MINERALS TECHNOLOGIES INC
Form 10-K
February 25, 2010

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, 2009

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

For the transition period from ________ to _________

Commission file number 1-11430

MINERALS TECHNOLOGIES INC.
(Exact name of registrant as specified in its charter)

| | |
|---|---|
| Delaware<br>(State or other jurisdiction of<br>incorporation or organization) | 25-1190717<br>(I.R.S. Employer<br>Identification Number) |
| The Chrysler Building<br>405 Lexington Avenue<br>New York, New York<br>(Address of principal executive office) | 10174-0002<br>(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 whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes [ ] No [ ]

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

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

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

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

Yes [ ] No [X]

The aggregate market value of the voting stock held by non-affiliates of the Registrant, based upon the closing price at which the stock was sold as of June 30, 2009, was approximately $486 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, 2010, the Registrant had outstanding 18,758,165 shares of common stock, all of one class.

DOCUMENTS INCORPORATED BY REFERENCE

| | |
|---|---|
| Proxy Statement dated April 5, 2010 | Part III |

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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") and processed mineral product quicklime ("lime"), and mines mineral ores then processes and sells natural mineral products, primarily limestone and talc. This segment's products are used principally in the paper, building materials, paint and coatings, glass, ceramic, polymer, food, automotive and pharmaceutical industries. The Refractories segment produces and markets monolithic and shaped refractory materials and specialty products, services and application and measurement equipment, and calcium metal and metallurgical wire products. Refractories segment products are primarily used in high-temperature applications in the steel, non-ferrous metal and glass industries.

The Company maintains a research and development focus. The Company's research and development capability for developing and introducing technologically advanced new products has enabled the Company to anticipate and satisfy changing customer requirements, creating market opportunities through new product development and product application innovations.

Specialty Minerals Segment

PCC Products and Markets

The Company's PCC product line net sales were $534.7 million, $605.7 million and $602.6 million for the years ended December 31, 2009, 2008 and 2007, respectively. The Company's sales of PCC have been, and are expected to continue to be, made primarily to the printing and writing papers segment of the paper industry. The Company also produces PCC for sale to companies in the polymer, food and pharmaceutical industries. See Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations."

PCC Products - Paper

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

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

The Company's Paper PCC product line net sales were $484.6 million, $547.2 million and $542.0 million for the years ended December 31, 2009, 2008 and 2007, respectively.

Approximately 50% of the Company's sales consist of PCC sold to papermakers from "satellite" PCC plants. A satellite PCC plant is a PCC manufacturing facility located near 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 as of

December 31, 2009, 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 and potential new satellite PCC plants as well as developing new technologies for new applications. These technologies include, among others, acid-tolerant ("AT®") PCC, which allows PCC to be introduced to the large wood-containing segment of the printing and writing paper market, and OPACARB® PCC, a family of products for paper coating.

The Company owns, staffs, operates and maintains all of its satellite 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. These merchant facilities are located at Adams, Massachusetts; Lifford, England; and Walsum, Germany.

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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 2009, more than 90% of North American uncoated wood-free paper was produced employing alkaline technology. Presently, the Company owns and operates 19 commercial satellite PCC plants located at paper mills that produce uncoated wood-free printing and writing papers in North America.

Uncoated Wood-Free Printing and Writing Papers – Outside North America. The Company estimates the amount of uncoated wood-free printing and writing papers produced outside of North America at facilities that can be served by satellite and merchant PCC plants is more than twice as large (measured in tons of paper produced) as the North American uncoated wood-free paper market currently served by the Company. The Company believes that the superior brightness, opacity and bulking characteristics offered by its PCC products allow it to compete with suppliers of ground limestone and other filler products outside of North America. Presently, the Company owns and operates 20 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 30% 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. The Company has developed proprietary application technology 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 at about 12 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 continues to pursue satellite PCC opportunities in coated paper markets where our products provide unique performance and/or cost reduction benefits to papermakers and printers. Our Opacarb product line is designed to create value to the papermaker and can be used alone or in combination with other coating pigments. PCC coating products are produced at 10 of the Company's PCC plants worldwide.

Specialty PCC Products and Markets

The Company also produces and sells a full range of dry PCC products on a merchant basis for non-paper applications. The Company's Specialty PCC product line net sales were $50.1 million, $58.5 million and $60.6 million for the years ended December 31, 2009, 2008 and 2007, 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 food applications, as a buffering agent in tablets, and as a mild abrasive in toothpaste. The Company produces PCC for specialty applications from production sites at Adams, Massachusetts and Lifford, England.

Processed Minerals - Products and Markets

The Company mines and processes natural mineral products, primarily limestone and talc. The Company also manufactures lime, a limestone-based product. The Company's net sales of processed mineral products were $93.7 million, $110.7 million and $114.0 million for the years ended December 31, 2009, 2008 and 2007, respectively. Net sales of talc products were $32.3 million, $35.9 million and $37.3 million for the years ended December 31, 2009, 2008 and 2007, respectively. Net sales of ground calcium carbonate ("GCC") products, which are principally lime and limestone, were $61.4 million, $74.8 million and $76.7 million for the years ended December 31, 2009, 2008 and 2007, respectively. See Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations."

The Company mines and processes GCC products at its reserves in the eastern and western parts of the United States. GCC is used and sold in the construction, automotive and consumer markets.

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

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

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

Refractories Segment

Refractory Products and Markets

Refractories Products

The Company offers a broad range of monolithic and pre-cast refractory products and related systems and services. The Company's Refractory segment net sales were $278.9 million, $395.8 million and $361.1 million for the years ended December 31, 2009, 2008 and 2007, 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 useful life. Net sales of refractory products, including those for non-ferrous applications, were $225.4 million, $320.8 million and $290.5 million for the years ended December 31, 2009, 2008 and 2007. The Company's proprietary application system, such as its MINSCAN®, 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, these application systems and the technologically advanced refractory materials developed in the Company's research laboratories have been well accepted by the Company's customers. These products allow steel makers to improve their performance through, among other things, the application of monolithic refractories to furnace linings while the furnace is at operating temperature, thereby eliminating the need for furnace cool-down periods and steel-production interruption. The result is a lower overall cost for steel produced by steel makers.

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

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

- HOTCRETE®: High durability shotcrete products for applications at high temperatures in ferrous applications such as steel ladles;
- FASTFIRE®: High durability castable and shotcrete products in the non-ferrous and ferrous industries with the added benefit of rapid dry-out capabilities;
- OPTIFORM®: A system of products and equipment for the rapid continuous casting of refractories for applications such as steel ladle safety linings;

- ENDURATEQ®: A high durability refractory shape for glass contact applications such as plungers and orifice rings; and
- DECTEQ™: A system for the automatic control of electrical power feeding electrodes used in electric arc steel making furnaces.

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 provide growth opportunities for the Company. These trends include growth and quality improvements in select geographic regions (e.g., China, Eastern Europe and India) the development of improved manufacturing processes such as thin-slab casting, the trend in North America to shift production from integrated mills to electric arc furnaces (mini-mills) and the ever-increasing need for improved productivity and longer lasting refractories.

The Company sells its refractory products in the following markets:

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

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

Industrial Refractory Systems. The Company sells refractory shapes and linings to non-steel refractories consuming industries including glass, cement, aluminum and petrochemicals, power generation and other non-steel industries. The Company also produces a specialized line of carbon composites and 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 $53.5 million, $75.0 million and $70.6 million for the years ended December 31, 2009, 2008 and 2007. The Company manufactures calcium metal at its Canaan, Connecticut, facility and purchases calcium in international markets. Calcium metal is used in the manufacture of the Company's PFERROCAL® solid-core calcium wire, and is also sold for use in the manufacture of batteries and magnets. The Company sells metallurgical wire products and associated wire-injection equipment for use in the production of high-quality steel. These metallurgical wire products are injected into molten steel to improve castability and reduce imperfections. The steel produced is used for high-pressure pipeline and other premium-grade steel applications.

Marketing and Sales

The Company relies principally on its worldwide direct sales force to market its products. The direct sales force is augmented by technical service teams that are familiar with the industries to which the Company markets its products, and by several regional distributors. The Company's sales force works closely with the Company's technical service staff to solve technical and other issues faced by the Company's customers. The Company's technical service staff assists paper producers in ongoing evaluations of the use of PCC for paper coating and filling applications. In the Refractory segment, the Company's technical service personnel advise on the use of refractory materials, and, in many cases pursuant to service agreements, apply the refractory materials to the customers' furnaces and other vessels. Continued use of skilled technical service teams is an important component of the Company's business strategy.

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

Raw Materials

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

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

The principal raw materials used in the Company's monolithic refractory products are refractory-grade magnesia and various forms of aluminasilicates. The Company also purchases calcium metal, calcium silicide, graphite, calcium carbide and various alloys for use in the production of metallurgical wire products and uses lime and aluminum in the production of calcium metal. The Company purchases a significant portion of its magnesia requirements from sources in China. The price and availability of bulk raw materials from China are subject to fluctuations that could affect the Company's sales to its customers. In addition, the volatility of transportation costs have also affected the delivered cost of raw materials imported from China to North America and Europe.

Competition

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

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

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

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

Research and Development

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

The Company will continue to develop its filler-fiber composite material, which could increase filler levels in uncoated freesheet paper to upwards of 30%. This product remains in development. The Company is in commercialization discussions with a company in Europe and also conducting large-scale trials in Asia. The Company will also continue to reformulate its refractory materials to be more competitive, and will also continue development of unique calcium carbonates for use in novel biopolymers.

For the years ended December 31, 2009, 2008 and 2007, the Company spent approximately $19.9 million, $23.1 million and $26.3 million, respectively, on research and development. The Company's research and development spending for 2009 was approximately 2.2% of net sales.

The Company maintains its primary research facilities in Bethlehem and Easton, Pennsylvania. It also has research and development facilities in China, Finland, Germany, Ireland, Japan and Turkey. Approximately 93 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 309 patents and approximately 797 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, 2009, the Company employed 2,173 persons, of whom 1,072 were employed outside of the United States.

Environmental, Health and Safety Matters

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

Laws and regulations are subject to change. See Item 1A, Risk Factors, for information regarding the possible effects that compliance with new environmental laws and regulations, including those relating to climate change, may have on our businesses and operating results.

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The Company obtained indemnification for certain potential 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. 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 are 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."

Financial information concerning our business segments and the geographical areas in which we operate appears in the Notes to the Consolidated Financial Statements.

## 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.

- Adverse General Economic, Business, and Industry Conditions
  The Company’s business and operating results have been and may in the future be adversely affected by the current US recession and other global economic conditions, including declining consumer and business confidence, volatile raw material prices, instability in credit markets, high unemployment, fluctuating interest rates and exchange rates, and other challenges that could affect the global economy. The Company’s customers and potential customers may experience deterioration of their businesses, cash flow shortages, and difficulty obtaining

financing. As a result, existing or potential customers may reduce or delay their growth and investments and their plans to purchase products, and may not be able to fulfill their obligations in a timely fashion. Further, suppliers could experience similar conditions, which could impact their ability to fulfill their obligations to the Company. Adversity within capital markets may impact future return on pension assets, thus resulting in greater future pension costs that impact the company's results. Accordingly, a continued adverse economic climate in the U.S. or abroad could result in decreases in the Company's net revenue and profitability.

- 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 papercoating pigments and the market for groundwood paper pigments; increasing sales to existing PCC customers by increasing the amount of PCC used per ton of paper produced; developing, introducing and selling new products such as filler-fiber composite materials for the paper industry; and acquisitions. Difficulties, delays or failure of any of these strategies could affect the future growth rate of the Company.

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- 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, 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.

- Regulation and Litigation; Environmental Exposures

The Company’s operations are subject to international, federal, state and local governmental environmental, health and safety, 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 to or modifications of interpretations of existing laws and regulations, or enforcement polices, or further investigation or evaluation of the potential environmental impacts of operations or health hazards of certain products, may give rise to additional compliance and other costs that could have a material adverse effect on the Company. State, national, and international governments and agencies have been evaluating climate-related legislation and regulation that would restrict emissions of greenhouse gases in areas in which we conduct business, and some such legislation and regulation have already been enacted or adopted. Enactment of climate-related legislation or adoption of regulation that restrict emissions of greenhouse gases in areas in which we conduct business could have an adverse effect on our operations or demand for our products. Our manufacturing processes, particularly the manufacturing process for PCC, use a significant amount of energy and, should energy prices increase as a result of such legislation or regulation, we may not be able to pass these increased costs on to purchasers of our products. We cannot predict if or when currently proposed or additional laws and regulations regarding climate change or other environmental or health and safety concerns will be enacted or adopted.

- 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.

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- Availability and Cost of Raw Materials

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

- Cyclical Nature of Customers' Businesses

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

## Item 1B. Unresolved Staff Comments

None.

## Item 2. Properties

Set forth below is the location of, and the main customer served by, each of the Company's 53 satellite PCC plants as of December 31, 2009. 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 Inc. |
| Alabama, Selma | International Paper Company |
| Arkansas, Ashdown | Domtar Inc. |
| Florida, Pensacola | Georgia-Pacific Corporation (Koch Industries) |
| Kentucky, Wickliffe | NewPage Corporation |
| Louisiana, Port Hudson | Georgia-Pacific Corporation (Koch Industries) |
| Maine, Jay | Verso Paper Holdings LLC |
| Maine, Madison | Madison Paper Industries |
| Maine, Millinocket 3 | Katahdin Paper Company LLC |
| Michigan, Quinnesec | Verso Paper Holdings LLC |

| | |
|---|---|
| Minnesota, Cloquet | Sappi Ltd. |
| Minnesota, International Falls | Boise Inc. |
| New York, Ticonderoga | International Paper Company |
| North Carolina, Plymouth2 | Domtar Inc. |
| Ohio, Chillicothe | P.H. Glatfelter Co. |
| Ohio, West Carrollton | Appleton Papers Inc. |
| South Carolina, Eastover | International Paper Company |
| Virginia, Franklin2 | International Paper Company |
| Washington, Camas | Georgia-Pacific Corporation (Koch Industries) |
| Washington, Longview | North Pacific Paper Corporation |
| Washington, Wallula | Boise Inc. |
| Wisconsin, Kimberly | Appleton Coated |
| Wisconsin, Park Falls | Flambeau River Papers LLC |
| Wisconsin, Wisconsin Rapids | New Page Corporation |

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| Location | Principal Customer |
|---|---|
| International | |
| Brazil, Guaiba | Aracruz Celulose S.A. |
| Brazil, Jacarei | Ahlstrom-VCP Industria de Papeis Especialis Ltda. |
| Brazil, Luiz Antonio | International Paper do Brasil Ltda. |
| Brazil, Mucuri | Suzano Papel e Celulose S. A. |
| Brazil, Suzano | Suzano Papel e Celulose S. A. |
| Canada, 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, Suzhou1 | Gold HuaSheng Paper Company Ltd. |
| Finland, Äänekoski | M-real Corporation |
| Finland, Anjalankoski | Myllykoski Paper Oy |
| Finland, Tervakoski | Trierenberg Holding |
| France, Alizay | M-real Corporation |
| France, Docelles | UPM Corporation |
| France, Saillat Sur Vienne | International Paper Company |
| Germany, Schongau | UPM Corporation |
| India, Ballarshah1 | Ballarpur Industries Ltd. |
| Indonesia, Perawang1 | PT Indah Kiat Pulp and Paper Corporation |
| Japan, Shiraoi1 | Nippon Paper Group Inc. |
| Malaysia, Sipitang | Ballarpur Industries Ltd. |
| Mexico, Chihuahua | Copamex, S.A. de C.V. |
| Poland, Kwidzyn | International Paper – Kwidzyn, S.A |
| Portugal, Figueira da Foz1 | Soporcel - Sociedade Portuguesa de Papel, S.A. |
| Slovakia, Ruzomberok | Mondi Business Paper SCP |
| South Africa, Merebank1 | Mondi Paper Company Ltd. |
| Thailand, Namphong | Phoenix Pulp & Paper Public Co. Ltd. |
| Thailand, Tha Toom1 | Advance Agro Public Co. Ltd. |

1 These plants are owned through joint ventures.
2 The Company expects to cease production at these facilities in the second quarter of 2010.
3 This facility was idle in 2009.

The Company also owned at December 31, 2009, 8 plants engaged in the mining, processing and/or production of lime, limestone, precipitated calcium carbonate and talc, and owned or leased 19 manufacturing facilities worldwide within the Refractories segment. 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; Quarry1 | Limestone |
| California, Lucerne Valley | Plant; Quarry | Limestone |
| Connecticut, Canaan | Plant; Quarry | Limestone, Metallurgical Wire/Calcium |

| | | |
|---|---|---|
| Indiana, Portage | Plant | Refractories/Shapes |
| Louisiana, Baton Rouge | Plant | Monolithic Refractories |
| Massachusetts, Adams | Plant; Quarry | Limestone, Lime, PCC |
| Montana, Dillon | Plant; Quarry | Talc |
| New Jersey, Old Bridge | Plant | Monolithic Refractories |
| New York, New York | Headquarters2 | All Company Products |
| Ohio, Bryan | Plant | Monolithic Refractories |
| Ohio, Dover | Plant | Monolithic Refractories/Shapes |
| 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 |
| Texas, Bay City | Plant | Talc |
| | | |
| International | | |
| Australia, Carlingford | Sales Office2 | Monolithic Refractories |
| Belgium, Brussels | Sales Office2/Administrative Office | Monolithic Refractories/PCC |

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| Location | Facility | Product Line |
|---|---|---|
| Brazil, Sao Jose dos Campos | Sales Office2/Administrative Office | PCC/Monolithic Refractories |
| China, Shanghai | Administrative Office/Sales Office | PCC/Monolithic Refractories |
| China, Suzhou | Plant/Sales Office/Research laboratories | Monolithic Refractories/PCC |
| Finland, Kaarina | Research Laboratory2 | PCC |
| Germany, Duisburg | Plant/Sales Office/Research laboratories | Laser Scanning Instrumentation/ Probes/Monolithic Refractories |
| Germany, Walsum | Plant | PCC |
| Holland, Hengelo | Plant/Sales Office | Metallurgical Wire |
| India, Mumbai | Sales Office | Monolithic Refractories/Metallurgical Wire |
| Ireland, Cork | Plant; Administrative Office2/ 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 |
| Singapore | Sales Office2 | PCC |
| Spain, Santander | Plant/Sales Office2 | Monolithic Refractories |
| South Africa, Pietermaritzburg | Plant/Sales Office | Monolithic Refractories |
| South Korea, Seoul | Sales Office2 | Monolithic Refractories |
| South Korea, Yangsan | Plant3 | Monolithic Refractories |
| Turkey, Gebzea | 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. The Company entered into a new lease agreement for its corporate headquarters in New York, New York which expires in 2021.

3 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 likely to arise from its operations.

Item 3. Legal Proceedings

Certain of the Company's subsidiaries are among numerous defendants in a number of cases seeking damages for exposure to silica or to asbestos-containing materials. The Company currently has 305 pending silica cases and 26 pending asbestos cases. To date, 1,160 silica cases and 4 asbestos cases have been dismissed. One silica case was dismissed in the fourth quarter of 2009. Most of these claims do not provide adequate information to assess their merits, the likelihood that the Company will be found liable, or the magnitude of such liability, if any. Additional claims of this nature may be made against the Company or its subsidiaries. At this time management anticipates that the amount of the Company's liability, if any, and the cost of defending such claims, will not have a material effect on its financial position or results of operations.

The Company has not settled any silica or asbestos lawsuits to date. We are unable to state an amount or range of amounts claimed in any of the lawsuits because state court pleading practices do not require identifying the amount of the claimed damage. The aggregate cost to the Company for the legal defense of these cases since inception was approximately $0.1 million, the majority of which has been reimbursed by Pfizer Inc pursuant to the terms of certain agreements entered into in connection with the Company's initial public offering in 1992. 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 segment and Specialty Minerals segment have operations. We agreed to the order, which includes provisions requiring investigation and remediation of contamination associated with historic use of polychlorinated biphenyls ("PCBs") at a portion of the site. The following is the present status of the remediation efforts:

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- 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 have completed investigations of potential groundwater contamination and have submitted a report on the investigations finding that there is no PCB contamination, but some oil contamination of the groundwater. We expect the regulators to require confirmatory long term groundwater monitoring at the site.
- 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 $400,000, 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 has been undertaken pursuant to an administrative Consent Order originally issued by the Massachusetts Department of Environmental Protection on June 18, 2002. This Order was amended on June 1, 2009. The amended order requires the installation of a groundwater containment system by mid-year 2010. The amendment also includes the investigation by January 1, 2022 of options for ensuring that the facility's wastewater treatment ponds will not result in unpermitted discharge to groundwater. Additional requirements of the amendment include the submittal by July 1, 2022 of a plan for closure of a historic lime solids disposal area. Preliminary engineering reviews completed in 2005 indicate that the estimated cost of wastewater treatment upgrades to operate this facility beyond 2024 may be between $6 million and $8 million. The Company estimates that the remaining remediation costs would approximate $400,000, which has been accrued as of December 31, 2009.

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 2009.

# 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:

| 2009 Quarters | First | Second | Third | Fourth |
|---|---|---|---|---|
| Market Price Range Per Share of Common Stock | | | | |
| High | $ 42.10 | $ 42.82 | $ 50.87 | $ 56.39 |
| Low | 26.76 | 31.41 | 35.87 | 45.85 |
| Close | 32.05 | 36.78 | 47.52 | 54.47 |
| | | | | |
| Dividends paid per common share | $ 0.05 | $ 0.05 | $ 0.05 | $ 0.05 |

| 2008 Quarters | First | Second | Third | Fourth |
|---|---|---|---|---|
| Market Price Range Per Share of Common Stock | | | | |
| High | $ 64.74 | $ 72.42 | $ 68.38 | $ 59.36 |
| Low | 52.29 | 62.80 | 60.73 | 37.89 |
| Close | 61.72 | 64.65 | 61.62 | 40.90 |
| | | | | |
| Dividends paid per common share | $ 0.05 | $ 0.05 | $ 0.05 | $ 0.05 |

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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 | 787,530 | $ 52.54 | 1,034,125 |
| Equity compensation plans not approved by security holders | -- | -- | -- |
| Total | 787,530 | $ 52.54 | 1,034,125 |

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 |
|---|---|---|---|---|
| September 28 - October 25 | -- | $ -- | 615,674 | $ 37,167,023 |
| October 26 - November 22 | -- | $ -- | 615,674 | $ 37,167,023 |
| November 23 - December 31 | -- | $ -- | 615,674 | $ 0 |
| Total | -- | $ -- | | |

On October 26, 2005, the Company's Board of Directors authorized the Company's management, at its discretion, to repurchase up to $75 million in additional shares over the next three-year period. As of December 31, 2008, the Company repurchased 1,307,598 shares under this program at an average price of approximately $57.36 per share. This program was completed in February 2008.

On October 24, 2007, the Company's Board of Directors authorized the Company's management to repurchase, at its discretion, up to $75 million of additional shares over the next two-year period. As of December 31, 2009, 615,674 shares have been purchased under this program at an average price of approximately $61.45 per share. This program has expired as of December 31, 2009, and $37.2 million of the authorized $75 million were not repurchased by the Company.

On February 22, 2010, the Company’s Board of Directors authorized the Company’s management to repurchase, at its discretion, up to $75 million of additional shares over the next two-year period.

On January 27, 2010, 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, 2010, the last reported sales price on the NYSE was $47.46 per share. As of February 5, 2010, there were approximately 188 holders of record of the common stock.

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The graph below matches the cumulative 5-year total return of holders of Minerals Technologies Inc.'s common stock with 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 12/31/2004 and tracks it through 12/31/2009.

| | 12/04 | 12/05 | 12/06 | 12/07 | 12/08 | 12/09 |
|---|---|---|---|---|---|---|
| Minerals Technologies Inc. | 100.00 | 84.07 | 88.76 | 101.39 | 62.13 | 83.15 |
| S&P 500 | 100.00 | 104.91 | 121.48 | 128.16 | 80.74 | 102.11 |
| S&P MidCap 400 Materials Sector | 100.00 | 110.68 | 138.49 | 158.15 | 83.98 | 134.88 |

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

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The following graph compares the cumulative 3-year total return provided shareholders of Minerals Technologies Inc.'s common stock relative to the cumulative total returns of the S & P 500 index and the S&P MidCap 400 Materials Sector index. An investment of $100 (with reinvestment of all dividends) is assumed to have been made in our common stock and in each of the indices on 12/31/2006 and its relative performance is tracked through 12/31/09.

| | 12/06 | 12/07 | 12/08 | 12/09 |
|---|---|---|---|---|
| Minerals Technologies Inc. | 100.00 | 114.23 | 70.00 | 93.69 |
| S&P 500 | 100.00 | 105.49 | 66.46 | 84.05 |
| S&P MidCap 400 Materials Sector | 100.00 | 114.19 | 60.64 | 97.39 |

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

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It Item 6. Selected Financial Data

Dollars in Millions, Except Per Share Data

| Income Statement Data: | 2009 | 2008 | 2007 | 2006 | 2005 |
|---|---|---|---|---|---|
| Net sales | $ 907.3 | $ 1,112.2 | $ 1,077.7 | $ 1,023.5 | $ 956.8 |
| Cost of goods sold | 751.5 | 891.7 | 845.1 | 798.7 | 744.0 |
| Production margin | 155.8 | 220.5 | 232.6 | 224.8 | 212.8 |
| Marketing and administrative expenses | 91.1 | 101.8 | 104.6 | 104.6 | 98.1 |
| Research and development expenses | 19.9 | 23.1 | 26.3 | 27.8 | 27.0 |
| Impairment of assets | 39.8 | 0.2 | 94.1 | -- | 0.3 |
| Restructuring and other costs | 22.0 | 13.4 | 16.0 | -- | -- |
| Income (loss) from operations | (17.0) | 82.0 | (8.5) | 92.4 | 87.4 |
| Non-operating income (deductions), net | (6.1) | 0.3 | (3.0) | (5.9) | (3.9) |
| Income (loss) from continuing operations before provision for taxes on income | (23.1) | 82.3 | (11.5) | 86.5 | 83.5 |
| Provision (benefit) for taxes on income (loss) | (5.4) | 24.1 | 11.3 | 27.0 | 25.1 |
| Income (loss) from continuing operations | (17.7) | 58.2 | (22.8) | 59.5 | 58.4 |
| Income (loss) from discontinued operations, net of tax | (3.2) | 10.3 | (37.8) | (6.1) | (3.4) |
| Consolidated net income (loss) | (20.9) | 68.5 | (60.6) | 53.4 | 55.0 |
| Less: Net income attributable to non-controlling interests | (2.9) | (3.2) | (2.9) | (3.4) | (1.7) |
| Net income (loss) attributable to Minerals Technologies Inc. (MTI) | $ (23.8) | $ 65.3 | $ (63.5) | $ 50.0 | $ 53.3 |
| Earnings Per Share | | | | | |
| Basic: | | | | | |
| Earnings (loss) from continuing operations attributable to MTI………………………… | $ (1.10) | $ 2.91 | $ (1.34) | $ 2.86 | $ 2.78 |
| Earnings (loss) from discontinued operations attributable to MTI……………………………… | (0.17) | 0.54 | (1.97) | (0.31) | (0.16) |
| Basic earnings (loss) per share attributable to MTI | $ (1.27) | $ 3.45 | $ (3.31) | $ 2.55 | $ 2.62 |
| Diluted: | | | | | |
| Earnings (loss) from continuing operations attributable to MTI………………………… | $ (1.10) | $ 2.90 | $ (1.34) | $ 2.84 | $ 2.75 |
| Earnings (loss) from discontinued operations attributable to MTI……………………………… | (0.17) | 0.54 | (1.97) | (0.31) | (0.16) |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Diluted earnings (loss) per share attributable to MTI | $ | (1.27) | $ | 3.44 | $ | (3.31) | $ | 2.53 | $ | 2.59 |
| | | | | | | | | | | |
| Weighted average number of common shares outstanding: | | | | | | | | | | |
| Basic | | 18,724 | | 18,893 | | 19,190 | | 19,600 | | 20,345 |
| Diluted | | 18,724 | | 18,983 | | 19,190 | | 19,738 | | 20,567 |
| Dividends declared per common share | $ | 0.20 | $ | 0.20 | $ | 0.20 | $ | 0.20 | $ | 0.20 |
| | | | | | | | | | | |
| Balance Sheet Data: | | | | | | | | | | |
| Working capital | $ | 447.8 | $ | 380.7 | $ | 306.2 | $ | 199.7 | $ | 145.9 |
| Total assets | | 1,072.1 | | 1,067.6 | | 1,128.9 | | 1,193.1 | | 1,156.3 |
| Long-term debt | | 92.6 | | 97.2 | | 111.0 | | 113.4 | | 40.3 |
| Total debt | | 104.1 | | 116.2 | | 127.7 | | 203.1 | | 156.9 |
| Total shareholders' equity | | 747.7 | | 734.8 | | 773.3 | | 770.9 | | 788.6 |

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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, | 2009 | 2008 | 2007 |
|---|---|---|---|
| Net sales | 100.0% | 100.0 % | 100.0 % |
| Cost of goods sold | 82.8 | 80.2 | 78.4 |
| Production margin | 17.2 | 19.8 | 21.6 |
| | | | |
| Marketing and administrative expenses | 10.1 | 9.1 | 9.7 |
| Research and development expenses | 2.2 | 2.1 | 2.4 |
| Impairment of assets | 4.4 | -- | 8.8 |
| Restructuring charges | 2.4 | 1.2 | 1.5 |
| Income (loss) from operations | (1.9) | 7.4 | (0.8) |
| | | | |
| Income (loss) from continuing operations before provision(benefit) for taxes | (2.6) | 7.4 | (1.1) |
| Provision (benefit) for taxes on income | (0.6) | 2.2 | 1.0 |
| Non-controlling interests | 0.3 | 0.3 | 0.3 |
| Income (loss) from continuing operations | (2.3) | 4.9 | (2.4) |
| Income (loss) from discontinued operations | (0.3) | 1.0 | (3.5) |
| | | | |
| Net income (loss) | (2.6)% | 5.9% | (5.9)% |

Executive Summary

As a result of the severe economic downturn and worldwide recession that accelerated in the fourth quarter of 2008 and continued through most of 2009, the Company’s results were significantly affected by weakness in the primary end markets we serve – paper, steel, construction, and automotive. These economic conditions caused a significant decrease in the demand for our products, as volumes declined in all businesses. Beginning in the fourth quarter of 2008, the Company responded quickly to the downturn in economic activity by establishing additional procedures to generate and conserve its cash and reduce costs by curtailing production through shortened work schedules, continuing its intensive expense control initiatives, and suspending its stock buyback program. In the second quarter of 2009, as a result of the continuation of the severe downturn in the worldwide steel industry, the Company initiated a restructuring program to improve efficiencies through the consolidation and rationalization of certain manufacturing operations and through a further reduction of overhead costs. As a result, the Company recorded an impairment of assets charge of $37.5 million, restructuring charges of $10.2 million related to this realignment and pension settlement charges of $9.4 million in the second half of 2009. Volume declines as compared with prior year, however, more than offset the benefits derived from our announced restructuring programs and overall expense reduction initiatives.

As part of the restructuring program, the Company will consolidate its Old Bridge, New Jersey, operation into Bryan, Ohio, and Baton Rouge, Louisiana, in order to improve operational efficiencies and reduce logistics for key raw materials, resulting in an impairment of assets charge of $4.3 million; rationalize its North American specialty shapes product line resulting in an impairment of assets charge of $1.5 million; rationalize some of its European operations resulting in an impairment of assets charge of $2.2 million; record further impairment charges of $10.0 million related to its Asian refractory operations and actively seek a regional alliance to aid in marketing its high value product. In addition, we recognized impairment charges for refractory application equipment in North America of $3.7 million and Europe of $3.3 million due to customer underutilized assets under depressed volume conditions; an impairment of $6.5 million related to the Company's PCC facility in Millinocket, Maine, which has been idle since September 2008 and where the start-up of the satellite facility became unlikely. The Company will also reduce its current workforce by approximately 200 employees related to the plant consolidations as well as the streamlining of corporate and divisional management structures to operate more efficiently through the current economic environment. This realignment allowed the Company to better position itself strategically for improved profitability as the economy recovers.

In October 2009, Domtar Corporation announced its intention to cease production of paper grades requiring PCC at its Plymouth, North Carolina, paper mill and International Paper announced the closure of its Franklin, Virginia, mill. The Company has satellite PCC facilities at these paper mills and we expect these satellites to cease production in the second quarter of 2010. As a result, an impairment of assets charge of $2.0 million was recorded in the fourth quarter. We expect that these events will have a negative impact on our operating performance in 2010. Combined sales for these facilities in 2009 were $11.5 million.

Worldwide net sales for 2009 were $ 907.3 million, a decline of 18% from 2008 sales of $1.112 billion. Foreign exchange had an unfavorable impact on sales of approximately $29 million, or 3 percentage points of the decline. Loss from operations was $17.1 million in 2009 as compared with income from operations of $82.0 million in the prior year. Included in the operating loss in 2009 were restructuring charges of $22.0 million and impairment charges of $39.8 million, respectively. Included in the operating income of the prior year were restructuring costs of $13.4 million and an impairment of assets charge of $0.2 million.

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Loss from continuing operations was $17.8 million as compared with income of $58.2 million in the prior year due to the aforementioned restructuring charges as well as the impact of the downturn in the economy. Loss from discontinued operations was $3.2 million in 2009 as compared with income from discontinued operations of $10.3 million in the previous year. In 2009, an impairment of assets charge was recorded in discontinued operations to reflect the lower market value of the Mt. Vernon, Indiana, facility. In 2008, the Company recorded gains of $13.7 million from the sale of four idle facilities previously written down. Net loss for the year was $23.8 million as compared with net income of $65.3 million in the prior year.

The Company's balance sheet as of December 31, 2009 continues to be very strong. Cash, cash equivalents and short-term investments at December 31, 2009 were more than $319 million. In addition, we have available lines of credit of $186 million, our debt to equity ratio was very low at 12%, and our current ratio was 3.9. Our cash flows from operations were in excess of $160 million in 2009.

The Company, and each of its reporting segments, achieved a dramatically improved performance in the second half of 2009 versus the first half of 2009 as the industries we serve continued to contract in the first half but began to stabilize and even increase slightly in the second half. In addition to an increase in volumes from improved market conditions in the second half, the Company also began to realize the benefits of the restructuring program initiated in the second quarter of 2009. The Company's production margin increased from $66 million in the first half of 2009 to $90 million in the second half, an improvement of 37%. Sales increased $74 million in the second half, an improvement of 18%, due to higher volumes. The Specialty Minerals Segment production margin improved from $50 million in the first half to $64 million in the second half, an increase of 27% on a 13% increase in sales. The Refractories segment production margin improved from $16 million in the first half to $27 million in the second half, an increase of 70% as sales increased $37 million or 30%.

Although there have been signs of economic recovery beginning in the third quarter of 2009 and continuing into the fourth quarter, there remains uncertainty as to the long-term sustainability of this market upturn and of the health of the overall economy. The Company feels, however, that due to our strong balance sheet, cash flow, and benefits derived as a result of the restructuring initiatives undertaken in 2007 and 2008, coupled with the realignment of our operations in the second quarter of 2009, the Company is well positioned to achieve sustainable profitable growth as and when the economy recovers.

We face some significant risks and challenges in the future:

- Our global business could continue to be adversely affected by decreases in economic activity.
  - North American and European steel production in 2009 was approximately 31% below production levels in 2008.
  - In the paper industry, production levels for printing and writing papers within North America and Europe, our two largest markets, were down 18% as compared with prior year.
  - Housing starts in 2009 were at a rate of approximately 550 thousand units, down 38% from prior year. Housing starts were at a peak rate of 2.1 million units in 2005. In the automotive industry, North American car and truck production was down 32% in 2009 as compared with 2008.
- The availability of credit in the financial markets could adversely affect the ability of our customers and/or our suppliers to obtain financing.
- The industries we serve, primarily paper, steel, construction and automotive, have been adversely affected by the global economic climate. Some of our customers may experience further consolidations and shutdowns or may face increased liquidity issues,

which could deteriorate the aging of our accounts receivable, increase our bad debt exposure and possibly trigger impairment of assets or realignment of our businesses.

- Consolidations in the paper and steel industries concentrate purchasing power in the hands of fewer customers, increasing pricing pressure on suppliers such as Minerals Technologies Inc.
- Most of our Paper PCC sales are subject to long-term contracts that may be terminated pursuant to their terms, or may be renewed on terms less favorable to us.
- Our filler-fiber composite technology continues in development through customer trials, but has yet to be proven on a long-term commercial scale.
- We are subject to volatility in pricing and supply availability of our key raw materials used in our Paper PCC product line and Refractory product line. Our ability to recover increased costs is uncertain and may become more difficult in this economic environment.
- We continue to rely on China for a significant portion of our supply of magnesium oxide in the Refractories segment which may be subject to uncertainty in availability and cost.
- Fluctuations in energy costs have an impact on all of our businesses.
- Changes in the fair market value of our pension assets, rates of return on assets, and discount rates could have a significant impact on our net periodic pension costs as well as our funding requirements.
- 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.
- The Company’s operations, particularly in the mining and environmental areas (discharges, emissions and greenhouse gases), are subject to regulation by federal, state and foreign authorities and may be subject to, and presumably will be required to comply with, additional laws, regulations and guidelines which may be adopted in the future.

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

- Development of the filler-fiber composite program, which continues to undergo large-scale paper machine trials, to increase the fill-rate for uncoated freesheet paper.
- Increasing our sales of PCC for paper by further penetration of the markets for paper filling at both freesheet and groundwood mills, particularly in emerging markets.
- Further growth of the Company's PCC coating product line using the satellite model.
- Leverage the Company's expertise in crystal engineering, especially in helping papermakers customize PCC morphologies for specific paper applications.
- Development of unique calcium carbonates used in the manufacture of novel biopolymers, a new market opportunity.
- Rapid deployment of value-added formulations of refractory materials that not only reduce costs but improve performance.
- Continuing our penetration in emerging markets.
- Further growth of PCC produced for paper filling applications by working with industry partners to develop new methods to increase the ratio of PCC for fiber substitutions.
- Further proliferation of operational excellence principles into all aspects of the organization, including system infrastructure and lean principles.
- Explore selective acquisitions to fit our core competencies in minerals and fine particle technology.

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

Results of Operations

Sales
(Dollars in millions)

| Net Sales | 2009 | % of Total Sales | Growth | 2008 | % of Total Sales | Growth | 2007 | % of Total Sales |
|---|---|---|---|---|---|---|---|---|
| U.S. | $ 478.4 | 52.7% | (18)% | $ 586.5 | 52.8% | 1 % | $ 581.9 | 54.0% |
| International | 428.9 | 47.3% | (18)% | 525.7 | 47.2% | 6 % | 495.8 | 46.0% |
| Net sales | $ 907.3 | 100.0% | (18)% | $ 1,112.2 | 100.0% | 3 % | $ 1,077.7 | 100.0% |
| | | | | | | | | |
| Paper PCC | $ 484.6 | 53.4% | (11)% | $ 547.2 | 49.2% | 1 % | $ 542.0 | 50.3% |
| Specialty PCC | 50.1 | 5.6% | (14)% | 58.5 | 5.3% | (3)% | 60.6 | 5.6% |
| PCC Products | $ 534.7 | | | | | | | |