MINERALS TECHNOLOGIES INC
Form 10-K
February 28, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2006

Commission file number 1-3295

MINERALS TECHNOLOGIES INC.

(Exact name of registrant as specified in its charter)

Delaware	25-1190717
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
The Chrysler Building 405 Lexington Avenue New York, New York	10174-0002
(Address of principal executive office)	(Zip Code)

(212) 878-1800

(Registrant's telephone number, including area code)

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

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

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

None

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

Yes [X]   No [ ]

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

Yes [ ]   No [X]

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

Yes [X]   No [ ]

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

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

Large Accelerated Filer [X]   Accelerated Filer [ ]   Non-accelerated Filer [ ]

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

Yes [ ]   No [X]

The aggregate market value of the voting stock held by non-affiliates of the Registrant, based upon the closing price at which the stock was sold as of July 2, 2006, was approximately $776 million. Solely for the purposes of this calculation, shares of common stock held by officers, directors and beneficial owners of 10% or more of the outstanding common stock have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

As of February 5, 2007, the Registrant had outstanding 18,993,677 shares of common stock, all of one class.

DOCUMENTS INCORPORATED BY REFERENCE

Proxy Statement dated April 3, 2007	Part III

MINERALS TECHNOLOGIES INC.
2006 FORM 10-K ANNUAL REPORT
Table of Contents

		Page
	PART I	
Item 1.	Business	1
Item 1A.	Risk Factors	7
Item 1B.	Unresolved Staff Comments	8
Item 2.	Properties	8
Item 3.	Legal Proceedings	11
Item 4.	Submission of Matters to a Vote of Security Holders	12
	PART II	
Item 5.	Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	12
Item 6.	Selected Financial Data	14
Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations	15
Item 7A.	Quantitative and Qualitative Disclosures About Market Risk	25
Item 8.	Financial Statements and Supplementary Data	26
Item 9.	Changes in and Disagreements With Accountants on Accounting and Financial Disclosure	26
Item 9A.	Controls and Procedures	26
Item 9B.	Other Information	26
	PART III	
Item 10.	Directors, Executive Officers and Corporate Governance	27
Item 11.	Executive Compensation	28
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	28
Item 13.	Certain Relationships and Related Transactions, and Director Independence	28
Item 14.	Principal Accountant Fees and Services	28
	PART IV	

Item 15.	Exhibits and Financial Statement Schedules	29
Signatures		31

PART I

Item 1. Business

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

The Company emphasizes research and development. The level of the Company's research and development spending, as well as its capability for 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 $557.0 million, $516.3 million, and $480.0 million for the years ended December 31, 2006, 2005, and 2004, respectively. The Company's sales of PCC have been and are expected to continue to be made primarily to the printing and writing papers segment of the paper industry. The Company also produces PCC for sale to companies in the polymer, food and pharmaceutical industries. See Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations."

PCC Products - Paper

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

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

The Company's Paper PCC product line net sales were $500.6 million, $460.7 million and $429.3 million for the years ended December 31, 2006, 2005 and 2004, respectively.

Approximately 45% of the Company's sales are of PCC sold to papermakers at "satellite" PCC plants. A satellite PCC plant is a PCC manufacturing facility located at a paper mill, thereby eliminating costs of transporting PCC from remote production sites to the paper mill. The Company believes the competitive advantages offered by improved

economics and superior optical characteristics of paper produced with PCC manufactured by the Company's satellite PCC plants resulted in substantial growth in the number of the Company's satellite PCC plants since the first such plant was built in 1986. For information with respect to the locations of the Company's PCC plants at December 31, 2006, see Item 2, "Properties," below.

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

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

The Company is generally permitted to sell to third-parties PCC produced at a satellite plant in excess of the host paper mill's requirement.

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; Hermalle, Belgium; and Walsum, Germany.

PCC Markets - Paper

Uncoated Wood-Free Printing and Writing Papers - North America. Beginning in the mid-1980's, as a result of a concentrated research and development effort, the Company's satellite PCC plants facilitated the conversion of a substantial percentage of North American uncoated wood-free printing and writing paper producers to lower-cost alkaline papermaking technology. The Company estimates that during 2006, more than 90% of North American uncoated wood-free paper was produced employing alkaline technology. Presently, the Company owns and operates 21 commercial satellite PCC plants located at paper mills that produce uncoated 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 Wood-Free Printing and Writing Papers - Outside North America. The Company estimates the amount of uncoated wood-free printing and writing papers produced outside of North America at facilities that can be served by satellite and merchant PCC plants is more than twice as large (measured in tons of paper produced) as the North American uncoated wood-free paper market currently served by the Company. The Company believes that the superior brightness, opacity and bulking characteristics offered by its PCC products allow it to compete with suppliers of ground limestone and other filler products outside of North America. Presently, the Company owns and operates 18 commercial satellite PCC plants located at paper mills that produce uncoated wood-free printing and writing papers outside of North America.

Uncoated Groundwood Paper. The uncoated groundwood paper market, including newsprint, represents approximately 35% of worldwide paper production. Paper mills producing wood-containing paper still generally employ acid papermaking technology. The conversion to alkaline technology by these mills has been hampered by the tendency of wood-containing papers to darken in an alkaline environment. In an attempt to introduce PCC to the wood-containing segments of the paper industry, the Company has developed and patented a system for the manufacture of high-quality groundwood paper in an acidic environment using PCC (AT® PCC). Furthermore, as groundwood or wood-containing paper mills use larger quantities of recycled fiber, there is a trend toward the use of neutral papermaking technology in this segment for which the Company presently supplies traditional PCC chemistries. The Company now supplies PCC to approximately 43 paper machines at about 21 groundwood paper mills around the world and licenses its technology to a ground calcium carbonate producer to help accelerate the conversion from acid to alkaline papermaking.

Coated Paper. The Company is also placing increased emphasis on the use of PCC to coat paper, and expects that its research and development in coating pigment technology will open up a large market for PCC that will build slowly as more paper companies include PCC in their proprietary coating formulations. PCC may be used to increase gloss, opacity, brightness and printability of the paper or to reduce costs while maintaining comparable quality. The coated paper market is large, and the Company believes this market will continue to grow at a higher average growth rate than the uncoated paper market and therefore provides a substantial market opportunity for the Company. PCC coating products are produced at 14 of the Company's PCC plants worldwide.

Specialty PCC Products and Markets

The Company also produces and sells a full range of slurry and dry PCC products on a merchant basis for non-paper applications. The Company's Specialty PCC product line net sales were $56.4 million, $55.6 million and $50.7 million for the years ended December 31, 2006, 2005 and 2004, respectively. The Company sells surface-treated and untreated grades of PCC to the polymer industry for use in automotive and construction applications, and to the adhesives and printing inks industries. The Company's PCC is also used by the food and pharmaceutical industries as a source of bio-available calcium in tablets and foodstuffs, as a buffering agent in tablets, and as a mild abrasive in toothpaste. The Company produces PCC for specialty applications from production sites at Adams, Massachusetts; Brookhaven, Mississippi; and Lifford, England.

Processed Minerals - Products and Markets

The Company mines or purchases, and processes natural mineral products, primarily limestone and talc. The Company also manufactures lime, a limestone-based product and *SYNSIL*® Products, a family of composite minerals for the glass industry. The Company's net sales of all processed mineral products were $154.4 million, $146.7 million and $138.7 million for the years ended December 31, 2006, 2005 and 2004, respectively. Net sales of talc products were $58.5 million, $54.2 million and $51.6 million for the years ended December 31, 2006, 2005 and 2004, respectively. Net sales of other processed minerals products, which are principally lime and limestone, were $85.5 million, $85.9 million and $84.0 million for the years ended December

31, 2006, 2005 and 2004, respectively. Net sales of *SYNSIL®* products were $10.4 million $6.6 million and $3.1 million for the years ended December 31, 2006, 2005 and 2004, respectively. See Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations."

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

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

The Company manufactures its *SYNSIL®* Products at its new facility in Chester, South Carolina, and at its customer sampling facility in Woodville, Ohio. The Company is also constructing an additional facility in Cleburne, Texas. *SYNSIL®* Products is a family of composite minerals used as a raw material for the glass industry.

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

Refractories Segment

Refractory Products and Markets

Refractories Products

The Company offers a broad range of monolithic and pre-cast refractory products and related systems and services. The Company's Refractory segment net sales were $347.9 million, $327.8 million and $300.3 million for the years ended December 31, 2006, 2005 and 2004, respectively. See Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Refractory product sales are often supported by Company-supplied proprietary application equipment and on-site technical service support. The Company's proprietary application equipment is used to apply refractory materials to the walls of steel-making furnaces and other high temperature vessels to maintain and extend their lives. Net sales of refractory products, including those for non-ferrous applications, were $264.6 million, $239.3 million and $243.0 million for the years ended December 31, 2006, 2005, and 2004. The Company's proprietary SCANTROL application system, and other robotic application equipment systems such as its MINSCAN system, allow for remote-controlled application of the Company's refractory products in steel-making furnaces, as well as in steel ladles and blast furnaces. Since the steel-making industry is characterized by intense price competition, which results in a continuing emphasis on increased productivity, the SCANTROL application system, the MINSCAN system, and the related technologically advanced refractory materials developed in the Company's research laboratories have been well accepted by the Company's customers. These products allow steel makers to improve their performance through, among other things, the application of monolithic refractories to furnace linings while the furnace is at operating temperature, thereby eliminating the need for furnace cool-down periods and steel-production interruption. The result is a lower overall cost for steel produced by steel makers.

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

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

- HOTCRETE , high durability shotcrete products that can be applied hot through customized equipment;
- MAG-O-STAR® and MAG-O-STAR® ALM spray coatings, an advanced refractory material for application to the slag line at the top of hot steel ladles, increasing availability, balancing wear and extending lining life;
- the MINSCAN application system, an automated application system for applying refractory materials to electric arc furnaces;

- LACAM® laser-based refractory measurement systems; and
- SCANTROL, a fully integrated application system combining the LACAM® and MINSCAN technologies.

The Company has also expanded its refractories business through selective acquisitions over the past several years. In 2000, the Company acquired Ferrotron Elektronik GmbH, a manufacturer of advanced laser scanning devices, sensors and other measuring equipment designed for the steel industry. In 2001, the Company acquired the refractories business of Martin Marietta Magnesia Specialties Inc. and purchased Rijnstaal B.V., a Netherlands-based producer of cored metal wire products used mainly in the steel and foundry industries. These acquisitions have increased the breadth of the product lines and markets served by the Refractories segment. In 2002, the Company acquired VisionTech, a Finland-based company that develops and manufactures a refractory lining measuring system. In 2003, the Company acquired the assets of ISA Manufacturing, Inc., a U.S.-based company that develops and manufactures pre-cast refractory shapes. In 2005, the Company acquired the metallurgical measurement technology/digital electrode control system product line of ET Electrotechnology GmbH. This technology offers a system that maintains steady state conditions and optimizes power consumption in electric steel making and ladle furnaces. In October 2006, the Company acquired ASMAS, an Istanbul-based Turkish producer of refractories to increase its ability to service the growing steel industries in Eastern Europe and the Middle East, and to provide vertical integration through its own kilns and sources of magnesite.

Refractories Markets

The principal market for the Company's refractory products is the steel industry. Management believes that certain trends in the steel industry will continue to provide growth opportunities for the Company. These trends included rapid growth in select geographic regions (e.g., China, Eastern Europe and the Middle East), the development of improved manufacturing processes such as thin-slab casting, the trend in North America to shift production from integrated mills to electric arc furnaces (mini-mills) and the ever-increasing need for improved productivity and longer lasting refractories. The Company believes that the trend toward electric steel-making mini-mills and away from integrated steel mills in North America and Europe has facilitated the acceptance of a broader offering in new refractory products and technologies.

The Company sells its refractory products in the following markets:

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

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

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

Metallurgical Products and Markets

The Company produces a number of other technologically advanced products for the steel industry, including calcium metal, metallurgical wire products and a number of metal treatment specialty products. Net sales of metallurgical products were $83.3 million, $88.5 million, and $57.3 million for the years ended December 31, 2006,

2005, and 2004. The Company manufactures calcium metal at its Canaan, Connecticut, facility and purchases calcium in international markets. Calcium metal is used in the manufacture of the Company's PFERROCAL® solid-core calcium wire, and is sold for use in the manufacture of batteries and magnets. The Company sells metallurgical wire products and associated wire-injection equipment for use in the production of high quality steels. These metallurgical wire products are injected into molten steel to improve castability and reduce imperfections. The steel produced is used for high-pressure pipeline and other premium-grade steel applications.

Marketing and Sales

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

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

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

Raw Materials

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

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

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

Competition

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

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

SYNSIL

® Products compete against lower cost glass formulations by providing greater process throughput and higher yield.

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

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

Research and Development

Many of the Company's product lines are technologically advanced. 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 OPACARB® PCC crystal morphologies for paper coating, the development of HOTCRETE , the MAG-O-STAR® family of refractory spray coatings, OPTISHOT shotcrete refractory products, LACAM® laser-based refractory measurement systems, MINSCAN and SCANTROL application systems.

The Company's research and development efforts have also resulted in the invention of *SYNSIL*® Products, a family of composite mineral products for the glass industry.

For the years ended December 31, 2006, 2005 and 2004, the Company spent approximately $30.0 million, $29.1 million, and $29.0 million, respectively, on research and development. The Company's research and development spending for 2006 was approximately 2.9% of net sales.

The Company maintains its primary research facilities in Bethlehem and Easton, Pennsylvania. It also has research and development facilities in China, Finland, Ireland, Germany, Japan and Turkey. Approximately 143 employees worldwide are engaged in research and development. In addition, the Company has access to some of the world's most advanced papermaking and paper coating pilot facilities.

Patents and Trademarks

The Company owns or has the right to use approximately 425 patents and approximately 736 trademarks related to its business. The Company believes that its rights under its existing patents, patent applications and trademarks are of value to its operations, but no one patent, application or trademark is material to the conduct of the Company's business as a whole.

Insurance

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

Employees

At December 31, 2006, the Company employed 2,809 persons, of whom 1,118 were employed outside of the United States.

Environmental, Health and Safety Matters

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

Inc ("Pfizer") or Quigley Company, Inc., a wholly-owned subsidiary of Pfizer, in connection with the initial public offering of the Company in 1992. See "Certain Relationships and Related Transactions" in Item 13.

Available Information

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

Item 1A. Risk Factors

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

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

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

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

- ***Growth Rate***

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

- ***Contract Renewals***

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

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

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

- ***Litigation; Environmental Exposures***

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

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

- ***New Products***

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

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

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

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

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

- ***Availability of Raw Materials***

  The Company's ability to achieve anticipated results depends in part on having an adequate supply of raw materials for its manufacturing operations, particularly lime and carbon dioxide for the PCC product line, magnesia for Refractory operations and talc ore and silica sand and dolomite for the Processed Minerals product line, and on having adequate access to 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 majority of the Company's sales are to customers in two industries, paper manufacturing and steel manufacturing, which have historically been cyclical. The Company's exposure to variations in its customers' businesses has been reduced 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 1B. Unresolved Staff Comments

None.

Item 2. Properties

Set forth below is the location of, and the main customer served by, each of the Company's 51 satellite PCC plants as of December 31, 2006. Generally, the land on which each satellite PCC plant is located is leased at a nominal amount by the Company from the host paper mill pursuant to a lease, the term of which generally runs concurrently with the term of the PCC production and sale agreement between the Company and the host paper mill.

Location	Principal Customer
United States	
Alabama, Courtland	International Paper Company
Alabama, Jackson	Boise Cascade LLC
Alabama, Selma	International Paper Company
Arkansas, Ashdown	Domtar Inc.
Florida, Pensacola	International Paper Company
Kentucky, Wickliffe	NewPage Corporation
Louisiana, Port Hudson	Georgia-Pacific Corporation
Maine, Jay	Verso Paper Holdings LLC
Maine, Madison	Madison Paper Industries
Maine, Millinocket	Katahdin Paper Company LLC
Michigan, Quinnesec	Verso Paper Holdings LLC

Location	Principal Customer
Minnesota, Cloquet	Sappi Ltd.
Minnesota, International Falls	Boise Cascade Corporation
New York, Ticonderoga	International Paper Company
North Carolina, Plymouth	Weyerhaeuser Company
Ohio, Chillicothe	P.H. Glatfelter Co.
Ohio, West Carrollton	Appleton Papers Inc.
South Carolina, Eastover	International Paper Company
Virginia, Franklin	International Paper Company
Washington, Camas	Georgia-Pacific Corporation
Washington, Longview	Weyerhaeuser Company
Washington, Wallula	Boise Cascade Corporation LLC
Wisconsin, Kimberly	Stora Enso North America Corp.
Wisconsin, Park Falls	Flambeau River Papers LLC
Wisconsin, Wisconsin Rapids	Stora Enso North America Corp.
International	
Brazil, Jacarei	Votorantim Celulose e Papel S.A.
Brazil, Luiz Antonio	Votorantim Celulose e Papel S.A.
Brazil, Mucuri	Suzano Bahia Sul Papel e Celulose S. A.
Brazil, Suzano	Suzano e Celulose S. A.
Canada, Dryden, Ontario	Weyerhaeuser Company Ltd.
Canada, St. Jerome, Quebec	Cascades Fine Papers Group Inc.
Canada, Windsor, Quebec	Domtar Inc.
China, Dagang [1]	Gold East Paper (Jiangsu) Company Ltd.
China, Zhenjiang [1]	Gold East Paper (Jiangsu) Company Ltd.
China, Suzhou[1]	Gold HuaSheng Paper Company Ltd.
Finland, Aanekoski[1]	M-real Corporation
Finland, Anjalankoski[1]	Myllykoski Paper Oy
Finland, Tervakoski[1]	Trierenberg Holding
France, Alizay	M-real Corporation
France, Docelles	UPM Corporation
France, Saillat Sur Vienne	International Paper Company
Germany, Schongau	UPM Corporation
Indonesia, Perawang[1]	PT Indah Kiat Pulp and Paper Corporation
Japan, Shiraoi[1]	Nippon Paper Group Inc.
Malaysia, Sipitang	Sabah Forest Industries Sdn. Bhd.
Mexico, Chihuahua	Copamex, S.A. de C.V.
Poland, Kwidzyn	International Paper - Kwidzyn, S.A
Portugal, Figueira da Foz[1]	Soporcel - Sociedade Portuguesa de Papel, S.A.
Slovakia, Ruzomberok	Mondi Business Paper SCP
South Africa, Merebank[1]	Mondi Paper Company Ltd.
Thailand, Tha Toom[1]	Advance Agro Public Co. Ltd.

1

These plants are owned through joint ventures.

The Company also owned at December 31, 2006, 14 plants engaged in the mining, processing and/or production of lime, limestone, precipitated calcium carbonate, talc and *SYNSIL*® products and owned or leased approximately 20 refractory manufacturing facilities worldwide. The Company's corporate headquarters, sales offices, research laboratories, plants and other facilities are owned by the Company except as otherwise noted. Set forth below is certain information relating to the Company's plants and office and research facilities:

Location	Facility	Product Line
United States		
Arizona, Pima County	Plant; Quarry[1]	Limestone
California, Lucerne Valley	Plant; Quarry	Limestone
Connecticut, Canaan	Plant; Quarry	Limestone, Metallurgical Wire/Calcium
Indiana, Mt. Vernon	Plant	Talc/Limestone

Indiana, Portage	Plant	Refractories/Shapes
Louisiana, Baton Rouge	Plant	Monolithic Refractories
Massachusetts, Adams	Plant; Quarry	Limestone, Lime, PCC
Mississippi, Brookhaven	Plant	PCC

Location	Facility	Product Line
Montana, Dillon	Plant; Quarry	Talc
New Jersey, Old Bridge	Plant	Monolithic Refractories
New York, New York	Headquarters[2]	All Company Products
Ohio, Bryan	Plant	Monolithic Refractories
Ohio, Dover	Plant	Monolithic Refractories/Shapes
Ohio, Wellsville	Plant	Talc/Limestone
Ohio, Woodville	Plant[2]	*SYNSIL*® Products
Pennsylvania, Bethlehem	Administrative Office; Research laboratories; Sales Offices	PCC, Lime, Limestone, Talc
Pennsylvania, Easton	Administrative Office; Research laboratories; Plant; Sales Offices	All Company Products
Pennsylvania, Slippery Rock	Plant; Sales Offices	Monolithic Refractories/Shapes
South Carolina, Chester	Plant	*SYNSIL*® Products
Texas, Cleburne	Plant3	*SYNSIL*® Products

International

Location	Facility	Product Line
Australia, Carlingford	Sales Office[2]	Monolithic Refractories
Belgium, Brussels	Sales Office[2]/Administrative Office	Monolithic Refractories/PCC
Belgium, Hermalle-sous-Huy	Plant	PCC
Brazil, Belo Horizonte	Sales Office[2]	Monolithic Refractories
Brazil, Sao Jose dos Campos	Sales Office[2]	PCC/Monolithic Refractories
Brazil, Volta Redonda	Plant	Monolithic Refractories
China, Shanghai	Administrative Office/Sales Office	PCC/Monolithic Refractories
China, Suzhou	Plant/Sales Office/Research laboratories	Monolithic Refractories/PCC
Finland, Kaarina	Research Laboratory[2]	PCC
Finland, Lappeenranta	Customer Development	PCC
Germany, Moers	Plant/Sales Office/Research laboratories	Laser Scanning Instrumentation/ Probes/Monolithic Refractories
Germany, Walsum	Plant	PCC
Holland, Hengelo	Plant/Sales Office	Metallurgical Wire
Ireland, Cork	Plant; Administrative Office[2]/Research laboratories	Monolithic Refractories
Italy, Brescia	Sales Office; Plant	Monolithic Refractories/Shapes
Japan, Gamagori	Plant/Research laboratories	Monolithic Refractories/Shapes, Calcium
Japan, Tokyo	Sales Office	Monolithic Refractories
Mexico, Gomez Palacio	Plant[2]/Sales Office	Monolithic Refractories
Singapore	Sales Office[2]	PCC
Spain, Santander	Plant/Sales Office[2]	Monolithic Refractories
South Africa, Pietermaritzburg	Plant/Sales Office	Monolithic Refractories
South Korea, Seoul	Sales Office[2]	Monolithic Refractories
South Korea, Yangsan	Plant4	Monolithic Refractories
Turkey, Gebze	Plant/Research Laboratories	Monolithic Refractories/Shapes/ Application Equipment
Turkey, Istanbul	Administrative Office/Sales Office	Monolithic Refractories
Turkey, Kutahya	Plant	Monolithic Refractories/Shapes
United Kingdom, Lifford	Plant	PCC, Lime

United Kingdom, Rotherham	Plant/Sales Office	Monolithic Refractories/Shapes

1

This plant is leased to another company.
[2] Leased by the Company. The facilities in Cork, Ireland, are operated pursuant to a 99-year lease, the term of which commenced in 1963. The Company's headquarters in New York, New York, are held under a lease which expires in 2010.
[3] Under Construction.
[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 November 28, 2005, the Company announced that it had reached a settlement of pending commercial and patent litigation with Omya AG. The settlement was on a worldwide basis, hence the litigation in both the United States and Italy have been dismissed. The settlement provides for the recognition of the Company's intellectual property and patent rights. As part of the settlement, the Company received an initial payment and granted Omya AG a non-exclusive license for the terms of the patents in exchange for royalty payments through 2009.

Certain of the Company's subsidiaries are among numerous defendants in a number of cases seeking damages for exposure to silica or to asbestos containing materials. The Company currently has 776 pending silica cases and 26 pending asbestos cases. In 2006, the Company was named in two new silica cases and in three new asbestos cases. To date, 655 silica cases have been dismissed, of which 211 were dismissed in 2006. Most of these claims do not provide adequate information to assess their merits, the likelihood that the Company will be found liable, or the magnitude of such liability, if any. Additional claims of this nature may be made against the Company or its subsidiaries. At this time, management anticipates that the amount of the Company's liability, if any, and the cost of defending such claims, will not have a material effect on its financial position or results of operations.

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

Environmental Matters

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

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

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

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

The Company is evaluating options for upgrading the wastewater treatment facilities at its Adams, Massachusetts, plant. This work is being undertaken pursuant to an administrative consent order issued by the Massachusetts Department of Environmental Protection on June 18, 2002. The order required payment of a civil fine in the amount of $18,500, the investigation of options for ensuring that the facility's wastewater treatment ponds will not result in

discharge to groundwater, and closure of a historic lime solids disposal area. The Company is committed to identifying appropriate improvements to the wastewater treatment system by July 1, 2007, and to implementing the improvements by June 1, 2012. Preliminary engineering reviews indicate that the estimated cost of these upgrades to operate this facility beyond 2012 may be between $6 million and $8 million. The Company estimates that remediation costs would approximate $350,000, which has been accrued as of December 31, 2006.

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

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

No matters were submitted to a vote of security holders during the fourth quarter of 2006.

PART II

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

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

Information on market prices and dividends is set forth below:

2006 Quarters	First	Second	Third	Fourth
Market Price Range Per Share of Common Stock				
High	$58.93	$61.27	$53.40	$59.31
Low	52.97	51.61	48.01	51.71
Close	58.41	52.00	53.40	58.79
Dividends paid per common share	$ 0.05	$ 0.05	$ 0.05	$ 0.05

2005 Quarters	First	Second	Third	Fourth
Market Price Range Per Share of Common Stock				
High	$66.80	$68.83	$64.11	$58.32
Low	60.52	60.02	57.21	51.59
Close	65.30	61.78	57.21	55.89
Dividends paid per common share	$ 0.05	$ 0.05	$ 0.05	$ 0.05

Equity Compensation Plan Information

Plan Category	Number of securities to be issued upon exercise of outstanding options	Weighted average exercise price of outstanding options	Number of securities remaining available for future issuance
Equity compensation plans approved by security holders	1,152,069	$ 46.44	729,111
Equity compensation plans not approved by security holders	--	--	--
Total	1,152,069	$ 46.44	729,111

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased	Average Price Paid Per Share		Total Number of Shares Purchased as Part of the Publicly Announced Program	Dollar Value of Shares That May Yet be Purchased Under the Program
October 1 - October 29	169,000	$	54.09	774,772	34,101,267
October 30 - November 26	23,900	$	55.07	798,672	32,784,995
November 27 - December 31	--	$	--	798,672	32,784,995
Total	192,900	$	54.21		

On October 23, 2003, the Company's Board of Directors authorized the Company's Management Committee, at its discretion, to repurchase up to $75 million in additional shares over the next three-year period. As of May 21, 2006, the Company had completed this program by repurchasing 1,286,828 shares at an average price of approximately $58.28 per share.

On October 26, 2005, the Company's Board of Directors authorized the Company's Management Committee, at its discretion, to repurchase up to $75 million in additional shares over the next three-year period. As of December 31, 2006, the Company repurchased 798,672 shares under this program at an average price of approximately $52.86 per share.

On January 24, 2007, the Company's Board of Directors declared a regular quarterly dividend on its common stock of $0.05 per share. No dividend will be payable unless declared by the Board and unless funds are legally available for payment thereof.

On February 5, 2007, the last reported sales price on the NYSE was $56.80 per share. As of February 5, 2007, there were approximately 205 holders of record of the common stock.

The following graph compares the cumulative 5-year total return to shareholders on Minerals Technologies Inc.'s common stock relative to the cumulative total returns of the S & P 500 index and the S & P MidCap 400 Materials Sector index. The graph assumes that the value of the investment in the Company's common stock and in each of the indexes (including reinvestment of dividends) was $100 on December 31, 2001 and tracks it through December 31, 2006. The ending point is the close of the last trading day of 2006, at which time the price of our common stock was $58.79.

*

$100 invested on 12/31/01 in stock or index-including reinvestment dividends. Fiscal year ending December 31.

	12/01	12/02	12/03	12/04	12/05	12/06
Minerals Technologies Inc.	100.00	92.72	127.59	144.13	121.16	127.92
S & P 500	100.00	77.90	100.24	111.15	116.61	135.03
S & P MidCap 400 Materials Sector	100.00	95.43	119.42	148.72	178.95	205.10

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

Item 6. Selected Financial Data

Thousands, Except Per Share Data

Income Statement Data:	2006	2005	2004	2003	2002
Net sales	$ 1,059,307	$ 990,751	$ 918,952	$809,306	$ 748,792
Cost of goods sold	838,015	780,553	706,298	613,118	565,650
Marketing and administrative expenses	106,016	100,363	92,811	83,797	74,143
Research and development expenses	30,016	29,062	28,996	25,149	22,695
Bad debt expenses (recoveries)	377	(518)	1,576	5,307	6,214
Restructuring charges	--	--	1,145	3,323	--
Acquisition termination costs	--	--	997	--	--
Write-down of impaired assets	--	265	--	3,202	750
Income from operations	84,883	81,026	87,129	75,410	79,340
Income before provision for taxes on income, minority interests and discontinued operations	79,579	77,392	82,625	70,535	74,182
Provision for taxes on income	24,588	22,985	23,637	18,501	19,692
Minority interests	3,441	1,732	1,710	1,575	1,762
Income from continuing operations	51,550	52,675	57,278	50,459	52,728
Income (loss) from discontinued operations, net of tax	(1,599)	589	1,285	1,160	1,024
Cumulative effect of accounting change	--	--	--	(3,399)	--
Net income	$ 49,951	$ 53,264	$ 58,563	$ 48,220	$ 53,752

Earnings Per Share	2006	2005	2004	2003	2002
Basic:					
Earnings per share from continuing operations	$ 2.63	$ 2.59	$ 2.79	$2.50	$ 2.61
Earnings (loss) per share from discontinued operations	(0.08)	0.03	0.06	0.06	0.05
Cumulative effect of accounting change	--	--	--	(0.17)	--
Basic earnings per share	$ 2.55	$ 2.62	$ 2.85	$2.39	$ 2.66
Diluted:					
	$ 2.61	$ 2.56	$ 2.76	$2.47	$ 2.56

Earnings per share from continuing operations					
Earnings (loss) per share from discontinued operations	(0.08)	0.03	0.06	0.06	0.05
Cumulative effect of accounting change	--	--	--	(0.17)	--
Diluted earnings per share	$ 2.53	$ 2.59	$ 2.82	$2.36	$ 2.61
Weighted average number of common shares outstanding:					
Basic	19,600	20,345	20,530	20,208	20,199
Diluted	19,738	20,567	20,769	20,431	20,569
Dividends declared per common share	$ 0.20	$ 0.20	$ 0.20	$0.10	$ 0.10
Balance Sheet Data:					
Working capital	$ 199,699	$ 145,948	$ 242,818	216,795	$ 167,028
Total assets	1,193,124	1,156,303	1,154,902	1,035,690	899,877
Long-term debt	113,351	40,306	94,811	98,159	89,020
Total debt	203,058	156,851	128,728	131,681	120,351
Total shareholders' equity	752,557	771,162	799,313	707,381	594,157

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,	2006	2005	2004
Net sales	100.0 %	100.0 %	100.0 %
Cost of goods sold	79.1	78.8	76.9
Marketing and administrative expenses	10.0	10.1	10.1
Research and development expenses	2.9	2.9	3.1
Bad debt expenses	--	--	0.2
Restructuring charges	--	--	0.1
Acquisition termination costs	--	--	0.1
Income from operations	8.0	8.2	9.5
Income before provision for taxes on income, minority interests and discontinued operations	7.5	7.8	9.0
Provision for taxes on income	2.3	2.3	2.6
Minority interests	0.3	0.2	0.2
Income from continuing operations	4.9	5.3	6.2
Income (loss) from discontinued operations	(0.2)	0.1	0.2
Net income	4.7 %	5.4 %	6.4 %

Executive Summary

2006 proved to be a difficult year for the Company. Although we achieved many milestones such as exceeding $1 billion in sales and sold more than 4.0 million tons of PCC, we were unable to leverage our 7% increase in sales to improved operating income performance. This was primarily because of unrecovered raw material and energy cost increases, paper mill and paper machine shutdowns, and weakness in our end-use markets, particularly in the fourth quarter. At the same time, we continued to invest heavily in development programs such as PCC for paper coating in Europe, our *SYNSIL®* Products for the glass industry, and filler-fiber composites for paper filling. Worldwide net sales for 2006 grew 7% over the prior year from $991 million to $1.059 billion. Foreign exchange had a favorable impact on sales of less than 1 percentage point of growth. Operating income for the full year 2006 increased 5% to $84.9 million from $81.0 million in the prior year. Operating income represented 8.0% of sales in 2006 and was 8.2% of sales in 2005. Income from continuing operations decreased 2% to $51.6 million from $52.7 million in the prior year. Net income for the full year 2006 declined 6% to $50.0 million from $53.3 million in 2005.

Our operating income and net income has been affected by a number of factors over the past year. The positive factors affecting the operating income and net income were primarily attributable to the following:

- Increased profitability in the refractory products and systems product line, particularly in North America and Europe, due to strong demand through the first nine months of the year and lower costs achieved through product reformulations;
- Improved operations at our new satellite PCC facilities in China;

- Increased worldwide demand for PCC in all regions, and volume growth from expansions of existing PCC facilities in Europe; and
- Royalty income and reduced litigation expenses from the settlement of patent litigation. The Company will receive additional royalty income of approximately $1.1 million per annum through 2009.

This growth was partially mitigated by the following factors:

- Unrecovered cost increases in the PCC product line due to the delayed pass-through of lim BB e cost increases;
- Paper mill and paper machine shutdowns affecting several satellite PCC facilities;
- Operating losses in our *SYNSIL®* Products line primarily due to initial startup costs associated with our manufacturing facility in South Carolina;
- Unrecovered energy cost increases and significant weakness in the end-use markets during the fourth quarter of 2006 in the Processed Minerals and Specialty PCC product lines;
- Increased compensation expense related to the adoption of SFAS No. 123R;

- Decreased margins in the metallurgical product line; and
- During the fourth quarter of 2006, we also recognized a loss from discontinued operations of approximately $1.6 million related to foreign currency translation losses arising from the liquidation of our investment in Israel.

The net effect of the aforementioned factors resulted in operating income growth of approximately 5% over 2005, and a decline in net income of approximately 6% from 2005.

We face some significant risks and challenges in the future:

- Our success depends in part on the performance of the industries we serve, particularly papermaking and steel making. Some of our customers may continue to experience consolidations and shutdowns;
- Consolidations in the paper and steel industries concentrate purchasing power in the hands of fewer customers, increasing pricing pressure on suppliers such as Minerals Technologies Inc.;
- Most of our Paper PCC sales are subject to long-term contracts that may be terminated pursuant to their terms, or may be renewed on terms less favorable to us;
- We are subject to cost fluctuations on raw materials, including shipping costs, particularly on magnesia and talc imported from China;
- We have experienced increased energy costs in both of our business segments that we may not be able to pass through to our customers;
- Although the *SYNSIL*® Products family has received favorable reactions from current and potential customers, this product line is not yet profitable. To date, the introduction of *SYNSIL*® technology to customers has progressed more slowly than anticipated, resulting in temporary overcapacity at our facilities. The manufacturing facilities are strategically located in major market areas for glass making, and we believe our products provide a suitable value equation for glass manufacturers. However, the commercial viability of this product line cannot be assured.
- The cost of employee benefits, particularly health coverage, has risen significantly in recent years and continues to do so; and
- As we expand our operations abroad we face the inherent risks of doing business in many foreign countries, including foreign exchange risk, import and export restrictions, and security concerns.

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

- Increasing our sales of PCC for paper by further penetration of the markets for paper filling at both freesheet and groundwood mills;
- Increasing our sales of PCC for paper coating, particularly from our merchant coating PCC facilities in Walsum, Germany and Hermalle, Belgium;
- Achieving commercialization of a filler-fiber composite technology for the paper industry through our continued research and development activities;
- Developing new satellite PCC opportunities;
- Achieving continued market acceptance of the *SYNSIL*® Products family of composite minerals for the glass industry;
- Continuing our penetration in emerging markets, including our new manufacturing facility in China and our recent acquisition in Turkey in the Refractories segment; and

- Increasing market penetration in the Refractories segment through development of high-performance products and equipment systems.

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

On July 19, 2005, the Company's largest customer, International Paper Company ("IP"), announced a general plan to restructure certain elements of its businesses. As a result, IP sold its coated and super calendered papers business, including four paper mills, to Verso Paper Holdings LLC ("Verso"), an affiliate of Apollo Management LP. The Company owns and operates PCC satellite facilities at two of those paper mills, Jay, Maine, and Quinnesec, Michigan, pursuant to PCC supply contracts, which were transferred by IP to Verso in 2006. This transaction has not affected the Company's PCC satellite operations or assets.

On March 21, 2006, the Company temporarily ceased operation of a one-unit satellite PCC facility in Park Falls, Wisconsin, after the paper company shut down its mill and filed for bankruptcy protection. The Company recorded a provision for bad debt of approximately $1.0 million in the first quarter of 2006 in connection with this bankruptcy. The paper mill has since been sold to Flambeau River Papers, LLC and we resumed production pursuant to a long-term supply contract from our satellite PCC facility in the third quarter.

As expected, in April 2006, the Company ceased operation of a one-unit satellite PCC facility in Hadera, Israel.

Results of Operations

Sales

(Dollars in millions)

Net Sales	2006	% of Total Sales	Growth	2005	% of Total Sales	Growth	2004	% of Total Sales
U.S.	$ 628.4	59.3 %	5 %	$ 600.1	60.6 %	8 %	$ 558.2	60.7 %
International	430.9	40.7 %	10 %	390.7	39.4 %	8 %	360.8	39.3 %
Net sales	$ 1,059.3	100.0 %	7 %	$ 990.8	100.0 %	8 %	$ 919.0	100.0 %
Paper PCC	$ 500.6	47.3 %	9 %	$ 460.7	46.5 %	7 %	$ 429.3	46.7 %
Specialty PCC	56.4	5.3 %	1 %	55.6	5.6 %	10 %	50.7	5.5 %
PCC Products	$ 557.0	52.6 %	8 %	$ 516.3	52.1 %	8 %	$ 480.0	52.2 %
Talc	$ 58.5	5.5 %	8 %	$ 54.2	5.4 %	5 %	$ 51.6	5.6 %
Other Processed Minerals	85.5	8.1 %	(1) %	85.9	8.7 %	2 %	84.0	9.1 %
SYNSIL®	10.4	1.0 %	58 %	6.6	0.7 %	113 %	3.1	0.3 %
Processed Minerals Products	$ 154.4	14.6 %	5 %	$ 146.7	14.8 %	6 %	$ 138.7	15.1 %
Specialty Minerals Segment	$ 711.4	67.2 %	7 %	$ 663.0	66.9 %	7 %	$ 618.7	67.3 %
Refractory Products	$ 264.6	25.0 %	11 %	$ 239.3	24.2 %	(2) %	$ 243.0	26.4 %
Metallurgical Products	83.3	7.8 %	(6) %	88.5	8.9 %	54 %	57.3	6.3 %
Refractories Segment	$ 347.9	32.8 %	6 %	$ 327.8	33.1 %	9 %	$ 300.3	32.7 %
Net sales	$ 1,059.3	100.0 %	7 %	$ 990.8	100.0 %	8 %	$ 919.0	100.0 %

Worldwide net sales in 2006 increased 7% from the previous year to $1.059 billion. Foreign exchange had a favorable impact on sales of less than 1 percentage point of growth. Sales in the Specialty Minerals segment, which includes the PCC and Processed Minerals product lines, increased 7% to $711.4 million compared with $663.0 million for the same period in 2005. Sales in the Refractories segment grew 6% over the previous year to $347.9 million. In 2005, worldwide net sales increased 8% to $990.8 million from $919.0 million in the prior year. Specialty Minerals segment sales increased approximately 7% and Refractories segment sales increased approximately 9% in 2005.

Worldwide net sales of PCC, which is primarily used in the manufacturing process of the paper industry, increased 8% to $557.0 million from $516.3 million in the prior year. Worldwide net sales of Paper PCC increased 9% to $500.6 million from $460.7 million in the prior year. Paper PCC volumes grew 5% for the full year with volumes in excess of 4.0 million tons. In 2006, worldwide printing and writing paper production totaled approximately 115 million metric tons and increased 2.5% over 2005. Uncoated freesheet, currently our largest PCC market, increased an estimated 2.1% in 2006. Paper PCC sales growth was achieved in all regions with the largest growth occurring in Asia. This was primarily attributable to the ramp up of two new satellite PCC plants in China, which represented

approximately 3 percentage points of the volume growth. Worldwide demand for uncoated freesheet and expansions of satellite PCC facilities in Europe more than offset paper mill and paper machine shutdowns affecting several satellite PCC facilities. Sales of Specialty PCC grew 1% to $56.4 million from $55.6 million in 2005.

Worldwide net sales of PCC increased 8% in 2005 to $516.3 million from $480.0 million in the prior year. Net sales of Paper PCC increased 7% to $460.7 million while Paper PCC volumes grew 4%. In 2005, sales growth was achieved in all regions, except Latin America, with the largest growth occurring in Europe and Asia where sales volumes grew 7% and 20%, respectively. Sales of Specialty PCC grew 10% in 2005 to $55.6 million from $50.7 million due to improved volumes, particularly in automotive and health care applications.

Net sales of Processed Minerals products in 2006 increased 5% to $154.4 million from $146.7 million in 2005. Talc sales increased 8% to $58.5 million from $54.2 million in the prior year. This was primarily attributable to strong global demand in plastics and health-care related markets. Other Processed Minerals products declined 1% to $85.5 million from $85.9 million in the prior year. This decline was due to weakness in the residential construction market in the second half of 2006. *SYNSIL®* Products sales increased 58% to $10.4 million due to the initial sales from our new facility in Chester, South Carolina. Processed Minerals net sales in 2005 increased 6% to $146.7 million from $138.7 million in 2004. This increase was primarily attributable to strong demand in the residential construction markets.

Net sales in the Refractories segment in 2006 increased 6% to $347.9 million from $327.8 million in the prior year. Sales of refractory products and systems to steel and other industrial applications increased 11% to $264.6 million from $239.3 million in the prior year. This growth was attributable primarily to increased volume in North America during the first nine months of 2006 and in Europe throughout the year. In addition, approximately 3 percentage points of growth was due to the recent acquisition of a refractory producer in Turkey. Sales of metallurgical products within the Refractories segment decreased 6% to $83.3 million from $88.5 million in the prior year. This decline was due to lower selling prices as raw material cost reductions were passed on to customers. Volumes also declined, particularly in the fourth quarter in North America, due to weakness in the steel industry.

Net sales in the Refractories segment in 2005 increased 9% to $327.8 million from $300.3 million in the prior year. Foreign exchange represented approximately 1 percentage point of the sales growth. The sales growth was driven globally by the metallurgical product line in which sales grew 54% to $88.5 million from $57.3 million. This increase was attributable to a combination of price increases, due to the substantial escalation in the cost of raw materials for this product line, as well as volume growth. Sales of refractory products and systems to steel and other industrial applications decreased 2% to $239.3 million from $243.0 million.

Net sales in the United States increased approximately 5% to $628.4 million in 2006 and represented approximately 60% of consolidated net sales. International sales increased approximately 10% to $430.9 million. This increase was primarily attributable to volume growth in both segments. In 2005, both domestic and international sales increased 8%.

Operating Costs and Expenses (Dollars in millions)		2006	Growth		2005	Growth		2004
Cost of goods sold	$	838.0	7 %	$	780.6	11 %	$	706.3
Marketing and administrative	$	106.0	6 %	$	100.4	8 %	$	92.8
Research and development	$	30.0	3 %	$	29.1	-- %	$	29.0
Bad debt expenses	$	0.4	* %	$	(0.5)	* %	$	1.6
Acquisition termination costs	$	--	* %	$	--	* %	$	1.0
Restructuring charges	$	--	* %	$	--	* %	$	1.1
Write-down of impaired assets	$	--	* %	$	0.3	* %	$	--

*

Percentage not meaningful

Cost of goods sold in 2006 was 79.1% of sales compared with 78.8% in the prior year. Our cost of goods sold grew 7% which had a slightly unfavorable leveraging impact on our sales growth resulting in a 5% increase in production margin. This unfavorable leveraging occurred in the Specialty Minerals segment where production margins increased 1% as compared with 7% sales growth. Margins in this segment were affected by several factors:

- Unrecovered lime cost increases in the PCC product line;
- Paper machine and paper mill shutdowns;
- Production losses in our *SYNSIL*® Products line primarily due to initial startup costs associated with our new facility in South Carolina; and
- Unrecovered energy cost increases in the Processed Minerals product line.

Collectively, these factors had an adverse impact on production margin and operating income, as compared with the prior year, by approximately $15 million.

These negative factors largely offset the improvements in each of the following areas:

- Ramp-up of our two new satellite PCC facilities in China;
- Increased demand for PCC, particularly in North America;
- Cost reduction initiatives; and
- Expansions of satellite PCC facilities in Europe.

In the Refractories segment, production margin increased 12% over the prior year as compared with 6% sales growth. This was primarily due to improved steel industry operating conditions in our primary markets during the first nine months and cost reduction initiatives through the reformulation of refractory products.

Cost of goods sold in 2005 was 78.8% of sales compared with 76.9% in 2004. Our cost of goods sold grew 11% which had an unfavorable leveraging impact on our sales growth resulting in a 1% decrease in production margin. This unfavorable leveraging occurred in both reporting segments. In the Specialty Minerals segment, production margins declined 3% as compared with 7% sales growth. Margins in this segment were affected by several factors:

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

Marketing and administrative costs increased 6% in 2006 to $106.0 million and represented 10.0% of net sales. This was primarily due to increased worldwide infrastructure costs and other employee benefits, including increased stock option expense of approximately $2.3 million relating to the adoption of SFAS No. 123R. We also experienced a reduction in litigation expenses in 2006 of approximately $3.7 million. In 2005, marketing and administrative costs increased 8% over 2004 to $100.4 million and represented 10.1% of sales. We incurred higher litigation costs in 2005 to protect our intellectual property. This litigation was settled in the fourth quarter of 2005 resulting in non-operating income of $2.1 million, while the costs of such litigation were included in marketing and administrative expenses.

Research and development expenses increased 3% in 2006 to $30.0 million and represented 2.9% of net sales. In 2005, research and development expenses remained flat at $29.0 million and also represented 2.9% of net sales.

We recorded bad debt expenses (recoveries) of $0.4 million, $(0.5) million and $1.6 million in 2006, 2005 and 2004, respectively. In 2006, bad debt expenses increased due to additional customer bankruptcies. In 2005, the reduction in bad debt charges was primarily related to recoveries of bad debt in excess of provisions. In 2004, the provision for bad debt was net of recoveries of approximately $2.3 million related to steel company bankruptcies, in which we had previously written off the related accounts receivable.

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

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

During the fourth quarter of 2003, we restructured our operations to reduce operating costs and improve efficiency. This resulted in a 2003 restructuring charge of $3.3 million. As part of that restructuring program, we recorded $1.1 million in additional charges in 2004. The restructuring charges relate to workforce reductions from all business units throughout our worldwide operations and the termination of certain leases. There were no restructuring costs in 2005 or 2006.

Income from Operations (Dollars in millions)	2006	Growth	2005	Growth	2004
Income from operations	$ 84.9	5 %	$ 81.0	(7) %	$ 87.1

Income from operations in 2006 increased 5% to $84.9 million from $81.0 million in 2005 and was 8.0% of sales as compared with 8.2% of sales in 2005. Income from operations in 2005 decreased 7% to $81.0 million from $87.1 million in 2004 and was 8.2% of sales as compared with 9.5% of sales in 2004.

Income from operations for the Specialty Minerals segment increased slightly to $52.9 million and was 7.4% of its net sales. Unfavorable leveraging to operating income for this segment was primarily due to the aforementioned factors affecting production margin. Operating income for the Refractories segment increased 13% to $32.0 million and was 9.2% of its net sales. This was primarily attributable to increased profitability of refractories products and systems partially offset by a reduction in profitability in metallurgical products. In addition, this segment benefited from a pension settlement and curtailment gain of approximately $0.8 million in Asia.

In 2005, income from operations for the Specialty Minerals segment decreased 9% to $52.7 million and was 7.9% of its net sales. Operating income for the Refractories segment decreased 7% to $28.3 million and was 8.6% of its net sales.

Non-Operating Deductions (Dollars in millions)	2006	Growth	2005	Growth	2004
Non-operating deductions, net	$ 5.3	47 %	$ 3.6	(20) %	$ 4.5

Non-operating deductions increased 47% from the prior year. This increase was primarily due to increased interest expense of $1.9 million over 2005 due to increased borrowings. In addition, in 2006 we recognized an insurance settlement gain of approximately $1.8 million for property damage sustained at one of our facilities. In 2005, we recognized a litigation settlement gain of $2.1 million.

Provision for Taxes on Income (Dollars in millions)	2006	Growth	2005	Growth	2004
Provision for taxes on income	$ 24.6	7 %	$ 23.0	(3) %	$ 23.6

The effective tax rate increased to 30.9% in 2006 as compared with 29.7% in 2005. This increase was primarily related to a change in the mix of earnings, an increase in the valuation allowance due to Ohio tax reform legislation and the impact of FAS 123R.

Minority Interests (Dollars in millions)	2006	Growth	2005	Growth	2004
Minority interests	$ 3.4	100 %	$ 1.7	-- %	$ 1.7

The increase in the provision for minority interests was due to improved profitability from our consolidated joint ventures in China.

Income from Continuing Operations (Dollars in millions)	2006	Growth	2005	Growth	2004
Income from continuing operations	$ 51.6	(2) %	$ 52.7	(8) %	$ 57.3

Income from continuing operations decreased 2% in 2006 to $51.6 million. Diluted earnings per common share from continuing operations increased 2% to $2.61 in 2006 as compared with $2.56 in the prior year.

In 2005, income from continuing operations decreased 8% to $52.7 million. Diluted earnings per common share from continuing operations decreased 7% to $2.56 in 2005 as compared with $2.76 in the prior year.

Income (Loss) from Discontinued Operations (Dollars in millions)	2006	Growth	2005	Growth	2004
Income (loss) from discontinued operations	$ (1.6)	* %	$ 0.6	(54) %	$ 1.3

* Percentage not meaningful

During the fourth quarter, the Company liquidated its wholly-owned subsidiary in Hadera, Israel, and classified such business as a discontinued operation. The Company had previously operated a one-unit satellite PCC facility at this location. The loss from discontinued operations in 2006 of $1.6 million or $0.08 per share was predominantly related to foreign currency translation losses recognized upon liquidation of the Company's investment in Israel.

Net Income (Dollars in millions)	2006	Growth	2005	Growth	2004
Net income	$ 50.0	(6) %	$ 53.3	(9) %	$ 58.6

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

Outlook

We are presently experiencing weakness in the primary industries we serve -- paper, construction and steel. There were several paper machine shutdowns that affect our satellite PCC product line as the paper industry continues to consolidate and rationalize capacity. There is continued softening in the residential construction and automotive markets and we are faced with low steel-capacity utilization rates in the United States, our largest market. We expect this weakness to continue into the first half of 2007.

In 2007, we plan to focus on the following growth strategies:

- Expand regionally into emerging markets where we have a limited presence.
- Increase our presence in regional markets where the manufacturing of paper and steel is shifting, particularly China and Eastern Europe.
- Increase market penetration of PCC in paper filling at both freesheet and groundwood mills.
- Increase penetration of PCC into the paper coating market.
- Continue research and development activities for new products, including commercialization of a filler-fiber composite technology for the paper industry.
- Emphasize higher value specialty products and application systems to increase market penetration in the Refractories segment.
- Continue research and development and marketing efforts for new and existing products, including the *SYNSIL*® Products' family of composite minerals.
- Continue to improve our cost competitiveness.
- Continue selective acquisitions to complement our existing businesses.

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

The following are notable events that may impact our 2007 performance:

We began operations from our new *SYNSIL*® Products production facility in the first quarter of 2006 and our operating losses for this product line increased $2.5 million in 2006, primarily as a result of low volume and startup costs. We expect to commence production from a second facility in Cleburne, Texas, in the first quarter of 2007. The introduction of *SYNSIL*®technology to consumers has progressed more slowly than anticipated, resulting in temporary overcapacity at our facilities. The manufacturing facilities are strategically located in major market areas for glass making, and we believe our products provide a suitable value equation for glass manufacturers. However, this product line continues to operate at a significant loss which is expected to continue into 2007 until volumes at our two new facilities increase. The net book value of the long-lived assets at the *SYNSIL*® facilities were approximately $43.5 million as of December 31, 2006.

In 2006, we expected a significant acceleration of our coating program with improved volumes from our merchant paper coating PCC facilities in Walsum, Germany and Hermalle, Belgium. While volumes improved, they were well short of the Company's expectations and the coating development program in Europe continues to operate at a significant loss. We expect these operations to improve in 2007. The net book value of the long-lived assets at these facilities were approximately $50 million as of December 31, 2006.

We began operation of a 100,000-ton capacity refractory manufacturing facility in China during the third quarter of 2006. We expect this facility to ramp-up in 2007.

In October 2006, we acquired ASMAS, an Istanbul-based Turkish producer of refractories based in Istanbul, Turkey. This acquisition provides our Refractories segment with an experienced organization and a strong market position in Turkey, as well as excellent manufacturing capabilities and internal access to our key raw material, magnesia. This acquisition will enable us to service the rapidly growing markets in the Middle East and Eastern

Europe.

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

Our sales of PCC are predominantly pursuant to long-term evergreen contracts, initially about ten years in length, with paper companies at whose mills we operate satellite PCC plants. The terms of many of these agreements generally have been extended, often in connection with an expansion of the satellite PCC plant. Failure of a number of our customers to renew existing agreements on terms as favorable to us as those currently in effect could cause our future sales growth rate to differ materially from our historical growth rate and, if not renewed, could also result in impairment of the assets associated with the PCC plant.

Liquidity and Capital Resources

Cash flows in 2006 were provided from operations and long-term and short-term financing and were used principally to fund $85.2 million of capital expenditures, an acquisition of a refractories business for approximately $32.4 million, and $53.4 million for purchases of common shares for treasury. Cash provided from operating activities amounted to $135.6 million in 2006 as compared with $78.5 million in 2005. The increase in cash from operating activities was primarily due to an improvement of working capital, as compared to the prior year. Our accounts receivables grew at a lower rate than sales and our days of sales outstanding decreased to 59 days from 60 days in the prior year. Growth in inventories were primarily attributable to the timing of raw materials purchases and increased inventories resulting from our recent acquisition. Included in cash flow from operations was pension plan funding of approximately $22.3 million, $12.9 million and $17.6 million for the years ended December 31, 2006, 2005 and 2004, respectively.

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

On October 23, 2003, our Board of Directors authorized our Management Committee, at its discretion, to repurchase up to $75 million in additional shares over the next three-year period. As of May 21, 2006, the Company had repurchased 1,286,828 shares under this program at an average price of $58.28 per share.

On October 26, 2005, our Company's Board of Directors authorized the Company's Management Committee, at its discretion, to repurchase up to $75 million in additional shares over the next three-year period. As of December 31, 2006, the Company had repurchased 798,672 shares under this program at an average price of approximately $52.86 per share.

On January 24, 2007, our Board of Directors declared a regular quarterly dividend on our common stock of $0.05 per share. No dividend will be payable unless declared by the Board and unless funds are legally available for payment.

At December 31, 2005, we had $50 million in Guaranteed Senior Notes that matured on July 24, 2006. On October 5, 2006, the Company issued and sold $75 million aggregate principal of Senior Notes due October 5, 2013, consisting of (a) $50 million aggregate principal amount 5.53% Series 2006- A Senior Notes; and (b) $25 million aggregate principal amount Floating Rate Series 2006-A Senior Notes.

We have $186.9 million in uncommitted short-term bank credit lines, of which $73.4 million was in use at December 31, 2006. In addition, we have an $8.5 million committed short-term bank credit line, all of which was in use at December 31, 2006. We anticipate that capital expenditures for 2007 should approximate $80 million, principally related to the construction of PCC plants and other opportunities that meet our strategic growth objectives. We expect to meet our other long-term financing requirements from internally generated funds, uncommitted bank credit lines and, where appropriate, project financing of certain satellite plants. The aggregate maturities of long-term debt are as follows: 2007 - $2.1 million; 2008 - $7.1 million; 2009 - $4.0 million; 2010 - $4.6 million; 2011 - $nil; thereafter - $97.6 million.

Critical Accounting Policies

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

On an ongoing basis, we evaluate our estimates and assumptions, including those related to revenue recognition, allowance for doubtful accounts, valuation of inventories, valuation of long-term assets, goodwill and other intangible

assets, pension plan assumptions, income taxes, income tax valuation allowances and litigation and environmental liabilities. We base our estimates on historical experience and on other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that can not readily be determined from other sources. There can be no assurance that actual results will not differ from those estimates.

We believe the following critical accounting policies require us to make significant judgments and estimates in the preparation of our consolidated financial statements:

- Revenue recognition: Revenue from sale of products is recognized at the time the goods are shipped and title passes to the customer. In most of our PCC contracts, the price per ton is based upon the total number of tons sold to the customer during the year. Under those contracts, the price billed to the customer for shipments during the year is based on periodic estimates of the total annual volume that will be sold to the customer. Revenues are adjusted at the end of each year to reflect the actual volume sold. There were no significant revenue adjustments in the fourth quarter of 2006 and 2005, respectively. We have consignment arrangements with certain customers in our Refractories segment. Revenues for these

transactions are recorded when the consigned products are consumed by the customer. Revenues from sales of equipment are recorded upon completion of installation and receipt of customer acceptance. Revenues from services are recorded when the services are performed.

- Allowance for doubtful accounts: Substantially all of our accounts receivable are due from companies in the paper, construction and steel industries. Accounts receivable are reduced by an allowance for amounts that may become uncollectible in the future. Such allowance is established through a charge to the provision for bad debt expenses. We recorded bad debt expenses (recoveries) of $0.4 million, $(0.5) million and $1.6 million in 2006, 2005 and 2004, respectively. The $1.6 million provision in 2004 was net of $2.3 million of bad debt recoveries related to steel customer bankruptcies for previously written off accounts receivable. The charges in 2004 were much higher than historical levels and were primarily related to bankruptcy filings by some of our customers in the paper and steel industries and to additional provisions associated with risks in the paper, steel and other industries. In addition to specific allowances established for bankrupt customers, we also analyze the collection history and financial condition of our other customers considering current industry conditions and determine whether an allowance needs to be established or adjusted.

- Property, plant and equipment, goodwill, intangible and other long-lived assets: Property, plant and equipment are depreciated over their useful lives. Useful lives are based on management's estimates of the period that the assets can generate revenue, which does not necessarily coincide with the remaining term of a customer's contractual obligation to purchase products made using those assets. Our sales of PCC are predominately pursuant to long-term evergreen contracts, initially ten years in length, with paper mills at which we operate satellite PCC plants. The terms of many of these agreements have been extended, often in connection with an expansion of the satellite PCC plant. Failure of a PCC customer to renew an agreement or continue to purchase PCC from our facility could result in an impairment of assets or accelerated depreciation at such facility.

- Valuation of long-lived assets, goodwill and other intangible assets: We assess the possible impairment of long-lived assets and identifiable amortizable intangibles whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Goodwill and other intangible assets with indefinite lives are reviewed for impairment at least annually in accordance with the provisions of SFAS No. 142. Factors we consider important that could trigger an impairment review include the following:

  - significant under-performance relative to historical or projected future operating results;
  - significant changes in the manner of use of the acquired assets or the strategy for the overall business;
  - significant negative industry or economic trends.

  When we determine that the carrying value of intangibles, long-lived assets or goodwill may not be recoverable based upon the existence of one or more of the above indicators of impairment, we principally measure any impairment by our ability to recover the carrying amount of the assets from expected future operating cash flow on a discounted basis. Net intangible assets, long-lived assets, and goodwill amounted to $736.4 million as of December 31, 2006.

- Accounting for income taxes: As part of the process of preparing our consolidated financial statements, we are required to estimate our income taxes in each of the jurisdictions in which we operate. This process involves estimating current tax expense together with assessing temporary differences resulting from differing treatments of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included in the consolidated balance sheet. We must then assess the likelihood that our deferred tax assets will be recovered from future taxable income, and to the extent we believe that recovery is not likely, we must establish a valuation allowance. To the extent we establish a valuation

allowance or increase this allowance in a period, we must include an expense within the tax provision in the Consolidated Statements of Income.

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

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

Effect on Expense

(Dollars in millions)	Discount Rate	Salary Scale	Return on Asset
1% increase	$ (1.3)	$ 0.3	$ (1.4)
1% decrease	$ 1.5	$ (0.3)	$ 1.4

Effect on Projected Benefit Obligation

(thousands of dollars)	Discount Rate	Salary Scale
1% increase	$ (13.5)	$ 1.9
1% decrease	$ 16.0	$ (1.7)

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

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

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

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

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

We used a stock price volatility assumption based upon the historical implied volatility of the Company's stock. We believe this is a good indicator of future, actual and implied volatilities. For stock options granted in the period ended December 31, 2006, the Company used a volatility of 24.78%.

The expected life calculation was based upon the observed and expected time to post-vesting forfeiture and exercise. For stock options granted during the fiscal year ended December 31, 2006, the Company used a 6.4 year life.

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

the year ended December 31, 2006.

For a detailed discussion on the application of these and other accounting policies, see "Summary of Significant Accounting Policies" in the "Notes to the Consolidated Financial Statements" in Item 15 of this report, beginning on page F-6. This discussion and analysis should be read in conjunction with the consolidated financial statements and related notes included elsewhere in this report.

Prospective Information and Factors That May Affect Future Results

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

We cannot guarantee that the outcomes suggested in any forward-looking statement will be realized, although we believe we have been prudent in our plans and assumptions. Achievement of future results is subject to risks, uncertainties and the accuracy of assumptions. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Investors should bear this in mind as they consider forward-looking statements and should refer to the discussion of certain risks, uncertainties and assumptions in Item 1A, "Risk Factors."

Inflation

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

Cyclical Nature of Customers' Businesses

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

Recently Issued Accounting Standards

In September 2006, the FASB issued Statement No. 157, "Fair Value Measurements." This Statement defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. This Statement will apply to all other accounting pronouncements that require fair value measurements. This Statement is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The Company is currently completing an analysis of the ultimate impact the new pronouncement will have on its financial statements.

In July 2006, the FASB issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes - An Interpretation of FASB Statement No. 109" ("FIN 48"). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS No. 109, "Accounting for Income Taxes." FIN 48 also prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. In addition, FIN 48 provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The provisions of FIN 48 are to be applied to all tax positions upon initial adoption of this standard. Only tax positions that meet the more-likely-than-not recognition threshold at the effective date may be recognized or continued to be recognized upon adoption of FIN 48. The cumulative effect of applying the provisions of FIN 48 should be reported as an adjustment to the opening balance of retained earnings for that fiscal year. The provisions of FIN 48 are effective for fiscal years beginning after December 15, 2006. We are presently evaluating the impact of the adoption of FIN 48 on our consolidated financial statements.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Market risk represents the risk of loss that may impact our financial position, results of operations or cash flows due to adverse changes in market prices and foreign currency and interest rates. We are exposed to market risk because of changes in foreign currency exchange rates as measured against the U.S. dollar. We do not anticipate that

near-term changes in exchange rates will have a material impact on our future earnings or cash flows. However, there can be no assurance that a sudden and significant change in the value of foreign currencies would not have a material adverse effect on our financial condition and results of operations. Approximately 70% of our bank debt bears interest at variable rates; therefore our results of operations would only be affected by interest rate changes to such bank debt outstanding. An immediate 10% change in interest rates would not have a material effect on our results of operations over the next fiscal year.

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

liabilities, and transactions being hedged. We had open forward exchange contracts to purchase approximately $4.7 million and $4.2 million of foreign currencies as of December 31, 2006 and 2005, respectively. These contracts mature between February and July of 2007. The fair value of these instruments at December 31, 2006 and December 31, 2005 was a liability of $0.1 million and $0.2 million, respectively.

Item 8. Financial Statements and Supplementary Data

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

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

None.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

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

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, we have included a report of management's assessment of the design and operating effectiveness of our internal controls as part of this report. Our independent registered public accounting firm also attested to, and reported on, management's assessment of the effectiveness of internal control over financial reporting. Management's report and the independent registered public accounting firm's attestation report are included in our consolidated financial statements beginning on page F-1 of this report under the captions entitled "Management's Report on Internal Control Over Financial Reporting," and "Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting."

On October 2, 2006, the Company completed an acquisition of a refractory company in Turkey and has excluded this company from our assessment of the effectiveness of our internal control over financial reporting. During 2006, this company contributed less than 1% of consolidated net revenues and, as of December 31, 2006, accounted for approximately 2.5% of our total assets, excluding goodwill.

The Company is in the process of implementing a global enterprise resource planning ("ERP") system to manage our business operations. As of December 31, 2006, all of our domestic locations were using the new systems. The worldwide implementation is expected to be completed over the next few years and involves changes in systems that include internal controls. Although the transition has proceeded to date without material adverse effects, the possibility exists that the migration to the new ERP system could adversely affect the Company's disclosure controls and procedures or our results of operations in future periods. We are reviewing each system as it is being implemented and the controls affected by the implementation of the new systems, and are making appropriate changes to affected internal controls as we implement the new systems. We believe that the controls as modified are appropriate and functioning effectively.

Changes in Internal Control Over Financial Reporting

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

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

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

Name	Age	Position
Paul R. Saueracker(*)	64	Chairman of the Board; President and Chief Executive Officer
Alain F. Bouruet-Aubertot	50	Senior Vice President and Managing Director, Minteq International
Kenneth L. Massimine	57	Senior Vice President and Managing Director, Paper PCC
John A. Sorel	59	Senior Vice President - Finance, and Chief Financial Officer
Gordon S. Borteck	49	Vice President, Organization and Human Resources
Kirk G. Forrest	55	Vice President, General Counsel and Secretary
D. Randy Harrison	55	Vice President and Managing Director, Performance Minerals
Michael A. Cipolla	49	Vice President - Corporate Controller and Chief Accounting Officer
William A. Kromberg	61	Vice President, Taxes
Gregory P. Kelm	53	Treasurer

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.

(*) As previously announced by the Company on November 14, 2007, Mr. Saueracker will retire from the Company effective March 1, 2007. Mr. Joseph C. Muscari, age 60, has been named to succeed Mr. Saueracker effective March 1, 2007 as Chairman of the Board, President and Chief Executive Officer.

Alain F. Bouruet-Aubertot was elected Senior Vice President and Managing Director, Minteq International in November 2002. From 1996 to June 2002 he had been President, Gypsum Division and Corporate Senior Vice President of Lafarge North America, a supplier of cement, ready-mixed concrete, construction aggregate and gypsum products.

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

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

Gordon S. Borteck was elected Vice President - Organization and Human Resources effective January 1, 2002. Prior to that he had been Vice President, Human Resources of Specialty Minerals Inc. since January 1997.

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

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

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

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

Gregory P. Kelm was elected Treasurer effective January 21, 2004. Prior to that he had been Assistant Treasurer since March 2000. From 1994 to 2000 Mr. Kelm served as Director, Corporate Human Resources Programs.

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

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

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

Item 11. Executive Compensation

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

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

The information appearing in the Company's Proxy Statement under the caption "Security Ownership of Certain Beneficial Owners and Management and Related Stockholders Matters as of January 31, 2007" set forth is incorporated herein by reference.

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

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

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

Pfizer and Quigley also agreed to indemnify the Company against any liability arising from claims for remediation, as defined in the Agreement, of on-site environmental conditions relating to activities prior to the closing of the initial public offering. Further, Pfizer and Quigley agreed to indemnify the Company for 50% of the liabilities in excess of $1 million up to $10 million in liabilities that may have arisen or accrued within ten years after the closing of the initial public offering with respect to such remediation of on-site conditions. The Company is responsible for the first $1 million of such liabilities, 50% of all such liabilities in excess of $1 million up to $10 million, and all such liabilities in excess of $10 million. The Company had asserted to Pfizer and Quigley a number of indemnification claims pursuant to this agreement during the ten-year period following the closing of the initial public offering. On January 30, 2006, Pfizer and the Company agreed to settle those claims, along with certain other potential environmental liabilities of Pfizer, in consideration of a payment by Pfizer of $4.5 million. Such payment was recorded as additional paid-in capital, net of its related tax effect.

Item 14. Principal Accountant Fees and Services

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

PART IV

Item 15. Exhibits and Financial Statement Schedules

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

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

   Consolidated Balance Sheets as of December 31, 2006 and 2005
   Consolidated Statements of Income for the years ended December 31, 2006, 2005, and 2004
   Consolidated Statements of Cash Flows for the years ended December 31, 2006, 2005 and 2004
   Consolidated Statements of Shareholders' Equity for the years ended December 31, 2006, 2005 and 2004
   Notes to the Consolidated Financial Statements
   Reports of Independent Registered Public Accounting Firm
   Management's Report on Internal Control Over Financial Reporting

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

		Page
Schedule II -	Valuation and Qualifying Accounts	S-1

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

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

3.1	-Restated Certificate of Incorporation of the Company (1)
3.2	-By-Laws of the Company as amended and restated effective May 25, 2005 (5)
3.3	-Certificate of Designations authorizing issuance and establishing designations, preferences and rights of Series A Junior Preferred Stock of the Company (1)
4	-Rights Agreement, executed effective as of September 13, 1999 (the "Rights Agreement"), between Minerals Technologies Inc. and Chase Mellon Shareholders Services L.L.C., as Rights Agents, including as Exhibit B the forms of Rights Certificate and of Election to Exercise (6)
4.1	-Specimen Certificate of Common Stock (1)
10.1	-Asset Purchase Agreement, dated as of September 28, 1992, by and between Specialty Refractories Inc. and Quigley Company Inc. (2)
10.1(a)	-Agreement dated October 22, 1992 between Specialty Refractories Inc. and Quigley Company Inc., amending Exhibit 10.1 (3)
10.1(b)	-Letter Agreement dated October 29, 1992 between Specialty Refractories Inc. and Quigley Company Inc., amending Exhibit 10.1 (3)

10.2	-Reorganization Agreement, dated as of September 28, 1992, by and between the Company and Pfizer Inc (2)
10.3	-Asset Contribution Agreement, dated as of September 28, 1992, by and between Pfizer Inc and Specialty Minerals Inc. (2)
10.4	-Asset Contribution Agreement, dated as of September 28, 1992, by and between Pfizer Inc and Barretts Minerals Inc. (2)
10.4(a)	-Agreement dated October 22, 1992 between Pfizer Inc, Barretts Minerals Inc. and Specialty Minerals Inc., amending Exhibits 10.3 and 10.4 (3)
10.5	-Form of Employment Agreement (*), together with schedule relating to executed Employment Agreements (6) (+)
10.6	-Form of Severance Agreement, together with schedule relating to executed Severance Agreements (7) (+)
10.7	-Company Employee Protection Plan, as amended August 27, 1999 (6) (+)
10.8	-Company Nonfunded Deferred Compensation and Unit Award Plan for Non-Employee Directors (*)(+)
10.9	-2001 Stock Award and Incentive Plan of the Company, as amended and restated as of December 20, 2005 (7) (+)
10.10	-Company Retirement Plan, as amended and restated effective as of January 1, 2006 (*) (+)
10.11	-Company Nonfunded Supplemental Retirement Plan, as amended effective April 24, 2003 (8) (+)
10.12	-Company Savings and Investment Plan, as amended and restated as of January 1, 2005 (7) (+)
10.13	-Company Nonfunded Deferred Compensation and Supplemental Savings Plan, as amended effective April 24, 2003 (8) (+)
10.14	-Company Health and Welfare Plan, effective as of April 1, 2003 and amended and restated as of January 1, 2006 (*)(+)

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

(1)Incorporated by reference to the exhibit so designated filed with the Company's Annual Report on Form 10-K for the year ended December 31, 2003.

(2)Incorporated by reference to the exhibit so designated filed with the Company's Registration Statement on Form S-1 (Registration No. 33-51292), originally filed on August 25, 1992.

(3)Incorporated by reference to the exhibit so designated filed with the Company's Registration Statement on Form S-1 (Registration No. 33-59510), originally filed on March 15, 1993.

(4)[RESERVED]

(5)Incorporated by reference to the exhibit so designated filed with the Company's current Report on Form 8-K filed on May 27, 2005.

(6)Incorporated by reference to the exhibit so designated filed with the Company's Annual Report on Form 10-K for the year ended December 31, 2004.

(7)Incorporated by reference to the exhibit so designated filed with the Company's Annual Report on Form 10-K for the year ended December 31, 2005.

(8)Incorporated by reference to the exhibit so designated filed with the Company's Quarterly Report on Form 10-Q for the quarter ended March 30, 2003.

(9)Incorporated by reference to the exhibit 10.1 filed with the Company's Current Report on Form 8-K filed on October 11, 2006.

(10)Incorporated by reference to exhibit 10.1 filed with the Company's Current Report on Form 8-K/A filed on December 1, 2006.

(*)Filed herewith.

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

SIGNATURES

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

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

February 27, 2007

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

SIGNATURE	TITLE	DATE
/s/ Paul R. Saueracker Paul R. Saueracker	Chairman of the Board and Chief Executive Officer (principal executive officer)	February 27, 2007
/s/ John A. Sorel John A. Sorel	Senior Vice President-Finance and Chief Financial Officer (principal financial officer)	February 27, 2007
/s/ Michael A. Cipolla Michael A. Cipolla	Vice President - Controller and Chief Accounting Officer (principal accounting officer)	February 27, 2007

SIGNATURE	TITLE	DATE
/s/ Paula H.J. Cholmondeley Paula H. J. Cholmondeley	Director	February 27, 2007
/s/ Duane R. Dunham Duane R. Dunham	Director	February 27, 2007
/s/ Steven J. Golub Steven J. Golub	Director	February 27, 2007
/s/ Kristina M. Johnson Kristina M. Johnson	Director	February 27, 2007
/s/ Joseph C. Muscari Joseph C. Muscari	Director	February 27, 2007
/s/ Michael F. Pasquale Michael F. Pasquale	Director	February 27, 2007
/s/ John T Reid John T. Reid	Director	February 27, 2007
/s/ William C. Stivers William C. Stivers	Director	February 27, 2007

MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Audited Financial Statements:	Page
Consolidated Balance Sheets as of December 31, 2006 and 2005	F-2
Consolidated Statements of Income for the years ended December 31, 2006, 2005, and 2004	F-3
Consolidated Statements of Cash Flows for the years ended December 31, 2006, 2005, and 2004	F-4
Consolidated Statements of Shareholders' Equity for the years ended December 31, 2006, 2005 and 2004	F-5
Notes to Consolidated Financial Statements	F-6
Reports of Independent Registered Public Accounting Firm	F-33
Management's Report on Internal Control Over Financial Reporting	F-35

MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEETS

(thousands of dollars)

	December 31,	
	2006	2005
Assets		
Current assets:		
Cash and cash equivalents	$ 67,929	$ 51,100
Short-term investments, at cost which approximates market	8,380	2,350
Accounts receivable, less allowance for doubtful accounts:		
2006 - $4,550; 2005 - $5,818	188,784	184,272
Inventories	129,894	118,895
Prepaid expenses and other current assets	16,775	20,583
Total current assets	411,762	377,200
Property, plant and equipment, less accumulated depreciation and depletion	652,797	628,745
Goodwill	68,977	53,612
Prepaid pension costs (Note 17)	25,717	67,795
Other assets and deferred charges	33,871	28,951
Total assets	$ 1,193,124	$ 1,156,303
Liabilities and Shareholders' Equity		
Current liabilities:		
Short-term debt	$ 87,644	$ 62,847

Current maturities of long-term debt	2,063	53,698
Accounts payable	60,963	61,323
Income taxes payable	9,425	6,409
Accrued compensation and related items	22,569	14,956
Other current liabilities	29,399	32,019
Total current liabilities	212,063	231,252
Long-term debt	113,351	40,306
Accrued pension and postretirement benefits (Note 17)	55,419	23,214
Deferred taxes on income	18,605	49,374
Other non-current liabilities	41,129	40,995
Total liabilities	440,567	385,141
Commitments and contingent liabilities (Note 19)		
Shareholders' equity:		
Preferred stock, without par value; 1,000,000 shares authorized; none issued	--	--
Common stock at par, $0.10 par value; 100,000,000 shares authorized;		
issued 28,102,001 shares in 2006 and 28,001,874 shares in 2005	2,810	2,800
Additional paid-in capital	269,101	261,159
Deferred compensation	--	(3,263)
Retained earnings	867,512	828,591
Accumulated other comprehensive income (loss)	(21,248)	(5,879)
Less common stock held in treasury, at cost; 9,016,473		
shares in 2006 and 8,015,073 shares in 2005	(365,618)	(312,246)
Total shareholders' equity	752,557	771,162
Total liabilities and shareholders' equity	$ 1,193,124	$ 1,156,303

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

MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENTS OF INCOME

(thousands of dollars, except per share data)

	Year Ended December 31,		
	2006	2005	2004
Net sales	$ 1,059,307	$ 990,751	$ 918,952
Operating costs and expenses:			
Cost of goods sold	838,015	780,553	706,298
Marketing and administrative expenses	106,016	100,363	92,811
Research and development expenses	30,016	29,062	28,996
Bad debt expenses (recoveries)	377	(518)	1,576
Restructuring charges	--	--	1,145
Acquisition termination costs	--	--	997
Write-down of impaired assets	--	265	--
Income from operations	84,883	81,026	87,129
Interest income	1,762	1,384	1,589
Interest expense	(7,753)	(5,847)	(4,130)
Foreign exchange gains (losses)	(268)	(450)	(564)
Other income (deductions)	955	1,279	(1,399)
Non-operating deductions, net	(5,304)	(3,634)	(4,504)
Income before provision for taxes on income, minority interests and discontinued operations	79,579	77,392	82,625
Provision for taxes on income	24,588	22,985	23,637
Minority interests	3,441	1,732	1,710
Income from continuing operations	51,550	52,675	57,278
Income (loss) from discontinued operations, net of tax	(1,599)	589	1,285
Net income	$ 49,951	$ 53,264	$ 58,563
Earnings per share:			
Basic:			
Income from continuing operations	$ 2.63	$ 2.59	$ 2.79
Income (loss) from discontinued operations	(0.08)	0.03	0.06
Basic earnings per share	$ 2.55	$ 2.62	$ 2.85

Diluted:			
Income from continuing operations	$ 2.61	$ 2.56	$ 2.76
Income (loss) from discontinued operations	(0.08)	0.03	0.06
Diluted earnings per share	$ 2.53	$ 2.59	$ 2.82

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

MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(thousands of dollars)

	Year Ended December 31,		
	2006	2005	2004
Operating Activities			
Net income	$ 49,951	$ 53,264	$ 58,563
Income (loss) from discontinued operations	(1,599)	589	1,285
Income from continuing operations	51,550	52,675	57,278
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:			
Depreciation, depletion and amortization	83,204	73,253	70,083
Write-down of impaired assets	--	265	--
Loss on disposal of property, plant and equipment	918	1,220	1,281
Deferred income taxes	4,345	6,392	(7,965)
Provisions for bad debts	377	(518)	3,876
Other	3,475	2,124	1,495
Changes in operating assets and liabilities, net of effects of acquisitions:			
Accounts receivable	5,916	(34,646)	(3,175)
Inventories	(6,679)	(16,839)	(17,495)
Prepaid expenses and other current assets	2,951	280	(2,077)
Pension plan funding	(22,348)	(12,874)	(17,579)
Accounts payable	(5,059)	7,867	11,211
Income taxes payable	3,040	(6,080)	8,638
Tax benefits related to stock incentive programs	590	2,138	7,220
Other	12,900	1,587	15,461
Net cash provided by continuing operations	135,180	76,844	128,252
Net cash provided by discontinued operations	419	1,673	971
Net cash provided by operations	135,599	78,517	129,223
Investing Activities			
Purchases of property, plant and equipment	(85,159)	(111,539)	(106,423)
Purchases of short-term investments	(12,590)	(2,350)	(12,875)
Proceeds from sales of short-term investments	6,440	7,200	5,675
Proceeds from disposal of property, plant and equipment	675	311	1,655
Proceeds from insurance settlement	2,398	--	--
Acquisition of businesses, net of cash acquired	(32,416)	(3,170)	--

Net cash used in investing activities	(120,652)	(109,548)	(111,968)
Financing Activities			
Proceeds from issuance of long-term debt	75,000	--	--
Repayment of long-term debt	(53,754)	(3,825)	(2,757)
Net proceeds from issuance (repayment) of short-term debt	24,797	32,847	(831)
Purchase of common shares for treasury	(53,372)	(47,618)	(16,225)
Cash dividends paid	(3,911)	(4,070)	(4,102)
Proceeds from issuance of stock under option plan	3,741	8,747	14,173
Excess tax benefits related to stock incentive programs	152	--	--
Indemnification proceeds from former parent company	4,500	--	--
Debt issuance costs	(190)	--	--
Net cash used in financing activities	(3,037)	(13,919)	(9,742)
Effect of exchange rate changes on cash and cash equivalents	4,919	(9,717)	7,739
Net increase (decrease) in cash and cash equivalents	16,829	(54,667)	15,252
Cash and cash equivalents at beginning of year	51,100	105,767	90,515
Cash and cash equivalents at end of year	$ 67,929	$ 51,100	$ 105,767
Non-cash Investing and Financing Activities:			
Tax liability on indemnification proceeds from former parent company	$ 1,782	$ --	$ --
Property, plant and equipment additions related to asset retirement obligations	$ --	$ 839	$ --

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

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

	Common Stock Par Value	Additional Paid-in Capital	Deferred Compensation	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock Cost	Total
Balance as of January 1, 2004	$2,742	$225,512	$(1,220)	$724,936	$ 3,814	$(248,403)	$707,381
Comprehensive income:							
Net income	--	--	--	58,563	--	--	58,563
Currency translation adjustment	--	--	--	--	33,974	--	33,974
Minimum pension liability adjustment	--	--	--	--	(2,246)	--	(2,246)
Cash flow hedges: Net derivative losses arising during the year	--	--	--	--	150	--	150
Reclassification adjustment	--	--	--	--	(68)	--	(68)
Total comprehensive income	--	--	--	58,563	31,810	--	90,373
Dividends declared	--	--	--	(4,102)	--	--	(4,102)
Employee Benefit transactions	36	14,137	--	--	--	--	14,173
Income tax benefit arising from employee stock option plans	--	7,220	--	--	--	--	7,220
Issuance of restricted stock	--	1,361	(1,361)	--	--	--	--
Amortization of restricted stock	--	--	493	--	--	--	493
Purchase of common stock for treasury	--	--	--	--	--	(16,225)	(16,225)
Balance as of December 31, 2004	2,778	248,230	(2,088)	779,397	35,624	(264,628)	799,313
Comprehensive Income:							
Net income	--	--	--	53,264	--	--	53,264
Currency translation adjustment	--	--	--	--	(43,648)	--	(43,648)
Minimum pension liability adjustment	--	--	--	--	1,901	--	1,901
Cash flow hedge: Net derivative losses arising during the year	--	--	--	--	(118)	--	(118)
Reclassification adjustment	--	--	--	--	362	--	362
	--	--	--	53,264	(41,503)	--	11,761

Total comprehensive income							
Dividends declared	--	--	--	(4,070)	--	--	(4,070)
Employee Benefit transactions	22	8,725	--	--	--	--	8,747
Income tax benefit arising from employee stock option plans	--	2,138	--	--	--	--	2,138
Issuance of restricted stock	--	2,066	(2,066)	--	--	--	--
Amortization of restricted stock	--	--	891	--	--	--	891
Purchase of common stock for treasury	--	--	--	--	--	(47,618)	(47,618)
Balance as of December 31, 2005	2,800	261,159	(3,263)	828,591	(5,879)	(312,246)	771,162
Comprehensive Income:							
Net income	--	--	--	49,951	--	--	49,951
Currency translation adjustment	--	--	--	--	35,924	--	35,924
Additional minimum liability	--	--	--	--	2,988	--	2,988
Cash flow hedge: Net derivative losses arising during the year	--	--	--	--	(62)	--	(62)
Reclassification adjustment	--	--	--	--	124	--	124
Total comprehensive income	--	--	--	49,951	38,974	--	88,925
Dividends declared	--	--	--	(3,911)	--	--	(3,911)
Opening retained earnings adjustment due to adoption of EITF 04-06 (Note 23)	--	--	--	(7,119)	--	--	(7,119)
Employee Benefit transactions	10	3,731	--	--	--	--	3,741
Income tax benefit arising from employee stock option plans	--	741	--	--	--	--	741
Reclassification of unearned compensation	--	(3,263)	3,263	--	--	--	--
Amortization of restricted stock	--	1,679	--	--	--	--	1,679
Indemnity proceeds, net of tax (Note 25)	--	2,718	--	--	--	--	2,718
Adjustment to initially apply SFAS 158, net of tax	--	--	--	--	(54,343)	--	(54,343)
Stock option expenses	--	2,336	--	--	--	--	2,336
	--	--	--	--	--	(53,372)	(53,372)

Purchase of common stock for treasury							
Balance as of December 31, 2006	$2,810	$269,101	$ --	$867,512	$(21,248)	$(365,618)	$752,557

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

.

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

Note 1. Summary of Significant Accounting Policies

Basis of Presentation

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

Use of Estimates

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

Business

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

Cash Equivalents and Short-term Investments

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Cash equivalents amounted to $4.0 million at December 31, 2006. Short-term investments consist of financial instruments with original maturities beyond three months. Short-term investments amounted to $8.4 million and $2.4 million at December 31, 2006 and 2005, respectively.

Trade Accounts Receivable

Trade accounts receivables are recorded at the invoiced amount and do not bear interest. The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in the Company's existing accounts receivable. The Company determines the allowance based on historical write-off experience and specific allowances for bankrupt customers. The Company also analyzes the collection history and financial condition of its other customers, considering current industry conditions and determines whether an allowance needs to be established. The Company reviews its allowance for doubtful accounts monthly. Past due balances over 90 days based on payment terms are reviewed individually for collectibility. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The Company does not have any off-balance-sheet credit exposure related to its customers.

Inventories

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

Effective January 1, 2006, the Company has adopted SFAS No. 151, "Inventory Costs - an Amendment of ARB No. 43, Chapter 4." As required by this statement, items such as idle facility expense, excessive spoilage, freight handling costs and re-handling costs are recognized as current period charges. In addition, the allocation of fixed production overheads to the costs of conversion should be based upon the normal capacity of the production facility. Fixed overhead costs associated with idle capacity are expensed as incurred. SFAS No. 151 did not have a material impact on our results of operations during the year ended December 31, 2006.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Significant improvements are capitalized, while maintenance and repair expenditures are charged to operations as incurred. The Company capitalizes interest cost as a component of construction in progress. In general, the straight-line method of depreciation is used for financial reporting purposes and accelerated methods are used for U.S. and certain foreign tax reporting purposes. The annual rates of depreciation are 3% - 6.67% for buildings, 6.67% - 12.5% for machinery and equipment, 8% - 12.5% for furniture and fixtures and 12.5% - 25% for computer equipment and software-related assets. The estimated useful lives of our PCC production facilities and machinery and equipment pertaining to our natural stone mining and processing plants and our chemical plants are 15 years.

Property, plant and equipment are depreciated over their useful lives. Useful lives are based on management's estimates of the period that the assets can generate revenue, which does not necessarily coincide with the remaining term of a customer's contractual obligation to purchase products made using those assets. The Company's sales of PCC are predominantly

pursuant to long-term evergreen contracts, initially ten years in length, with paper mills at which the Company operates satellite PCC plants. The terms of many of these agreements have been extended, often in connection with an expansion of the satellite PCC plant. Failure of a PCC customer to renew an agreement or continue to purchase PCC from a Company facility could result in an impairment of assets charge or accelerated depreciation at such facility.

Depletion of mineral reserves is determined on a unit-of-extraction basis for financial reporting purposes, based upon proven and probable reserves, and on a percentage depletion basis of tax purposes.

Stripping Costs Incurred During Production

As further discussed in Note 23, effective January 1, 2006, the Company has adopted the consensus of Emerging Issues Task Force ("EITF") Issue No. 04-06, "Accounting for Stripping Costs Incurred During Production in the Mining Industry." Stripping costs are those costs incurred for the removal of waste materials for the purpose of accessing ore body that will be produced commercially. Stripping costs incurred during the production phase of a mine are variable costs that are included in the costs of inventory produced during the period that the stripping costs are incurred.

Accounting for the Impairment of Long-Lived Assets

The Company accounts for impairment of long-lived assets in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived assets," and EITF 04-3, "Mining Assets: Impairment and Business Combinations." SFAS No. 144 establishes a uniform accounting model for long-lived assets to be disposed of. Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable, the Company estimates the undiscounted future cash flows (excluding interest), resulting from the use of the asset and its ultimate disposition. If the sum of the undiscounted cash flows (excluding interest) is less than the carrying value, the Company recognizes an impairment loss, measured as the amount by which the carrying value exceeds the fair value of the asset, determined principally using discounted cash flows.

Goodwill and Other Intangible Assets

Goodwill represents the excess of purchase price and related costs over the value assigned to the net tangible and identifiable intangible assets of businesses acquired. The Company accounts for goodwill and other intangible assets under SFAS No. 142, "Goodwill and Other Intangible Assets." Under SFAS No. 142, goodwill and other intangible assets with indefinite lives are not amortized, but instead tested for impairment at least annually in accordance with the provisions of SFAS No. 142. SFAS No. 142 also requires that intangible assets with estimable useful lives be amortized over their respective estimated lives to the estimated residual values, and reviewed for impairment in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets."

The Company evaluates the recoverability of goodwill using a two-step impairment test approach at the reporting unit level. In the first step, the fair value for the reporting unit is compared to its book value including goodwill. In the case that the fair value of the reporting unit is less than book value, a second step is performed which compares the fair value of the reporting unit's goodwill to the book value of the goodwill. The fair value for the goodwill is determined based on the difference between the fair values of the reporting unit and the net fair values of the identifiable assets and liabilities of such reporting unit. If the fair value of the goodwill is less than the book value, the difference is recognized as an impairment.

Accounting for Asset Retirement Obligations

The Company accounts for asset retirement obligations in accordance with SFAS No. 143, "Accounting for Asset Retirement Obligations" and under the provisions of FASB Interpretation No. 47, "Accounting for Conditional Asset Retirement Obligations." SFAS No. 143 establishes the financial accounting and reporting for obligations associated with the retirement of long-lived assets and the associated asset retirement costs. This statement requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset. FASB Interpretation No. 47 includes legal obligations to perform asset retirement activities where timing or method of settlement are conditional on future events.

Fair Value of Financial Instruments

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

Derivative Financial Instruments

The Company enters into derivative financial instruments to hedge certain foreign exchange and interest rate exposures pursuant to SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities." See the Notes on Derivative Financial Instruments and Hedging Activities and Financial Instruments and Concentrations of Credit Risk in the Consolidated Financial Statements for a full description of the Company's hedging activities and related accounting policies.

Revenue Recognition

Revenue from sale of products is recognized at the time the goods are shipped and title passes to the customer. In most of the Company's PCC contracts, the price per ton is based upon the total number of tons sold to the customer during the year. Under those contracts the price billed to the customer for shipments during the year is based on periodic estimates of the total annual volume that will be sold to such customer. Revenues are adjusted at the end of each year to reflect the actual volume sold. We have consignment arrangements with certain customers in our Refractories segment. Revenues for these transactions are recorded when the consigned products are consumed by the customer.

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

Foreign Currency

The assets and liabilities of the Company's international subsidiaries are translated into U.S. dollars using exchange rates at the respective balance sheet date. The resulting translation adjustments are recorded in accumulated other comprehensive income (loss) in shareholders' equity. Income statement items are generally translated at monthly average exchange rates prevailing during the period. Other foreign currency gains and losses are included in net income. International subsidiaries operating in highly inflationary economies translate non-monetary assets at historical rates, while net monetary assets are translated at current rates, with the resulting translation adjustments included in net income. At December 31, 2006, the Company had no international subsidiaries operating in highly inflationary economies.

Income Taxes

Income taxes are provided for based on the asset and liability method of accounting pursuant to SFAS No. 109, "Accounting for Income Taxes." Under SFAS No. 109, deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. Under SFAS No. 109, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

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

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

Research and Development Expenses

Research and development expenses are expensed as incurred.

Accounting for Stock-Based Compensation

As further discussed in Note 2, effective January 1, 2006, the Company adopted the fair value recognition provisions of SFAS No. 123R, "Share-Based Payment," using the modified prospective method. Under this transition method, stock-based compensation expense was recognized in the consolidated financial statements for stock options granted on and subsequent to January 1, 2006, based on the grant date fair value estimated in accordance with the provisions of SFAS No. 123R, and the estimated expense for the portion vesting in the period for options granted prior to, but not vested as of January 1, 2006, based on the grant date fair value estimated in accordance with the original provisions of SFAS No. 123,"Accounting for Stock-Based Compensation." As provided under the modified prospective method, results for prior periods have not been restated. Prior to its adoption of SFAS No. 123R, the Company accounted for stock-based compensation using the intrinsic value method in APB Opinion No. 25 and recognized no compensation expense in its financial statements. As permitted by SFAS No. 123, stock-based compensation was included as a pro-forma disclosure in the notes to the consolidated financial statements.

Pension and Post-retirement Benefits

The Company has defined benefit pension plans covering the majority of its employees. The benefits are generally based on years of service and an employee's modified career earnings.

The Company also provides post-retirement healthcare benefits for the majority of its retirees and employees in the United States. The Company measures the costs of its obligation based on its best estimate. The net periodic costs are recognized as employees render the services necessary to earn the post-retirement benefits.

Environmental

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

Earnings Per Share

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

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

Reclassifications

Certain reclassifications were made to prior year amounts to conform with the current year presentation.

Note 2. Stock-Based Compensation

The Company has a 2001 Stock Award and Incentive Plan (the "Plan"), which provides for grants of incentive and non-qualified stock options, restricted stock, stock appreciation rights, stock awards or performance unit awards. The Plan is administered by the Compensation Committee of the Board of Directors. Stock options granted under the Plan generally have a ten year term. The exercise price for stock options are at prices at or above the fair market value of the common stock on the date of the grant, and each award of stock options will vest ratably over a specified period, generally three years.

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

Net income for 2006 includes $2.3 million pretax compensation costs related to stock option expense as a component of marketing and administrative expenses. All stock option expense is recognized in income. The related tax benefit on the non-qualified stock options is $0.5 million for 2006.

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

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

The following table shows the pro forma effects on net income and earnings per share for the years ended December 31, 2005 and 2004 had compensation cost been recognized in accordance with SFAS No. 123, as amended by SFAS No. 148 "Accounting for Stock-Based Compensation - Transition and Disclosure."

(in millions, except per share data)	Dec. 31, 2005	Dec. 31, 2004
Net income, as reported	$ 53.3	$ 58.6
Add: Stock-based employee compensation included in reported net income, net of related tax effects	0.6	0.3
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(2.1)	(2.7)
Pro forma net income	$ 51.8	$ 56.2
Basic EPS		
Net income, as reported	$ 2.62	$ 2.85
Pro forma net income	$ 2.54	$ 2.73
Diluted EPS		
Net income, as reported	$ 2.59	$ 2.82
Pro forma net income	$ 2.52	$ 2.72

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

Stock Options

The fair value of options granted is estimated on the date of grant using the Black-Scholes valuation model. Compensation expense is recognized only for those options expected to vest, with forfeitures estimated at the date of grant based on the Company's historical experience and future expectations. The forfeiture rate assumption used for the period ended December 31, 2006 was approximately 8%.

The weighted average grant date fair value for stock options granted during the years ended December 31, 2006, 2005 and 2004 was $18.97, $24.13 and $20.73, respectively. The weighted average grant date fair value for stock options vested during 2006 was $20.83. The total intrinsic value of stock options exercised during the year ended December 31, 2006 was $1.8 million.

The fair value for stock awards was estimated at the date of grant using the Black-Scholes option valuation model with the following weighted average assumptions for the years ended December 31, 2006, 2005 and 2004:

	2006	2005 *(pro forma)*	2004 *(pro forma)*
Expected life (years)	6.4	7.0	7.0
Interest rate	4.63%	4.36%	3.94%
Volatility	24.78%	28.72%	29.58%

Expected dividend yield	0.37%	0.32%	0.37%

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

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

The following table summarizes stock option activity for the year ended December 31, 2006:

	Shares	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value (in thousands)
Balance January 1, 2006	1,185,765	$ 45.15		
Granted	79,200	54.82		
Exercised	(103,392)	39.02		
Canceled	(9,504)	35.80		
Balance December 31, 2006	1,152,069	$ 46.44	4.78	$ 14,228
Exercisable, December 31, 2006	925,180	$ 44.22	3.20	$ 13,480

The aggregate intrinsic value above is before applicable income taxes, based on the Company's closing stock price of $58.79 as of the last business day of the period ended December 31, 2006 had all options been exercised on that date. The weighted average intrinsic value of the options exercised during 2006 was $17.48. As of December 31, 2006, total unrecognized stock-based compensation expense related to nonvested stock options was approximately $2.8 million, which is expected to be recognized over a weighted average period of approximately three years.

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

Non-vested stock option activity for the year ended December 31, 2006 is as follows:

	Shares	Weighted Average Exercise Price Per Share
Nonvested options outstanding at December 31, 2005	260,846	$ 55.00
Options granted	79,200	54.82
Options vested	(112,221)	53.87
Options forfeited	(936)	53.89
Nonvested options outstanding, December 31, 2006	226,889	$ 55.50

The following table summarizes additional information concerning options outstanding at December 31, 2006:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding at 12/31/06	Weighted Average Remaining	Weighted Average Exercise	Number Exercisable at 12/31/06	Weighted Average Exercise

			Contractual Term (Years)	Price		Price
$ 34.825 -	$ 44.156	513,425	2.5	$ 38.85	513,425	$ 38.85
$ 46.625 -	$ 54.225	568,144	6.4	$ 51.46	388,851	$ 50.28
$ 55.840 -	$ 66.000	70,500	8.3	$ 61.22	22,904	$ 61.43
$ 34.825 -	$ 66.000	1,152,069	4.8	$ 46.44	925,180	$ 44.22

Restricted Stock

The Company has granted certain corporate officers rights to receive shares of the Company's common stock under the Company's 2001 Stock Award and Incentive Plan (the "Plan"). The rights will be deferred for a specified number of years of service, subject to restrictions on transfer and other conditions. Upon issuance of the rights, a deferred compensation expense equivalent to the market value of the underlying shares on the date of the grant was charged to stockholders' equity and was being amortized over the estimated average deferral period of approximately five years. Under the provisions of SFAS No. 123R, the recognition of unearned compensation is no longer required. Accordingly, in the first quarter of 2006, the balance of Deferred Equity Compensation was reversed into Additional Paid-in Capital on the Company's balance sheet. The Company granted 50,300 shares and 36,100 shares for the periods ended December 31, 2006 and 2005, respectively. The fair value was determined based on the market value of unrestricted shares. The discount for the restriction was not significant. As of December 31, 2006, there was unrecognized stock-based compensation related to restricted stock of $4.3 million,

which will be recognized over approximately the next four years. The compensation expense amortized with respect to all units was approximately $1.7 million and $0.9 million for the periods ended December 31, 2006 and 2005, respectively. Such costs are included in marketing and administrative expenses. 255 restricted stock shares were vested as of December 31, 2006.

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

	Shares	Weighted Average Grant Date Fair Value
Unvested balance at December 31, 2005	84,755	$ 54.20
Granted	50,300	$ 54.91
Vested	(255)	$ 39.30
Canceled	--	$ --
Unvested balance at December 31, 2006	134,800	$ 55.61

Note 3. Earnings Per Share (EPS)

(thousand of dollars, except per share amounts)	2006	2005	2004
Basic EPS			
Income from continuing operations	$ 51,550	$ 52,675	$ 57,278
Income (loss) from discontinued operations	(1,599)	589	1,285
Net income	$ 49,951	$ 53,264	$ 58,563
Weighted average shares outstanding	19,600	20,345	20,530
Basic earnings per share from continuing operations	$ 2.63	$ 2.59	$ 2.79
Basic earnings (loss) per share from discontinued operations	(0.08)	0.03	0.06
Basic earnings per share	$ 2.55	$ 2.62	$ 2.85

Diluted EPS	2006	2005	2004
Income from continuing operations	$ 51,550	$ 52,675	$ 57,278
Income (loss) from discontinued operations	(1,599)	589	1,285
Net income	$ 49,951	$ 53,264	$ 58,563
Weighted average shares outstanding	19,600	20,345	20,530
Dilutive effect of stock options	138	222	239
Weighted average shares outstanding, adjusted	19,738	20,567	20,769

Diluted earnings per share from continuing operations	$ 2.61	$ 2.56	$ 2.76
Diluted earnings (loss) per share from discontinued operations	(0.08)	0.03	0.06
Diluted earnings per share	$ 2.53	$ 2.59	$ 2.82

The weighted average diluted common shares outstanding for the years ended December 31, 2006 and December 31, 2005 exclude the dilutive effect of 371,587 options and 56,700 options, respectively, since such options had an exercise price in excess of the average market value of the Company's common stock during such year.

The weighted average diluted common shares outstanding for the year ended December 31, 2006 includes the effect of average unearned compensation as required under SFAS No. 123R.

Note 4. Discontinued Operations

In April 2006, the Company ceased operation at its one-unit satellite PCC facility in Hadera, Israel. In the fourth quarter, the Company recorded a loss from discontinued operations of approximately $1.7 million upon liquidation of its investment in Israel. This loss was predominantly related to the recognition of foreign currency translation losses previously recognized in accumulated other comprehensive income (loss).

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

The following table details selected financial information for the discontinued operation in the consolidated statements of income:

Thousands of Dollars	2006	2005	2004
Net sales	$ 1,468	$ 5,087	$ 4,715
Income from operations	$ 77	$ 804	$ 1,948
Foreign currency translation loss upon liquidation	$ (1,563)	$ --	$ --
Provision for taxes on income	$ 79	$ 304	$ 662
Income (loss) from discontinued operations, net of tax	$ (1,599)	$ 589	$ 1,285

Note 5. Income Taxes

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

Thousands of Dollars	2006	2005	2004
Domestic	$ 41,095	$ 40,468	$ 42,070
Foreign	38,484	36,924	40,555
Total income before provision for income taxes	$ 79,579	$ 77,392	$ 82,625

The provision for taxes on income consists of the following:

Thousands of Dollars	2006	2005	2004
Domestic			
Taxes currently payable			
Domestic			
Federal	$ 6,205	$ 5,561	$ 13,406
State and local	2,877	876	3,483
Deferred income taxes	5,044	7,144	(3,890)
Domestic tax provision	14,126	13,581	12,999
Foreign			
Taxes currently payable	11,161	10,220	14,717
Deferred income taxes	(699)	(816)	(4,079)
Foreign tax provision	10,462	9,404	10,638

Total tax provision	$ 24,588	$ 22,985	$ 23,637

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	2006	2005	2004
U.S. statutory tax rate	35.0 %	35.0 %	35.0 %
Depletion	(5.3)	(4.9)	(4.1)
Difference between tax provided on foreign earnings and the U.S. statutory rate	(3.8)	(4.5)	(3.5)
State and local taxes, net of Federal tax benefit	2.4	1.9	1.0
Tax credits and foreign dividends	0.9	2.3	(0.1)
Increase in valuation allowance	1.4	--	--
Other	0.3	(0.1)	0.4
Consolidated effective tax rate	30.9 %	29.7 %	28.7 %

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

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	2006	2005
Deferred tax assets:		
State and local taxes	$ 2,593	$ 4,324
Accrued expenses	8,771	10,214
Deferred expenses	1,399	3,037
Net operating loss carry forwards	13,236	15,204
Pension and post-retirement benefits costs	15,268	--
Other	11,107	6,852
Total deferred tax assets	$ 52,374	$ 39,631

Thousands of Dollars	2006	2005
Deferred tax liabilities:		
Plant and equipment, principally due to differences in depreciation	$ 56,628	$ 62,803
Pension and post-retirement benefits cost deducted for tax purposes in excess of amounts reported for financial statements	--	14,673
Other	11,538	6,563
Total deferred tax liabilities	68,166	84,039
Net deferred tax liabilities	$ 15,792	$ 44,408

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

Thousands of Dollars	2006	2005
Net deferred tax assets, current	$ (2,813)	$ (4,966)
Net deferred tax liabilities, long-term	18,605	49,374
	$ 15,792	$ 44,408

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

The Company established a valuation allowance of approximately $0.9 million as of December 31, 2006. This valuation allowance relates to net operating loss carryforwards in the state of Ohio where there is an uncertainty regarding their realizability. There was no valuation allowance as of December 31, 2005.

The Company recorded $13.2 million of deferred tax assets arising from tax loss carry forwards which will be realized through future operations. Carry forwards of approximately $1.8 million expire over the next 15 years, and $11.4 million can be utilized over an indefinite period.

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

Net cash paid for income taxes were $18.0 million, $21.2 million and $15.3 million for the years ended December 31, 2006, 2005 and 2004, respectively.

In December 2004, the FASB issued SFAS No. 109-2, "Accounting and Disclosure Guidance for the Foreign Earnings Repatriation Provision within the American Jobs Creation Act of 2004," which provides relief concerning the timing of the SFAS No. 109 requirement to accrue deferred taxes for unremitted earnings of foreign subsidiaries. On October 22, 2004, the American Jobs Act Creation Act of 2004 ("AJCA") was signed into law. The AJCA includes a special, one-time, 85% dividends received deduction for certain foreign earnings that are repatriated. The Company repatriated $18.5 million in 2005 under this Act, which resulted in a tax liability of approximately $1.2 million and increased the effective tax rate by 1.5%.

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

Note 6. Foreign Operations

The Company has not provided for U.S. federal and foreign withholding taxes on $139.2 million of foreign subsidiaries' undistributed earnings as of December 31, 2006 because such earnings are intended to be permanently reinvested overseas. To the extent the parent company has received foreign earnings as dividends, the foreign taxes paid on those earnings have generated tax credits, which have substantially offset related U.S. income taxes. However, in the event that the entire $139.2 million of foreign earnings were to be repatriated, incremental taxes may be incurred. We do not believe this amount would be greater than $12.2 million.

Net foreign currency exchange (losses) gains, included in non-operating deductions in the Consolidated Statements of Income, were $(268,000), $(450,000), and $(564,000) for the years ended December 31, 2006, 2005 and 2004, respectively.

Note 7. Inventories

The following is a summary of inventories by major category:

Thousands of Dollars	2006	2005
Raw materials	$ 60,013	$ 54,471
Work in process	8,321	7,727
Finished goods	38,911	36,264
Packaging and supplies	22,649	20,433
Total inventories	$ 129,894	$ 118,895

Note 8. Property, Plant and Equipment

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

Thousands of Dollars	2006	2005
Land	$ 24,087	$ 19,433
Quarries/mining properties	39,123	50,543
Buildings	173,815	157,038
Machinery and equipment	1,071,046	969,537
Construction in progress	52,107	75,852
Furniture and fixtures and other	118,744	107,895
	1,478,922	1,380,298
Less: Accumulated depreciation and depletion	(826,125)	(751,553)
Property, plant and equipment, net	$ 652,797	$ 628,745

Approximately 40% of the balance in construction in progress as of December 31, 2006 relates to the construction of a new facility for the *SYNSIL*® product line.

Depreciation and depletion expense for the years ended December 31, 2006, 2005 and 2004 was $79.8 million, $70.9 million, and $69.6 million, respectively.

Note 9. Restructuring Charges

During the fourth quarter of 2003, the Company announced plans to restructure its operations in an effort to reduce operating costs and to improve efficiency. The Company recorded a pre-tax restructuring charge of $3.3 million in the fourth quarter of 2003 to reflect these actions, consisting of severance, other employee benefits, and lease termination costs. During 2004, additional costs related to this program of $1.1 million were recorded. As of December 31, 2006, all employees identified in the workforce reduction were terminated and no liability remains to be paid.

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

Note 10. Acquisitions

In October 2006, the Company acquired all of the outstanding stock of ASMAS, an Istanbul-based Turkish producer of refractories for approximately $32.4 million in cash. The terms of the acquisition provides for an additional purchase price of up to $5 million to be paid in 2009 based upon performance criteria through 2008. The operations of this entity have been included in the Refractories segment of the Company's financial statements since the date of the acquisition. This acquisition will allow the Company to service the growing steel industries in Eastern Europe and the Middle East, and to provide vertical integration through its own kilns and sources of magnesite.

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

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

The purchase price allocation has not been finalized as of December 31, 2006.

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

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

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

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

Note 11. Goodwill and Other Intangible Assets

The carrying amount of goodwill was $69.0 million and $53.6 million as of December 31, 2006 and December 31, 2005, respectively. The net change in goodwill since December 31, 2005 was primarily attributable to the acquisition of ASMAS and the effect of foreign exchange.

Acquired intangible assets included in other assets and deferred charges subject to amortization as of December 31, 2006 and December 31, 2005 were as follows:

	December 31, 2006		December 31, 2005	
(Millions of Dollars)	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Patents and trademarks	$ 7.2	$ 1.8	$ 6.0	$ 1.4
Customer lists	10.0	0.8	2.9	0.4
Other	0.1	--	--	--
	$ 17.3	$ 2.6	$ 8.9	$ 1.8

The weighted average amortization period for acquired intangible assets subject to amortization is approximately 15 years. Amortization expense was approximately $0.8 million, $0.3 million and $0.4 million for the years ended December 31, 2006,

2005 and 2004, respectively. The estimated amortization expense is $1.2 million for each of the next five years through 2011.

Included in other assets and deferred charges is an additional intangible asset of approximately $7.3 million which represents the non-current unamortized amount paid to a customer in connection with contract extensions at eight satellite PCC facilities. In addition, a current portion of $1.8 million is included in prepaid expenses and other current assets. Such amounts will be amortized as a reduction of sales over the remaining lives of the customer contracts. Approximately $1.8 million was amortized in 2006. Estimated amortization as a reduction of sales is as follows: 2007 - $1.8 million; 2008 - $1.8 million; 2009 - $1.5 million; 2010 - $1.2 million; 2011 - $0.9 million; with smaller reductions thereafter over the remaining lives of the contracts.

Note 12. Accounting for Impairment of Long-Lived Assets

The Company accounts for impairment of long-lived assets in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS No. 144 establishes a uniform accounting model for disposition of long-lived assets. This statement also requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If the carrying amount of the asset exceeds its estimated cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. During 2005, the Company recorded a writedown of impaired assets of $0.3 million for the closure of our satellite facility at Cornwall, Canada in the first quarter of 2006.

Note 13. Derivative Financial Instruments and Hedging Activities

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

By using derivative financial instruments to hedge exposures to changes in interest rates and foreign currencies, the Company exposes itself to credit risk and market risk. Credit risk is the risk that the counterparty will fail to perform under the terms of the derivative contract. When the fair value of a derivative contract is positive, the counterparty owes the Company, which creates credit risk for the Company. When the fair value of a derivative contract is negative, the Company owes the counterparty, and therefore, it does not face any credit risk. The Company minimizes the credit risk in derivative instruments by entering into transactions with major financial institutions.

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

Based on criteria established by SFAS No. 133, the Company designated its derivatives as cash flow hedges. During 2001, the Company entered into three-year interest rate swap agreements with notional amounts totaling $30 million that expired in January 2005. These agreements effectively converted a portion of the Company's floating-rate

debt to a fixed-rate basis with an interest rate of 4.5%, thus reducing the impact of the interest rate changes on future cash flows and income. The Company uses FEC's designated as cash flow hedges to protect against foreign currency exchange rate risks inherent in its forecasted inventory purchases. The Company had 12 open foreign exchange contracts as of December 31, 2006.

For derivative instruments that are designated and qualify as cash flow hedges, the effective portion of the gain or loss on the derivative instrument is initially recorded in accumulated other comprehensive income (loss) as a separate component of shareholders' equity and subsequently reclassified into earnings in the period during which the hedged transaction is recognized in earnings. The gains and losses associated with these forward exchange contracts are recognized into cost of sales. Gains and losses and hedge ineffectiveness associated with these derivatives were not significant.

Note 14. Short-term Investments

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

(in thousands of dollars)	2006	2005
Short-term Investments -		
Available for Sale Securities:		
Short-term bank deposits	$ 8,380	$ 2,350

There were no unrealized holding gains and losses on the short-term bank deposits held at December 31, 2006 since the carrying amount approximates fair market value.

Note 15. Financial Instruments and Concentrations of Credit Risk

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

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

Short-term debt and other liabilities: The carrying amounts of short-term debt and other liabilities approximate fair value because of the short maturities of these instruments.

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

Forward exchange contracts: The fair value of forward exchange contracts (used for hedging purposes) is estimated by obtaining quotes from brokers. If appropriate, the Company would enter into forward exchange contracts to mitigate the impact of foreign exchange rate movements on the Company's operating results. It does not engage in speculation. Such foreign exchange contracts would offset losses and gains on the assets, liabilities and transactions being hedged. At December 31, 2006, the Company had open foreign exchange contracts with a financial institution to purchase approximately $4.7 million of foreign currencies. These contracts range in maturity from February 9, 2007 to July 10, 2007. The fair value of these instruments was a liability of $0.1 million at December 31, 2006. The fair value of the open foreign exchange contracts at December 31, 2005 was a liability of $0.2 million.

Credit risk: Substantially all of the Company's accounts receivable are due from companies in the paper, construction and steel industries. Credit risk results from the possibility that a loss may occur from the failure of another party to perform according to the terms of the contracts. The Company regularly monitors its credit risk exposures and takes steps to mitigate the likelihood of these exposures resulting in actual loss. The Company's extension of credit is based on an evaluation of the customer's financial condition and collateral is generally not required.

The Company's bad debt expense (recoveries) for the years ended December 31, 2006, 2005 and 2004 was $0.4 million, $(0.5) million and $1.6 million, respectively.

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

Note 16. Long-Term Debt and Commitments

The following is a summary of long term debt:

(thousands of dollars)	Dec. 31, 2006	Dec. 31, 2005
5.53% Series 2006A Senior Notes Due October 5, 2013	$ 50,000	$ --
Floating Rate Series 2006A Senior Notes Due October 5, 2013	25,000	--
7.49% Guaranteed Senior Notes Due July 24, 2006	--	50,000
Yen-denominated Guaranteed Credit Agreement Due March 31, 2007	605	3,062
Variable/Fixed Rate Industrial Development Revenue Bonds Due 2009	4,000	4,000
Economic Development Authority Refunding Revenue Bonds Series 1999 Due 2010	4,600	4,600
Variable/Fixed Rate Industrial Development Revenue Bonds Due August 1, 2012	8,000	8,000
Variable/Fixed Rate Industrial Development Revenue Bonds Series 1999 Due November 1, 2014	8,200	8,200
Variable/Fixed Rate Industrial Development Revenue Bonds Due March 31, 2020	5,000	5,000
Installment obligations	8,812	9,700
Other borrowings	1,197	1,442
Total	115,414	94,004
Less: Current maturities	2,063	53,698
Long-term debt	$113,351	$ 40,306

On July 24, 1996, through a private placement, the Company issued $50 million of 7.49% Guaranteed Senior Notes due July 24, 2006. The proceeds from the sale of the notes were used to refinance a portion of the short-term commercial bank debt outstanding. These notes matured and were paid on July 24, 2006.

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

The Variable/Fixed Rate Industrial Development Revenue Bonds due 2009 are tax-exempt 15-year instruments issued to finance the expansion of a PCC plant in Selma, Alabama. The bonds are dated November 1, 1994, and provide for an optional put by the holder (during the Variable Rate Period) and a mandatory call by the issuer. The

bonds bear interest at either a variable rate or fixed rate at the option of the Company. Interest is payable semi-annually under the fixed rate option and monthly under the variable rate option. The Company has selected the variable rate option on these borrowings and the average interest rates were approximately 3.14% and 2.51% for the years ended December 31, 2006 and 2005, respectively.

The Economic Development Authority Refunding Revenue Bonds due 2010 were issued on February 23, 1999 to refinance the bonds issued in connection with the construction of a PCC plant in Eastover, South Carolina. The bonds bear interest at either a variable rate or fixed rate, at the option of the Company. Interest is payable semi-annually under the fixed rate option and monthly under the variable rate option. The Company has selected the variable rate option on these borrowings and the average interest rates were approximately 3.14% and 2.51% for the years ended December 31, 2006 and 2005, 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 3.14% and 2.51% for the years ended December 31, 2006 and 2005, respectively.

MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES
NOTES TO 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 3.14% and 2.51% for the years ended December 31, 2006 and 2005, respectively.

On June 9, 2000 the Company entered into a twenty-year, taxable, Variable/Fixed Rate Industrial Development Revenue Bond agreement to finance a portion of the construction of a merchant manufacturing facility for the production of Specialty PCC in Brookhaven, Mississippi. The Company has selected the variable rate option for this borrowing and the average interest rate was approximately 5.65% and 3.82% for the years ended December 31, 2006 and 2005, respectively.

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

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

The aggregate maturities of long-term debt are as follows: 2007 - $2.1 million; 2008 - $7.1 million; 2009 - $4.0 million; 2010 - $4.6 million; 2011 - $ nil; thereafter - $97.6 million.

The Company had available approximately $186.9 million in uncommitted, short-term bank credit lines, of which $73.4 million was in use at December 31, 2006. The Company also has available an $8.5 million committed, short-term bank credit line, all of which was in use at December 31, 2006.

Short-term borrowings as of December 31, 2006 and 2005 were $87.6 million and $62.8 million, respectively. The weighted average interest rate on short-term borrowings outstanding as of December 31, 2006 and 2005 was 5.57% and 4.54%, respectively.

During 2006, 2005 and 2004, respectively, the Company incurred interest costs of $8.9 million, $7.2 million and $6.3 million including $1.1 million, $1.3 million and $2.1 million, respectively, which were capitalized. Interest paid approximated the incurred interest cost.

Note 17. Benefit Plans

Pension Plans and Other Postretirement Benefit Plans

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

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

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

Effective December 31, 2006, the Company adopted the recognition and disclosure provisions of SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Post Retirement Plans - An Amendment of FASB Statements No. 87, 88, 106, and 132(R)." SFAS 158 requires an employer to recognize the funded status of its defined benefit plans as an asset or liability on the balance sheet and to recognize changes in the funded status through comprehensive income.

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

The following table reflects the incremental effects of applying the provisions of SFAS 158 on the individual line items of the consolidated balance sheet, based on the funded status of our plans:

	December 31, 2006		
Millions of Dollars	Pension and Post-retirement Prior to Adopting SFAS 158	SFAS 158 Adjustments	Pension and Post-retirement After Adopting SFAS 158
Intangible assets	$ 15.5	$ (0.8)	$ 14.7
Prepaid pension costs	83.6	(57.9)	25.7
Total assets	1,251.8	(58.7)	1,193.1
Current liabilities	209.1	2.4	212.1
Accrued pension and post-retirement benefits	33.8	21.6	55.4
Deferred taxes	50.0	(31.4)	18.6
Total liabilities	448.0	(7.4)	440.6
Accumulated other comprehensive income	30.2	(51.3)	(21.2)
Total shareholders' equity	804.0	(51.3)	752.6
Total liabilities and shareholders' equity	$ 1,251.8	$ (58.7)	$ 1,193.1

Our adoption of FAS 158 had no impact on our earnings for the year ended December 31, 2006 and will not affect the Company's consolidated statements of income in future periods.

The funded status of the Company's pension plans and other postretirement benefit plans at December 31, 2006 and 2005 is as follows:

Obligations and Funded Status

	Pension Benefits		Other Benefits	
Millions of Dollars	2006	2005		2005
Change in benefit obligation				
Benefit obligation at beginning of year	$ 177.6	$ 156.4	$ 36.1	$ 31.7
Service cost	7.9	7.2	2.1	1.7
Interest cost	10.1	8.9	2.2	2.0
Actuarial loss	12.3	17.6	3.1	3.5
Benefits paid	(6.4)	(9.5)	(2.5)	(3.1)
Plan amendments	9.0	--	3.0	--
Other	4.0	(3.0)	--	0.3

Benefit obligation at end of year	$ 214.5	$ 177.6	$ 44.0	$ 36.1

	Pension Benefits		Other Benefits	
Millions of Dollars	2006	2005	2006	2005
Change in plan assets				
Fair value of plan assets beginning of year	$ 186.3	$ 173.9	$ --	$ --
Actual return on plan assets	21.6	12.1	--	--
Employer contributions	22.3	12.9	2.5	3.1
Plan participants' contributions	0.4	0.2	--	--
Benefits paid	(6.4)	(9.5)	(2.5)	(3.1)
Other	2.1	(3.3)	--	--
Fair value of plan assets at end of year	$ 226.3	$ 186.3	$ --	$ --
Funded status	$ 11.8	$ 8.7	$ (44.0)	$ (36.1)
Unrecognized transition amount	--	--	--	0.1
Unrecognized net actuarial loss	--	51.8	--	12.8
Unrecognized prior service cost	--	3.4	--	--
Prepaid (accrued) benefit cost	$ --	$ 63.9	$ --	$ (23.2)

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

Amounts recognized in the consolidated balance sheet consist of:

	Pension Benefits		Other Benefits	
Millions of Dollars	2006	2005	2006	2005
Pension asset	$ 25.7	$ --	$ --	$ --
Pension liability	(13.9)	--	(44.0)	
Prepaid benefit costs	--	67.8	--	--
Accrued benefit liabilities	--	(9.0)	--	(23.2)
Intangible asset	--	0.8	--	--
Accumulated other comprehensive (income) loss	43.6	4.3	10.7	--
Net amount recognized	$ 55.4	$ 63.9	$ (33.3)	$ (23.2)

Included in accrued compensation and related items is the current portion of pension liabilities of approximately $2.5 million as of December 31, 2006.

The components of net periodic benefit costs are as follows:

	Pension Benefits			Other Benefits		
Millions of Dollars	2006	2005	2004	2006	2005	2004
Service cost	$ 7.9	$ 7.2	$ 6.4	$ 2.1	$ 1.7	$ 1.4
Interest cost	10.1	8.9	8.5	2.2	2.0	1.8
Expected return on plan assets	(15.4)	(13.9)	(12.5)	--	--	--
Amortization of transition amount	--	--	0.1	--	--	--
Amortization of prior service cost	1.0	1.1	0.7	1.0	0.8	--
Recognized net actuarial loss	3.2	1.8	1.7	0.2	--	0.5
SFAS No. 88 curtailment (gain) loss	(0.8)	0.3	0.6	--	--	--
Net periodic benefit cost	$ 6.0	$ 5.4	$ 5.5	$ 5.5	$ 4.5	$ 3.7

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

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

Under the provisions of SFAS No. 88, lump-sum distributions from the Company's Supplemental Retirement Plan caused a partial settlement of such plan, resulting in a charge of $0.3 million and $0.6 million in 2005 and 2004, respectively.

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

Amounts recognized in accumulated other comprehensive income consist of:

	December 31, 2006	
(Millions of Dollars)	Pension Benefits	Post-retirement
Net actuarial loss	$ 36.5	$ 9.0
Net prior service cost	7.1	1.7
Net amount recognized	$ 43.6	$ 10.7

The accumulated benefit obligation for all defined benefit pension plans was $197.9 million and $161.6 million at December 31, 2006 and 2005, respectively.

The 2007 estimated amortization of amounts in other comprehensive income are as follows:

(**Millions of Dollars**)	Pension Benefits	Post Retirement Benefits
Amortization of prior service cost	$ 3.6	$ 1.0
Amortization of net loss	1.5	0.5
Total costs be recognized	$ 5.1	$ 1.5

Additional Information

The weighted average assumptions used to determine net periodic benefit cost in the accounting for the pension benefit plans and other benefit plans for the years ended December 31, 2006, 2005 and 2004 are as follows:

	2006	2005	2004
Discount rate	5.75 %	6.00 %	6.25 %
Expected return on plan assets	8.50 %	8.50 %	8.50 %
Rate of compensation increase	3.50 %	3.50 %	3.50 %

The weighted average assumptions used to determine benefit obligations for the pension benefit plans and other benefit plans at December 31, 2006, 2005 and 2004 are as follows:

	2006	2005	2004
Discount rate	5.75 %	5.75 %	6.00 %
Rate of compensation increase	3.50 %	3.50 %	3.50 %

The Company considers a number of factors to determine its expected rate of return on plan assets assumptions, including historical performance of plan assets, asset allocation and other third-party studies and surveys. The Company reviewed the historical performance of plan assets over a ten-year period (from 1994 to 2004), the results of which exceed the 8.50% rate of return assumption that the Company ultimately selected for domestic plans. The Company also considered plan portfolio asset allocations over a variety of time periods and compared them with third-party studies and surveys of annualized returns of similarly balanced portfolio strategies. The historical return of this universe of similar portfolios also exceeded the return assumption that the Company ultimately selected. Finally, the Company reviewed performance of the capital markets in recent years and, upon advice from various third parties, such as the pension plans' advisers, investment managers and actuaries, selected the 8.50% return assumption used for domestic plans.

For measurement purposes, health care cost trend rates of approximately 10% for pre-age-65 and post-age-65 benefits were used in 2006. These trend rates were assumed to decrease gradually to 5.0% for 2011 and remain at that level thereafter. However, the Company will only absorb a 5% increase.

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

Thousands of Dollars	1-Percentage Point Increase	1-Percentage Point Decrease
Effect on total service and interest cost components	$ --	$ (2)
Effect on postretirement benefit obligations	$ --	$ (2,727)

Plan Assets

The Company's pension plan weighted average asset allocations at December 31, 2006 and 2005 by asset category are as follows:

Asset Category	2006	2005
Equity securities	66.4 %	66.2 %
Fixed income securities	31.5 %	31.4 %
Real estate	0.3 %	0.4 %
Other	1.8 %	2.0 %
Total	100 %	100 %

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

The following table presents domestic and foreign pension plan assets information at December 31, 2006, 2005 and 2004 (the measurement date of pension plan assets):

	U.S. Plans			International Plans		
Millions of Dollars	2006	2005	2004	2006	2005	2004
Fair value of plan assets	$ 177.9	$ 149.7	$ 139.3	$ 48.4	$ 36.6	$ 34.6

Contributions

The Company expects to contribute $15.0 million to its pension plans and $2.0 million to its other postretirement benefit plan in 2007.

Estimated Future Benefit Payments

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

Millions of Dollars	Pension Benefits	Other Benefits
2007	$ 10.4	$ 1.8
2008	$ 9.6	$ 1.8
2009	$ 12.3	$ 2.0
2010	$ 14.1	$ 2.2
2011	$ 14.2	$ 2.6
2012 - 2016	$ 89.9	$ 17.7

Investment Strategies

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

Savings and Investment Plans

The Company maintains a voluntary Savings and Investment Plan for most non-union employees in the U.S. Within prescribed limits, the Company bases its contribution to the Plan on employee contributions. The Company's contributions amounted to $3.3 million, $3.0 million and $3.1 million for the years ended December 31, 2006, 2005 and 2004, respectively.

Notes 18. Leases

The Company has several non-cancelable operating leases, primarily for office space and equipment. Rent expense amounted to approximately $6.1 million, $4.6 million and $4.1 million for the years ended December 31, 2006, 2005

and 2004, respectively. Total future minimum rental commitments under all non-cancelable leases for each of the years 2007 through 2011 and in aggregate thereafter are approximately $4.6 million, $3.6 million, $3.1 million, $2.3 million, $1.0 million, respectively, and $7.8 million thereafter. Total future minimum rentals to be received under non-cancelable subleases were approximately $7.0 million at December 31, 2006.

Total future minimum payments to be received under direct financing leases for each of the years 2007 through 2011 and the aggregate thereafter are approximately: $4.9 million, $3.7 million, $2.7 million, $1.9 million, $1.3 million, and $2.3 million thereafter.

Note 19. Litigation

On November 28, 2005, the Company announced that it had reached a settlement of pending commercial and patent litigation with Omya AG. The settlement was on a worldwide basis, hence the litigation in both the United States and Italy have been dismissed. The settlement provides for the recognition of the Company's intellectual property and patent rights. As part of the settlement, the Company received a settlement payment and granted Omya AG a non-exclusive license for the terms of the patents in exchange for royalty payments through 2009.

Certain of the Company's subsidiaries are among numerous defendants in a number of cases seeking damages for exposure to silica or to asbestos containing materials. The Company currently has 776 pending silica cases and 26 pending

asbestos cases. In 2006, the Company was named in two new silica cases and in three new asbestos cases. To date, 655 silica cases have been dismissed, of which 211 were dismissed in 2006. Most of these claims do not provide adequate information to assess their merits, the likelihood that the Company will be found liable, or the magnitude of such liability, if any. Additional claims of this nature may be made against the Company or its subsidiaries. At this time management anticipates that the amount of the Company's liability, if any, and the cost of defending such claims, will not have a material effect on its financial position or results of operations.

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

Environmental Matters

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

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

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

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

The Company is evaluating options for upgrading the wastewater treatment facilities at its Adams, Massachusetts, plant. This work is being undertaken pursuant to an administrative consent order issued by the Massachusetts Department of Environmental Protection on June 18, 2002. The order required payment of a civil fine in the amount of $18,500, the investigation of options for ensuring that the facility's wastewater treatment ponds will not result in discharge to groundwater, and closure of a historic lime solids disposal area. The Company is committed to identifying appropriate improvements to the wastewater treatment system by July 1, 2007, and to implementing the improvements by June 1, 2012. Preliminary engineering reviews indicate that the estimated cost of these upgrades to operate this facility beyond 2012 may be between $6 million and $8 million. The Company estimates that remediation costs would approximate $350,000, which has been accrued as of December 31, 2006. It is reasonably possible that a change in estimate may occur.

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

Note 20. Stockholders' Equity

Capital Stock

The Company's authorized capital stock consists of 100 million shares of common stock, par value $0.10 per share, of which 19,085,528 shares and 19,986,801 shares were outstanding at December 31, 2006 and 2005, respectively, and 1,000,000 shares of preferred stock, none of which were issued and outstanding.

Cash Dividends

Cash dividends of $3.9 million or $0.20 per common share were paid during 2006. In January 2007, a cash dividend of approximately $0.9 million or $0.05 per share, was declared, payable in the first quarter of 2007.

Preferred Stock Purchase Rights

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

The rights are redeemable by the Company at a fixed price until 10 days or longer, as determined by the Board, after certain defined events or at any time prior to the expiration of the rights on September 13, 2009 if such events do not occur.

Stock and Incentive Plan

The Company has adopted a Stock Award and Incentive Plan (the "Plan"), which provides for grants of incentive and non-qualified stock options, stock appreciation rights, stock awards or performance unit awards. The Plan is administered by the Compensation Committee of the Board of Directors. Stock options granted under the Plan have a term not in excess of ten years. The exercise price for stock options will not be less than the fair market value of the common stock on the date of the grant, and each award of stock options will vest ratably over a specified period, generally three years.

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

		Under Option		Restricted Stock	
	Shares Available for Grant	Shares	Weighted Average Exercised Price Per Share ($)	Shares	Weighted Average Exercise Price Per Share ($)
Balance January 1, 2004	1,190,737	1,482,766	40.85	27,855	49.12
Granted	(297,650)	270,750	54.09	26,900	50.59
Exercised	--	(363,300)	39.01	--	--
Canceled	23,998	(21,998)	46.25	(2,000)	49.12
Balance December 31, 2004	917,085	1,368,218	43.87	52,755	49.88
Granted	(86,800)	50,700	61.97	36,100	60.59
Exercised	--	(218,431)	40.69	--	--

Canceled	18,822	(14,722)	51.51	(4,100)	51.56
Balance December 31, 2005	849,107	1,185,765	45.15	84,755	54.20
Granted	(129,500)	79,200	54.82	50,300	54.91
Exercised	--	(103,392)	39.02	(255)	39.30
Canceled	9,504	(9,504)	35.80	--	--
Balance December 31, 2006	729,111	1,152,069	46.44	134,800	55.61

Note 21. Comprehensive Income

Comprehensive income includes changes in the fair value of certain financial derivative instruments that qualify for hedge accounting to the extent they are effective, the recognition of deferred pension costs, and cumulative foreign currency translation adjustments.

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

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

Millions of Dollars	Currency Translation Adjustment	Unrecognized Pension Costs	Net Gain (Loss) On Cash Flow Hedges	Accumulated Other Comprehensive Income (Loss)
Balance at January 1, 2004	$ 6.9	$ (2.7)	$ (0.4)	$ 3.8
Current year net change	34.0	(2.2)	0.1	31.8
Balance at December 31, 2004	40.9	(4.9)	(0.3)	35.6
Current year net change	(43.7)	1.9	0.2	(41.5)
Balance at December 31, 2005	(2.8)	(3.0)	(0.1)	(5.9)
Current year net change	36.0	(51.3)	--	(15.3)
Balance at December 31, 2006	$ 33.2	$ (54.3)	$ (0.1)	$ (21.2)

The income tax expense (benefit) associated with items included in other comprehensive income (loss) was approximately $1.9 million, $(1.3) million and $(0.2) million for the years ended December 31, 2006, 2005 and 2004, respectively.

Note 22. Accounting for Asset Retirement Obligations

SFAS No. 143, "Accounting for Asset Retirement Obligations," establishes the financial accounting and reporting for obligations associated with the retirement of long-lived assets and the associated asset retirement costs. The Company records asset retirement obligations in which the Company will be required to retire tangible long-lived assets. These are primarily related to its PCC satellite facilities and mining operations. The Company has also applied the provisions of FIN 47 related to conditional asset retirement obligations at its facilities. The Company has recorded asset retirement obligations at all of its facilities except where there are no contractual or legal obligations. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset.

The following is a reconciliation of asset retirement obligations as of December 31, 2006:

Thousands of Dollars

Asset retirement liability, beginning of period	$ 10,968
Accretion expense	723

Settlements	(283)
Foreign currency translation	242
Asset retirement liability, end of period	$ 11,650

The current portion of the liability of approximately $0.2 million is included in other current liabilities. The long-term portion of the liability of approximately $11.5 million is included in other noncurrent liabilities.

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

Note 23. Accounting for Stripping Costs

Effective January 1, 2006, the Company adopted the consensus of EITF No. 04-06, "Accounting for Stripping Costs Incurred During Production in the Mining Industry." This consensus states that stripping costs incurred during the production phase of a mine are variable production costs that should be included in the costs of inventory produced during the period that the stripping costs are incurred. The Company had previously deferred stripping costs in excess of the average life of mine stripping ratio and amortized such costs on a unit of production method when the ratio of waste to ore mined is less than the average life of mine stripping ratio. As a result, the Company recorded an after-tax charge of $7.1 million to its opening retained earnings and increased its opening inventory by $0.8 million.

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

The following is a reconciliation of opening retained earnings:

(thousands of dollars)	
Ending retained earnings, December 31, 2005	$ 828,591
Adoption of EITF 04-06, net of tax	7,119
Opening retained earnings, January 1, 2006	$ 821,472

The change did not have a significant impact on earnings in 2006.

Note 24. Non-Operating Income and Deductions

(thousands of dollars)	Dec. 31, 2006	Dec. 31, 2005	Dec. 31, 2004
Interest income	$ 1,762	$ 1,384	$ 1,589
Interest expense	(7,753)	(5,847)	(4,130)
Gain on insurance settlement	1,822	--	--
Litigation settlement	--	2,100	--
Foreign exchange losses	(268)	(451)	(564)
Other income (deductions)	(867)	(820)	(1,399)
Non-operating deductions, net	$ (5,304)	$ (3,634)	$ (4,504)

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

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

Note 25. Transaction with Former Parent Company

Under the terms of certain agreements entered into in connection with the Company's initial public offering in 1992, Pfizer Inc ("Pfizer") agreed to indemnify the Company against any liability arising from claims for remediation, as defined in the agreements, of on-site environmental conditions relating to activities prior to the closing of the initial public offering. The Company had asserted to Pfizer a number of indemnification claims pursuant to those agreements during the ten-year period following the closing of the initial public offering. Since the initial public offering, the Company has incurred and expensed approximately $6 million of environmental claims under these agreements. On

January 20, 2006, Pfizer and the Company agreed to settle those claims, along with certain other potential environmental liabilities of Pfizer, in consideration of a payment by Pfizer of $4.5 million. Such payment was recorded as additional paid-in-capital, net of its related tax effect.

Note 26. Segment and Related Information

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

The Company has two reportable segments: Specialty Minerals and Refractories. The Specialty Minerals segment produces and sells precipitated calcium carbonate and lime, and mines, processes and sells the natural mineral products limestone and talc. This segment's products are used principally in the paper, building materials, paints and coatings, glass, ceramic, polymers, food, and pharmaceutical industries. The Refractories segment produces and markets monolithic and shaped refractory products and systems used primarily by the steel, cement and glass industries as well as metallurgical products used primarily in the steel industry.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The Company evaluates performance based on the operating income of the respective business units. Depreciation expense related to corporate assets is allocated to the business segments and is included in their income from operations. However, such corporate depreciable assets are not included in the segment assets. Intersegment sales and transfers are not significant.

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

Segment information for the years ended December 31, 2006, 2005 and 2004 was as follows (in millions):

	2006		
	Specialty Minerals	Refractories	Total
Net sales	$ 711.4	$ 347.9	$ 1,059.3
Income from operations	52.9	32.0	84.9
Bad debt expenses	0.8	(0.4)	0.4
Depreciation, depletion and amortization	68.8	14.4	83.2
Segment assets	795.8	356.2	1,152.0
Capital expenditures	67.8	16.0	83.8

	2005		
	Specialty Minerals	Refractories	Total
Net sales	$ 663.0	$ 327.8	$ 990.8
Income from operations	52.7	28.3	81.0
Impairment of assets	0.3	--	0.3
Bad debt expenses	0.3	(0.8)	(0.5)
Depreciation, depletion and amortization	61.2	12.1	73.3
Segment assets	768.1	293.4	1,061.5
Capital expenditures	85.3	21.8	107.1

	2004		
	Specialty Minerals	Refractories	Total
Net sales	$ 618.7	$ 300.3	$ 919.0
Income from operations	57.7	30.4	88.1
Restructuring charges	0.7	0.4	1.1
Bad debt expenses	1.3	0.3	1.6
Depreciation, depletion and amortization	57.9	12.2	70.1
Segment assets	769.6	297.4	1,067.0
Capital expenditures	83.1	17.8	100.9

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

Income before provision for taxes on income and minority interests	2006	2005	2004
Income from operations for reportable segments	$ 84.9	$ 81.0	$ 88.1
Unallocated corporate expenses	--	--	(1.0)
Consolidated income from operations	84.9	81.0	87.1
Interest income	1.8	1.4	1.6
Interest expense	(7.8)	(5.8)	(4.1)
Other deductions	0.7	0.8	(2.0)
Income before provision for taxes on income, minority interests and discontinued operations	$ 79.6	$ 77.4	$ 82.6

Total assets	2006	2005	2004
Total segment assets	$ 1,152.0	$ 1,061.5	$ 1,067.0
Corporate assets	41.1	94.8	87.9
Consolidated total assets	$ 1,193.1	$ 1,156.3	$ 1,154.9

Capital expenditures	2006	2005	2004
Total segment capital expenditures	$ 83.8	$ 107.1	$ 100.9
Corporate capital expenditures	1.4	4.4	5.5
Consolidated total capital expenditures	$ 85.2	$ 111.5	$ 106.4

The carrying amount of goodwill by reportable segment as of December 31, 2006 and December 31, 2005 was as follows:

	Goodwill	
(Thousands of Dollars)	2006	2005
Specialty Minerals	$ 16,560	$ 15,371
Refractories	52,417	38,241
Total	$ 68,977	$ 53,612

The net change in goodwill since December 31, 2005 was primarily attributable to the acquisition of ASMAS and the effect of foreign exchange.

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

Net Sales	2006	2005	2004
United States	$ 628.4	$ 600.1	$ 558.2
Canada/Latin America	80.7	80.0	81.7
Europe/Africa	278.4	248.7	222.7
Asia	71.8	62.0	56.4
Total International	430.9	390.7	360.8
Consolidated total net sales	$ 1,059.3	$ 990.8	$ 919.0

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.

2006	2005	2004

Long-lived assets			
United States	$ 425.2	$ 424.0	$ 412.4
Canada/Latin America	18.8	21.1	23.7
Europe/Africa	217.1	176.8	194.0
Asia	75.3	67.6	43.7
Total International	311.2	265.5	261.4
Consolidated total long-lived assets	$ 736.4	$ 689.5	$ 673.8

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

Millions of Dollars	2006	2005	2004
Paper PCC	$ 500.6	$ 460.7	$ 429.3
Specialty PCC	56.4	55.6	50.7
Talc	58.5	54.2	51.6
SYNSIL®	10.4	6.6	3.1
Other Processed Minerals	85.5	85.9	84.0
Refractory Products	264.6	239.3	243.0
Metallurgical Products	83.3	88.5	57.3
Net Sales	$ 1,059.3	$ 990.8	$ 919.0

Note 27. Quarterly Financial Data (unaudited)

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

Millions of Dollars, Except Per Share Amounts

2006 Quarters	First	Second	Third	Fourth
Net Sales by Major Product Line				
PCC	$ 141.9	$ 137.7	$ 138.9	$ 138.5
Processed Minerals	39.2	41.8	38.9	34.5
Specialty Minerals Segment	181.1	179.5	177.8	173.0
Refractories Segment	83.6	86.9	87.5	89.9
Net sales	264.7	266.4	265.3	262.9
Gross profit	53.7	56.1	57.8	53.7
Income from continuing operations	12.7	12.6	14.1	12.2
Income from discontinued operations	0.1	(0.1)	--	(1.7)
Net income	$ 12.8	$ 12.5	$ 14.1	$ 10.5
Earnings per share:				
Basic:				
Earnings per share from continuing operations	$ 0.64	$ 0.63	$ 0.72	$ 0.64
Earnings per share discontinued operations	--	--	--	(0.09)
Basic earnings per share	$ 0.64	$ 0.63	$ 0.72	$ 0.55
Diluted:				
Earnings per share from continuing operations	$ 0.64	$ 0.63	$ 0.72	$ 0.63
Earnings per share from discontinued operations	--	--	--	(0.08)
Diluted earnings per share	$ 0.64	$ 0.63	$ 0.72	$ 0.55
Market price range per share of common stock:				
High	$ 58.93	$ 61.27	$ 53.40	$ 59.31
Low	$ 52.97	$ 51.61	$ 48.01	$ 51.71
Close	$ 58.41	$ 52.00	$ 53.40	$ 58.79

Dividends paid per common share	$ 0.05	$ 0.05	$ 0.05	$ 0.05

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

2005 Quarters	First	Second	Third	Fourth
Net Sales by Major Product Line				
PCC	$ 132.8	$ 121.6	$ 129.3	$ 132.5
Processed Minerals	35.8	37.8	36.7	36.5
Specialty Minerals Segment	168.6	159.4	166.0	169.0
Refractories Segment	81.0	84.0	79.5	83.2
Net sales	249.6	243.4	245.5	252.2
Gross profit	57.3	51.3	50.9	50.6
Income from continuing operations	14.9	13.0	12.1	12.5
Income from discontinued operations	0.3	0.1	0.1	0.1
Net income	$ 15.2	$ 13.1	$ 12.2	$ 12.6
Earnings per share:				
Basic:				
Earnings per share from continuing operations	$ 0.72	$ 0.63	$ 0.60	$ 0.63
Earnings per share from discontinued operations	0.02	0.01	0.01	--
Basic earnings per share	$ 0.74	$ 0.64	$ 0.61	$ 0.63
Diluted:				
Earnings per share from continuing operations	$ 0.71	$ 0.62	$ 0.60	$ 0.63
Earnings per share from discontinued operations	0.02	0.01	--	--
Diluted earnings per share	$ 0.73	$ 0.63	$ 0.60	$ 0.63
Market price range per share of common stock:				
High	$ 66.80	$ 68.83	$ 64.11	$ 58.32
Low	$ 60.52	$ 60.02	$ 57.21	$ 51.59
Close	$ 65.78	$ 61.60	$ 57.21	$ 55.89
Dividends paid per common share	$ 0.05	$ 0.05	$ 0.05	$ 0.05

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

F-32

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Minerals Technologies Inc.:

We have audited the accompanying consolidated balance sheets of Minerals Technologies Inc. and subsidiary companies as of December 31, 2006 and 2005, 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, 2006. In connection with our audits of the consolidated financial statements, we also have audited the related financial statement schedule. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Minerals Technologies Inc. and subsidiary companies as of December 31, 2006 and 2005, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2006, in conformity with U.S.

generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

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

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Minerals Technologies Inc. and subsidiary companies' internal control over financial reporting as of December 31, 2006, based on

criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 27, 2007 expressed an unqualified opinion on management's assessment of, and the effective operation of, internal control over financial reporting.

/s/ KPMG LLP

New York, New York
February 27, 2007

Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting

The Board of Directors and Shareholders
Minerals Technologies Inc.:

We have audited management's assessment, included in the accompanying Management's Report on Internal Control Over Financial Reporting, that Minerals Technologies Inc. and subsidiary companies maintained effective internal control over financial reporting as of December 31, 2006, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Minerals Technologies Inc. and subsidiary companies' management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

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

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

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

As indicated in the accompanying Management's Report on Internal Control Over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of a refractories company in Turkey acquired on October 2, 2006. This refractories company, excluding goodwill, constituted approximately 2.5% of consolidated total assets of the Company and less than 1% of consolidated net sales. Our audit of internal control over financial reporting of the Company also did not include an evaluation of the internal control over financial reporting of this acquired company.

In our opinion, management's assessment that Minerals Technologies Inc. and subsidiary companies maintained effective internal control over financial reporting as of December 31, 2006, is fairly stated, in all material respects, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Also, in our opinion, Minerals Technologies Inc. and subsidiary companies maintained, in all material respects, effective internal control over financial reporting as of December 31,

2006, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Minerals Technologies Inc. and subsidiary companies as of December 31, 2006 and 2005, and the related consolidated statements of income, shareholders' equity, and cash flows and related financial statement schedule for each of the years in the three-year period ended December 31, 2006, and our report dated February 27, 2007 expressed an unqualified opinion on those consolidated financial statements and financial statement schedule. Our report refers to the adoption in 2006 of Statement of Financial Accounting Standards ("SFAS") No. 123R, "Shared-Based Payment," SFAS No. 151, "Inventory Costs - an Amendment of ARB No. 43, Chapter 4," Emerging Issues Task Force Issue No. 04-06, "Accounting for Stripping Costs Incurred During Production in the Mining Industry," and SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Post Retirement Plans - An Amendment of FASB Statements No. 87, 88, 106, and 132(R)."

/s/ KPMG LLP

New York, New York
February 27, 2007

Management's Report On Internal Control Over Financial Reporting

---

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

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

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

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

The Company assessed its internal control system as of December 31, 2006 in relation to criteria for effective internal control over financial reporting described in "Internal Control - Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on its assessment, the Company has determined that, as of December 31, 2006, its system of internal control over financial reporting was effective.

On October 2, 2006, the Company completed an acquisition of a refractories company in Turkey and has excluded this company from our assessment of the effectiveness of our internal control over financial reporting. During 2006, this company contributed less than 1% of consolidated net sales and, as of December 31, 2006, accounted for approximately 2.5% of our consolidated total assets, excluding goodwill.

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

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

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

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

February 27, 2007

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

Description	Balance at Beginning of Period	Additions Charged to Costs, Provisions and Expenses (c)	Deductions (a) (b)	Balance at End of Period
Year ended December 31, 2006				
Valuation and qualifying accounts deducted from assets to which they apply:				
Allowance for doubtful accounts	$ 5,818	$ 377	$ (1,645)	$ 4,550
Year ended December 31, 2005				
Valuation and qualifying accounts deducted from assets to which they apply:				
Allowance for doubtful accounts	$ 7,143	$ (518)	$ (807)	$ 5,818
Year ended December 31, 2004				
Valuation and qualifying accounts deducted from assets to which they apply:				
Allowance for doubtful accounts	$ 7,010	$ 1,576	$ (1,443)	$ 7,143

(a) Includes impact of translation of foreign currencies.

(b) Uncollectible accounts charged against allowance for doubtful accounts, net of recoveries of $2.3 million in 2004.

(c) Provision for bad debts, net of reversal of recoveries of $0.6 million in 2006 and $1.0 million in 2005.

=