occurred on the date of such termination or discontinuance; provided, however, that the amount distributed to affected Member's and beneficiaries shall be the net value of the Member's Account determined as of the Value Determination Date on the date of distribution.

D. The Committee may make administrative changes to the Plan so as to conform with or take advantage of governmental requirements, statutes or regulations.

XXIII. PLAN MERGERS AND CONSOLIDATIONS

In the event of any merger or consolidation of the Plan with, or transfer in whole or in part of the assets and liabilities of the Trust Fund to another trust fund held under any other plan of deferred compensation maintained or to be established for the benefit of all or some of the Members of this Plan, the assets of the Trust Fund applicable to such Members shall be transferred to the other trust fund only if:

- (1) each Member would, if either this Plan or the other plan then terminated, receive a benefit immediately after the merger, consolidation or transfer which is equal to or greater

33

than the benefit he would have been entitled to receive immediately before the merger, consolidation or transfer if this Plan had then terminated; and

- (2) the Employer and any new or successor employer of the affected Members shall authorize such transfer of assets.

XXIV. CLAIMS PROCEDURE

Any request by a Member or any other person for any benefit alleged to be due under the Plan shall be known as a "Claim" and the Member or other person making a Claim shall be known as a "Claimant."

A Claim shall be filed when a written statement has been made by the Claimant or the Claimant's authorized representative and delivered to the Vice President - Organization and Human Resources, Minerals Technologies Inc., 405 Lexington Avenue, New York, New York 10174-1901. This statement shall include a general description of the benefit which the Claimant believes is due and the reasons the Claimant believes such benefit is due, to the extent this is within the knowledge of the Claimant. It shall not be necessary for the Claimant to cite any particular Section or Sections of the Plan, but only to set out the facts known to him which he believes constitute a basis for a Claim.

Within ninety (90) days of the receipt of the Claim by the Plan, the Vice President - Organization and Human Resources shall (i) notify the Claimant that the Claim has been approved, (ii) notify the Claimant that the Claim has been partially approved and partially denied, or (iii) notify the Claimant that the Claim has been denied. Notice of the decision shall be in writing and shall be delivered to the Claimant either personally or by first-class mail. Special circumstances may require an extension of time for processing the Claim. In no event shall such extension exceed a period of ninety (90) days from the end of the initial ninety (90) day period.

In the event a Claim is denied in whole or in part, the notice of denial shall set forth (i) the specific reason or reasons for the denial, (ii) specific reference to the pertinent Plan provisions on which the denial is based, (iii) a description of any additional material or information necessary for the Claimant to perfect the Claim and an explanation of why such material or information is necessary, and (iv) an explanation of the Plan's claim review procedure.

Within sixty (60) days of the receipt of a notice of denial of a Claim in whole or in part, a Claimant or his duly authorized representative (i) may request a review upon written application to the Committee, (ii) may review documents pertinent to the Claim, and (iii) may submit issues and comments in writing to the Committee. Notice shall be deemed to be received when delivered if delivered personally pursuant to the foregoing provisions of this Section XXIV, or three (3) days after it has been deposited post-paid in a depository maintained by the U.S. Post Office addressed to Claimant at the address designated by him in the Claim or if Claimant has moved at the last address shown for Claimant on Employer's records.

It shall be the duty of the Committee to review a Claim for which a request for review has been made and to render a decision not later than one hundred twenty (120) days after receipt of a request for review. The decision shall be in writing and shall include the specific reasons for the decision and specific references to the pertinent Plan provisions on which the decision is based.

34

The decision shall be delivered to the Claimant either personally or by first-class mail.

XXV. TOP-HEAVY RULE

A. Notwithstanding any provision in the Plan to the contrary, if the Plan is determined by the Committee to be top-heavy, as that term is defined in section 416 of the Code, in any calendar year, then for that calendar year the minimum benefit rule, as set forth below, shall be applicable. Determination of whether the Plan is top-heavy shall be made in accordance with the definition of "top heavy group" as set forth in Section XXV.B.7. hereof.

B. Definitions solely applicable to this Section XXV.

1. "Compensation" shall mean the amount reportable by the Employer for federal income tax purposes as wages paid to the Member for such period.
2. "Determination Date" the date for determining whether the Plan is top-heavy, shall be the December 31 of the preceding year.
3. "Key Employee" shall have the same meaning as in section 416(i)(1) of the Code.
4. "Non-Key Employee" shall mean an employee other than a Key Employee as defined in Section XXV.B.3. hereof.
5. "Valuation Date," for minimum funding purposes, shall be a date within the twelve (12) month period ending on the Determination Date, regardless of whether a valuation for minimum funding purposes is performed in that year.
6. "Aggregation group" shall mean (I) each plan of the Employer in which a Key Employee is a participant and (II) each other plan of the Employer which enables any plan described in (I) above to meet the nondiscrimination tests and minimum participation rules of sections 401(a)(4) and 410 of the Code.
7. "Top heavy group" shall mean any aggregation group for which the sum (as of the determination date) of (I) the present value of the cumulative accrued benefits for key employees under all defined benefit plans included in such group, and (II) the aggregate of the accounts of key employees under all defined contribution plans included in such group, exceeds 60% of a similar sum determined for all employees.

C. For the purpose of determining whether this Plan is top-heavy, this Plan and the Company's Retirement Annuity Plan shall be considered an aggregation group, as defined in Section XXV.B.6. hereof.

D. Minimum Benefit solely applicable to this Section XXV. No Employer Contributions in addition to those made under Section VI. hereof shall be credited the Account of a Non-Key Employee who is a Member of the Plan, if this Plan becomes top-heavy. However, in such event, the actuarial equivalent of the value of all Employer Matching Contributions under this Plan whether or not attributable to years in which the Plan is top-heavy, shall be applied as an offset against the minimum annual benefit provided under Section 16 of the Company's Retirement Annuity Plan.

E. If the Plan becomes subject to the adjustments pursuant to section 416(h) of the Code, the defined benefit plan fraction described in section 415(e)(2)(B) of the Code and the

35

defined contribution fraction described in section 415(e)(3)(B) of the Code shall be applied by substituting 1.0 for 1.25 in the denominator of each fraction.

XXVI. LOAN PROVISIONS

Upon the request of a Member in active service and in accordance with rules and procedures approved by the Committee, the Committee shall direct the Trustee to lend to the Member an amount not in excess of the lesser of (i) \$50,000, reduced by the excess, if any, of the highest outstanding balance of any other such loans to such Member during the previous twelve (12) months, over the outstanding balance of loans from the Plan on the date on which such loan is made, or (ii) one-half (1/2) of the balance of such Member's Account, determined as of the most recent Value Determination Date. In no event shall any loan be made pursuant to this Section XXVI. in an amount less than \$1,000. The terms of any loan granted under this Section XXVI. shall be evidenced by a promissory note signed by the Member. Each loan made hereunder shall be an investment of the Member's Account over which such Member has exercised investment control and any such loan shall be made first from the Member's Qualified Deferred Earnings Contributions and the earnings thereon until they are exhausted, then from his Employer Matching Contributions and the earnings thereon until they are exhausted and finally from his After-Tax Contributions and the earnings thereon.

Except as otherwise provided in this Section XXVI., the terms of any loan granted by the Committee shall be arrived at by mutual agreement between the Member and the Committee; provided, however, that the term of any loan in no event shall exceed five (5) years from the day on which the loan is granted. Notwithstanding the foregoing, loans used to acquire any dwelling unit which is to be used (determined at the time the loan is made) as the principal residence of the Member may be for a term in excess of five (5) years. Repayment of loans shall be made in accordance with a definite repayment schedule as selected by the Member in accordance with the foregoing provisions of this Section XXVI., provided that repayment is made in substantially level amounts, no less frequently than quarterly. Repayments, together with the attendant interest payments, will be credited to the Member's Account and shall be invested in the Funds, in accordance with the Member's then effective investment election, except to the extent that the source of the loan was Employer Matching Contributions (Fund M (the Company Common Stock Fund), or the Pfizer Common Stock Fund as an employer matching contribution), in which case repayments shall be credited to Fund M, to the extent the source of the loan was Employer Matching Contributions. If a Member fails to pay an installment of his loan such loan will be in default as of the date which is ninety (90) days after the date such installment was first due in accordance with the repayment schedule as originally selected by the Member. Upon default, the outstanding loan will be deemed a distribution from the Plan. Notwithstanding any other provision of this Section XXVI. to the contrary, any Member who defaults on a loan from the Plan shall not again be eligible for a loan hereunder.

Any loan granted by the Committee shall be adequately secured by collateral of sufficient value to secure repayment of the principal balance of the loan, plus interest. The collateral may consist of a portion of the Member's interest in his Account, but in no event may more than one-half (1/2) of the Member's interest in his Account be used as collateral for a loan. As additional security for the loan repayment, the Committee shall require the Member to authorize, in writing, the Company to withhold from payments of his salary the amount necessary to discharge the loan. In such case, the Company shall then remit the withheld amounts to the Trustee, and the Trustee

shall apply the remittances in reduction of the outstanding obligation of the Member under the loan. If any amount remains outstanding as an obligation of the Member under the loan when a distribution is to be made from his Account under the Plan, including a distribution on account of termination of employment, then, notwithstanding any provision of the Plan to the contrary, the balance of his Account shall be reduced to the extent necessary to discharge the obligation and such action shall be considered a distribution from the Plan.

All loans shall bear a rate of interest commensurate with the interest rates charged by persons in the business of lending money for loans which would be made under similar circumstances, as determined by the Committee, which rate will remain in effect for the term of the loan. Each loan applicant shall receive a statement clearly setting forth the charges involved in the loan transaction, including the dollar amount and effective annual interest rate.

Notwithstanding anything in this Section XXVI. to the contrary, a Member may, at any time and in his sole discretion, repay in full the outstanding amount of any loan previously granted under this Section XXVI. Only one (1) loan may be outstanding at any time.

Notwithstanding the foregoing, a Member who has an outstanding loan and is absent from employment as a result of a qualified leave of absence may elect, in accordance with rules and procedures approved by the Committee, to suspend payments of principal and interest on his loan for a period not to exceed one (1) year. Any such suspension will neither change the total amount of principal and interest due under the original term of the loan nor change the term of the loan as originally selected by the Member. Upon the expiration of the approved period of suspension of payments, installment payments will resume under a revised repayment schedule based on the outstanding principal and interest and the remaining term of the loan.

To the extent required by law and in accordance with rules and procedures approved by the Committee, loans shall be made on a reasonable equivalent basis to any beneficiary or former Member (i) who maintains an Account balance under the Plan and (ii) who is still a party-in-interest (within the meaning of section 3(14) of ERISA) with respect to the Plan.

The costs of administering this loan program shall be borne by the borrowing Members.

October 2001

SCHEDULE A

Groups or Classes eligible for participation in the Savings and Investment Plan (except in each case employees covered by a collective bargaining agreement that does not provide for coverage of such employees under the Plan if there is evidence that retirement benefits were the subject of good faith bargaining):

1. All employees in the service of Minerals Technologies Inc.
2. All employees in the service of the following Associate Companies:

Barretts Minerals Inc.

Specialty Minerals Inc.

MINTEQ International Inc.

Specialty Minerals (Michigan) Inc.

Specialty Minerals Mississippi, Inc.

Synsil Products Inc.

SUBSIDIARIES OF THE COMPANY

| <u>Name of the Company</u> | <u>Place of Incorporation</u> |
|--|-------------------------------|
| Allomexico, S.A. de C.V. | Mexico |
| APP China Specialty Minerals Pte Ltd. | Singapore |
| Barretts Minerals Inc. | Delaware |
| ComSource Trading Ltd. | Delaware |
| Ferrottron Technologies GmbH | Germany |
| Gold Sheng Chemicals (Zhenjiang) Co., Ltd. | China |
| Hi-Tech Specialty Minerals Company, Limited | Thailand |
| Huzhou Minteq Refractory Co. Ltd. | China |
| Minerals Technologies Europe N.V. | Belgium |
| Minerals Technologies Holdings Ltd. | United Kingdom |
| Minerals Technologies Mexico Holdings, S. de R. L. de C.V. | Mexico |
| Minerals Technologies South Africa (Pty) Ltd. | South Africa |
| Mintech Canada Inc. | Canada |
| Mintech do Brasil Comercio Ltda. | Brazil |
| Mintech Japan K.K. | Japan |
| Minteq Australia Pty Ltd. | Australia |
| Minteq Europe Limited. | Ireland |
| Minteq International GmbH | Germany |
| Minteq International Inc. | Delaware |
| Minteq Italiana S.p.A. | Italy |
| Minteq Korea Inc. | Korea |
| Minteq Magnesite Limited | Ireland |
| Minteq UK Limited. | United Kingdom |
| MTI Holdings GmbH | Germany |
| MTX Finance Inc. | Delaware |
| MTX Finance Ireland | Ireland |
| PT Sinar Mas Specialty Minerals | Indonesia |
| Rijnstaal B.V. | Holland |
| Rijnstaal Trading B.V. | Holland |
| Rijnstaal Produktie B.V. | Holland |
| Rijnstaal Overseas B.V. | Holland |
| Rijnstaal U.S.A., Inc. | Pennsylvania |
| Specialty Minerals Benelux | Belgium |
| Specialty Minerals do Brasil - Comercio e Industria Ltda. | Brazil |
| Specialty Minerals FMT K.K. | Japan |
| Specialty Minerals France S.A.R.L. | France |
| Specialty Minerals GmbH | Germany |
| Specialty Minerals Inc. | Delaware |
| Specialty Minerals Inc. Poland Sp. z o.o. | Poland |
| Specialty Minerals International Inc. | Delaware |
| Specialty Minerals Israel Limited | Israel |
| Specialty Minerals Malaysia Sdn. Bhd. | Malaysia |
| Specialty Minerals (Mauritius) Private Limited | Mauritius |
| Specialty Minerals (Michigan) Inc. | Michigan |
| Specialty Minerals Mississippi Inc. | Delaware |
| Specialty Minerals Nordic Oy Ab | Finland |
| Specialty Minerals (Portugal) Especialidades Mineraias, S.A. | Portugal |
| Specialty Minerals, S.A. de C.V. | Mexico |
| Specialty Minerals Servicios, S. de R. L. de C.V. | Mexico |
| Specialty Minerals Slovakia, spol. sr.o. | Slovakia |
| Specialty Minerals South Africa (Pty.) Limited | South Africa |
| Specialty Minerals (Thailand) Limited | Thailand |
| Specialty Minerals UK Limited | United Kingdom |
| Specialty Pigments (India) Private Limited | India |
| Synsil Products Inc. | Delaware |
| Tecnologias Minerales de Mexico, S.A. de C.V. | Mexico |

-

REPORT AND CONSENT OF INDEPENDENT AUDITORS

The Board of Directors and Shareholders
Minerals Technologies Inc.:

The audits referred to in our report dated January 22, 2002, included the related financial statement schedule for each of the years in the three-year period ended December 31, 2001, 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, 33-96558 and 333-62739).

KPMG LLP

New York, New York
March 21, 2002