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
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PART I

Item 1. Business

Minerals Technologies Inc. (the "Company") is a resource- and technology-based company that develops, produces and markets 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

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.

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