

MINERALS TECHNOLOGIES INC
Form 10-K
February 21, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2013

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 25-1190717
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification Number)
622 Third Avenue
38th Floor 10017-6707
New York, New York (Zip Code)
(Address of principal executive office)
(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 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

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

Yes No

Indicate by check mark 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

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

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 [X] Accelerated Filer [] 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 28, 2013, was approximately \$1.2 billion. 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 10, 2014, the Registrant had outstanding 34,429,055 shares of common stock, all of one class.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement for its 2014 Annual Meeting of Stockholders are incorporated herein by reference in Part III of this Annual Report on Form 10-K.

MINERALS TECHNOLOGIES INC.
2013 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") 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 \$547.2 million, \$537.4 million and \$548.6 million for the years ended December 31, 2013, 2012 and 2011, 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.

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 in the production of 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 \$480.0 million, \$471.5 million and \$485.0 million for the years ended December 31, 2013, 2012 and 2011, respectively.

Approximately 47% 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, 2013, 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, OPACARB[®] PCC, a family of products for paper coating, and our FulFill[®] family of products, a system of high-filler technologies that offers papermakers a variety of efficient, flexible solutions which decrease dependency on natural fibers.

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 and Lifford, United Kingdom.

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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 2013, more than 90% of North American uncoated wood-free paper was produced employing alkaline technology. Presently, the Company owns and operates 16 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 23 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 20% 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 10 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 8 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 \$67.2 million, \$65.9 million and \$63.6 million for the years ended December 31, 2013, 2012 and 2011, 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 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 \$122.6 million, \$116.0 million and \$115.5 million for the years ended December 31, 2013, 2012 and 2011, respectively. Net sales of talc products were \$50.9 million, \$48.1 million and \$46.9 million for the years ended December 31, 2013, 2012 and 2011, respectively. Net sales of ground calcium carbonate ("GCC") products, which are principally lime and limestone, were \$71.7 million, \$67.9 million and \$68.6 million for the years ended December 31, 2013, 2012 and 2011, respectively.

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 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 approximately 20 years at its talc production facility. See Item 2, "Properties," for more information with respect to those facilities.

Our high quality limestone, dolomitic limestone, and talc products are defined primarily by the chemistry and color characteristics of the ore bodies. Ore samples are analyzed by x-ray fluorescence (XRF) and other techniques to determine purity and more generally by Hunter brightness measurement to determine dry brightness and the Hunter yellowness (b) value. We serve multiple markets from each of our operations, each of which has different requirements relating to a combination of chemical and physical properties.

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 \$348.4 million, \$343.4 million and \$368.8 million for the years ended December 31, 2013, 2012 and 2011, respectively.

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 \$264.0 million, \$264.1 million and \$287.4 million for the years ended December 31, 2013, 2012 and 2011. 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. We also signed an agreement with United Steel Company B.S.C. (SULB) to perform all refractory maintenance at a greenfield steel mill in Bahrain in 2012. Minteq, working with other refractory companies, is responsible for coordinating refractory maintenance of the steel furnaces and other steel production vessels. We generated sales of \$13.9 million from this contract in 2013 and we expect to generate on average \$10 million per year over the 3 year term of the contract. We are exploring the use of this business model for other operations.

The Company's technical service staff and application equipment assist customers to achieve 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 develop, reformulate, and optimize its products and application technology to maintain its competitive advantage in the market place. Some of the products the Company has developed and optimized in the past several years include:

HOTCRETE®: High durability shotcrete products for applications at high temperatures in ferrous applications such as steel ladles, electric arc furnaces (EAF) and basic oxygen furnaces (BOF) furnaces.

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.

DECTEQ™: A system for the automatic control of electrical power feeding electrodes used in electric arc steel making furnaces.

LACAM® Torpedo: A laser scanning system that measures the refractory lining thickness inside a Hot Iron (Torpedo) Ladle. The torpedo ladles transport liquid iron from a blast furnace to the steel plant.

LACAM®: A new, fourth generation Lacam® laser measurement device for use in the worldwide steel industry that is 17 times faster than the previous version. This new technology provides the fastest and most accurate laser scanning for hot surfaces available today.

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, Middle East, 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 arc 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 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 pyrolytic 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 \$84.4 million, \$79.3 million and \$81.4 million for the years ended December 31, 2013, 2012 and 2011. 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. We also manufacture cored wires at our Canaan, Connecticut and Hengelo, Netherlands, manufacturing sites. 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, the lime utilized in our business is readily available from numerous sources and we purchase lime under long-term supply contracts from unaffiliated suppliers located in close geographic proximity to the Company's PCC plants. We also produce lime at our Adams, Massachusetts facility and our Lifford, UK facility, although most of the lime produced at our Adams facility and all of the lime produced at our Lifford facility is consumed in the production of Specialty PCC at the plant. We currently supply some quantities of lime to third

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parties that are in close proximity to our Adams plant and could supply small quantities of lime to certain of our PCC satellite facilities that are in close geographic proximity to the Adams plant. Carbon dioxide is readily available in exhaust gas from the host paper mills, or other operations at our merchant facilities.

The principal raw materials used in the Company's monolithic refractory products are refractory-grade magnesia and various forms of alumina silicates. Approximately 45% percent of the Company's magnesia requirements were purchased from sources in China over the past five years. 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 has also affected the delivered cost of raw materials imported from China to North America and Europe. The Company has developed alternate sources of magnesia over the past few years that have reduced our reliance on China sourced magnesia. Presently, we procure the majority of our magnesia requirements from other locations, including Brazil, Turkey, United States, Netherlands, Russia and Japan. The amount sourced from China and other locations can vary from year to year depending upon price and availability from each source. The alumina we utilize in our business is readily available from numerous sources. 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.

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.

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; FulFill[®] high filler technology systems; the development of FASTFIRE[®] and OPTIFORM[®] shotcrete refractory products; LACAM[®] laser-based refractory measurement systems; the MINSCAN[®] and HOTCRETE[®] application systems; and EMforce[®], Optibloc[®] and Titanium Dioxide (TiO₂) extenders for the Processed Minerals and Specialty PCC product lines.

Under the FulFill[®] platform of products, the Company continues to develop its filler-fiber composite material. The FulFill[®] brand High Filler Technology is a portfolio of high-filler technologies that offers papermakers a variety of efficient, flexible solutions that decreases dependency on natural fiber and reduces costs. The FulFill[®] E-325 series allows papermakers to increase filler loading levels of precipitated calcium carbonate (PCC), which replaces higher

cost pulp, and increases PCC usage. Depending on paper grades, this PCC volume increase may range from 15 to 30 percent. The Company continues to progress in the commercialization of FulFill® E-325. We have signed agreements with fifteen paper mills and are actively engaged with additional paper mill sites for further FulFill® deployment. We continue product development with other products within this platform.

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, 2013, 2012 and 2011, the Company spent approximately \$20.1 million, \$20.2 million and \$19.3 million, respectively, on research and development. The Company's research and development spending for 2013, 2012 and 2011 was approximately 2.0%, 2.0% and 1.9% of net sales, respectively.

The Company maintains its primary research facilities in Bethlehem and Easton, Pennsylvania. It also has research and development facilities in China, Germany, Ireland, Japan and Turkey. Approximately 71 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 320 patents and approximately 878 trademarks related to its business. Our patents expire between 2014 and 2036. Our trademarks continue indefinitely. 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, 2013, the Company employed 1,978 persons, of whom 1,010 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.

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

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. Information related to our executive officers is included in Item 10, "Directors, Executive Officers and Corporate Governance."

Item 1A. Risk Factors

Our business faces significant risks. Set forth below are all risks that we believe are material at this time. Our business, financial condition and results of operations could be materially adversely affected by any of these risks. These risks should be read in conjunction with the other information in this Annual Report on Form 10-K.

Worldwide general economic, business, and industry conditions have had, and may continue to have, an adverse effect on the Company's results.

The global economic instability of the past few years has caused, among other things, declining consumer and business confidence, volatile raw material prices, instability in credit markets, high unemployment, fluctuating interest and exchange rates,

and other challenges. The Company's business and operating results have been and may continue to be adversely affected by these global economic conditions. The Company's customers and potential customers may experience deterioration of their businesses, cash flow shortages, and difficulty obtaining financing. As discussed below, the industries we serve, primarily paper, steel, construction and automotive, have in the past been adversely affected by the uncertain global economic climate due to the cyclical nature of their businesses. 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 affect their ability to fulfill their obligations to the Company. Adversity within capital markets may also impact the Company's results of operations by negatively affecting the amount of expense the Company records for its pension and other postretirement benefit plans. Actuarial valuations used to calculate income or expense for the plans reflect assumptions about financial market and other economic conditions – the most significant of which are the discount rate and the expected long-term rate of return on plan assets. Such actuarial valuations may change based on changes in key economic indicators. Global economic markets remain uncertain, and there can be no assurance that market conditions will improve in the near future. Future weakness in the global economy could materially and adversely affect our business and operating results.

The Company's operations are subject to the cyclical nature of its customers' businesses and we may not be able to mitigate that risk.

The majority of the Company's sales are to customers in industries that have historically been cyclical: paper, steel, construction, and automotive. These industries have been particularly adversely affected by the uncertain global economic climate. Our Refractories segment primarily serves the steel industry. In 2013, North American and European steel production was approximately 10% below 2008 levels due to reduced demand and several steel mill closures. In the paper industry, which is served by our Paper PCC product line, production levels for uncoated freesheet within North America and Europe, our two largest markets remain approximately 17% below 2008 levels.

The reduced demand for paper industry products has also caused the paper industry to experience a number of recent bankruptcies and paper mill closures, including among our customers. In addition, our Processed Minerals and Specialty PCC product lines are affected by the domestic building and construction markets and the automotive market. Housing starts in 2013 averaged approximately 928 thousand units. Housing starts were at a peak rate of 2.1 million units in 2005. Demand for our products is subject to these trends. In addition, these trends could cause our customers to face liquidity issues or bankruptcy, 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. The Company has taken steps to reduce its exposure to variations in its customers' businesses, including by diversifying its portfolio of products and services; through geographic expansion, and by structuring 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. However, there can be no assurance that these efforts will mitigate the risks of our dependence on these industries. Continued weakness in the industries we serve has had, and may in the future have, an adverse effect on sales of our products and our results of operations. A continued or renewed 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.

The Company's results could be adversely affected if it is unable to effectively achieve and implement its growth initiatives.

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 the BRIC (Brazil, Russia, India, China) countries and other Asian and Eastern European countries; 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 the FulFill® family of products for the paper industry. Difficulties, delays or

failure of any of these strategies could affect the future growth rate of the Company. Our strategy also anticipates growth through future acquisitions. However, our ability to identify and consummate any future acquisitions on terms that are favorable to us may be limited by the number of attractive acquisition targets, internal demands on our resources and our ability to obtain financing. Our success in integrating newly acquired businesses will depend upon our ability to retain key personnel, avoid diversion of management's attention from operational matters, and integrate general and administrative services. In addition, future acquisitions could result in the incurrence of additional debt, costs and contingent liabilities. Integration of acquired operations may take longer, or be more costly or disruptive to our business, than originally anticipated, and it is also possible that expected synergies from future acquisitions may not materialize. We also may incur costs and divert management attention with regard to potential acquisitions that are never consummated.

The Company announced on February 14, 2014 that it has made a proposal to acquire all outstanding shares of AMCOL International Corporation, a company publicly traded on the New York Stock Exchange, for \$42 per share in cash. While the Company is confident in its ability to finance the transaction, there can be no assurance financing will be available. If the proposal is accepted, the transaction would be expected to close in the first half of 2014 and would be conditioned upon customary closing conditions. This transaction, if consummated, would be subject to all of the risks described above.

The Company's sales of PCC could be adversely affected by our failure to renew or extend long term sales contracts for our satellite operations.

The Company's sales of PCC to paper customers are typically pursuant to long-term evergreen agreements, initially ten years in length, with paper mills where the Company operates satellite PCC plants. Sales pursuant to these contracts represent a significant portion of our worldwide Paper PCC sales, which were \$480.0 million in 2013, or approximately 47% of the Company's net sales. The terms of many of these agreements have been extended or renewed in the past, 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, or at all, 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.

The Company's sales could be adversely affected by consolidation in customer industries, principally paper and steel. Several consolidations in the paper industry have taken place in recent years and such consolidation could continue in the future. 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.

The Company is subject to stringent regulation in the areas of environmental, health and safety, and tax, and may incur unanticipated costs or liabilities arising out of claims for various legal, environmental and tax matters or product stewardship issues.

The Company's operations are subject to international, federal, state and local governmental environmental, health and safety, tax and other laws and regulations. We have expended, and may be required to expend in the future, substantial funds for compliance with such laws and regulations. In addition, future events, such as changes to or modifications of interpretations of existing laws and regulations, or enforcement policies, 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. Moreover, changes in tax regulation and international tax treaties could reduce the financial performance of our foreign operations.

The Company is currently a party in various litigation matters and tax and environmental proceedings and faces risks arising from various unasserted litigation matters, including, but not limited to, product liability, patent infringement, antitrust claims, and claims for third party property damage or personal injury stemming from alleged environmental torts. Failure to appropriately manage safety, human health, product liability and environmental risks associated with the Company's products and production processes could adversely impact the Company's employees and other stakeholders, the Company's reputation and its results of operations. Public perception of the risks associated with the Company's products and production processes could impact product acceptance and influence the regulatory environment in which the Company operates. While the Company has procedures and controls to manage these risks, carries liability insurance, which it believes to be appropriate to its businesses, and has provided reserves for current matters, which it believes to be adequate, an unanticipated liability, arising out of a current matter or proceeding or from the other risks described above, could have a material adverse effect on the Company's financial condition or results of operations.

Delays or failures in new product development could adversely affect the Company's operations.

The Company's future business success will depend in part upon its ability to maintain and enhance its technological capabilities, to respond to changing customer needs, and to successfully anticipate or respond to technological changes on a cost-effective and timely basis. 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.

The Company's ability to compete is dependent upon its ability to defend its intellectual property against inappropriate disclosure and infringement.

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.

The Company's operations could be impacted by the increased risks of doing business abroad.

The Company does business in many areas internationally. Approximately 45% of our sales in 2013 were derived from outside the United States and we have significant production facilities which are located outside of the United States. We have in recent years expanded our operations in emerging markets, and we plan to continue to do so in the future, particularly in China, India, Brazil, and Eastern Europe. Some of our operations are located in areas that have experienced political or economic instability, including Indonesia, Brazil, Thailand, China and South Africa.

As the Company expands its operations overseas, it faces increased risks of doing business abroad, including inflation, fluctuation in interest 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 the areas in which we do business could cause actual results to differ materially from historical and expected results. In addition, a significant portion of our raw material purchases and sales outside the United States are denominated in foreign currencies, and liabilities for non-U.S. operating expenses and income taxes are denominated in local currencies. Accordingly, reported sales, net earnings, cash flows and fair values have been and, in the future, will be affected by changes in foreign currency exchange rates. Our overall success as a global business depends, in part, upon our ability to succeed in differing legal, regulatory, economic, social and political conditions. We cannot assure you that we will implement policies and strategies that will be effective in each location where we do business.

The Company's operations are dependent on the availability of raw materials and access to ore reserves at its mining operations. Increases in costs of raw materials or energy could adversely affect our financial results.

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. Purchase prices and availability of these critical raw materials are subject to volatility. At any given time, we may be unable to obtain an adequate supply of these critical raw materials on a timely basis, on price and other terms, or at all. While most such raw materials are readily available, the Company purchases approximately forty-five percent of its magnesia requirements from sources in China. The majority of magnesia requirements were purchased from other countries. The price and availability of magnesia have fluctuated in the past and they may fluctuate in the future. Price increases for certain other of our raw materials, as well as increases in energy prices, have also affected our business. Energy costs typically have the most significant impact in the production of our Processed Minerals and Specialty PCC products, but also affect the cost of raw materials purchased in our Paper PCC product line and Refractories Segment. The contracts pursuant to which we construct and operate our satellite PCC plants generally adjust pricing to reflect the pass-through of increases in costs resulting from inflation, including energy. However, there is a time lag before such price adjustments can be implemented. The Company and its customers, especially customers for the Refractories Segment, Processed Minerals and Specialty PCC product lines will typically negotiate reasonable price adjustments in order to recover these escalating costs, but there can be no assurance that we will be able to recover increasing costs through such negotiations. In 2013, increased raw materials costs affected our Specialty Minerals segment by \$4.7 million. These increased raw material costs were partially offset by price increases.

The Company also depends on having adequate access to ore reserves of appropriate quality at its mining operations. There are numerous uncertainties inherent in estimating ore reserves including subjective judgments and determinations that are based on available geological, technical, contract and economic information.

We cannot predict whether, and how much, prices for our key raw materials will increase in the future. Changes in the costs or availability of such raw materials, to the extent we cannot recover them in price increases to our customers, could adversely affect the Company's results of operations.

The Company operates in very competitive industries, which could adversely affect our profitability.

The Company has many competitors. Some of our principal competitors have greater financial and other resources than we have. Accordingly, these competitors may be better able to withstand changes in conditions within the industries in which we operate and may have significantly greater operating and financial flexibility than we do. As a result of the competitive environment in the markets in which we operate, we currently face and will continue to face pressure on the sales prices of our products from competitors, which could reduce profit margins.

Production facilities are subject to operating risks and capacity limitations that may adversely affect the Company's financial condition or results of operations.

The Company is dependent on the continued operation of its production facilities. Production facilities are subject to hazards associated with the manufacturing, handling, storage, and transportation of chemical materials and products, including pipeline leaks and ruptures, explosions, fires, inclement weather and natural disasters, mechanical failure, unscheduled downtime, labor difficulties, transportation interruptions, and environmental risks. We maintain property, business interruption and casualty insurance but such insurance may not cover all risks associated with the hazards of our business and is subject to limitations, including deductibles and maximum liabilities covered. We may incur losses beyond the limits, or outside the coverage, of our insurance policies. Further, from time to time, we may experience capacity limitations in our manufacturing operations. In addition, if we are unable to effectively forecast our customers' demand, it could affect our ability to successfully manage operating capacity limitations. These hazards, limitations, disruptions in supply and capacity constraints could adversely affect financial 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 satellite PCC plants in operation or under construction as of December 31, 2013. 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.

| <u>Location</u> | <u>Principal Customer</u> |
|--------------------------------|---|
| 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 |
| Michigan, Quinnesec | Verso Paper Holdings LLC |
| Minnesota, Cloquet | Sappi Ltd. |
| Minnesota, International Falls | Boise Inc. |
| New York, Ticonderoga | International Paper Company |
| Ohio, Chillicothe | P.H. Glatfelter Co. |
| Ohio, West Carrollton | Appleton Papers Inc. |
| South Carolina, Eastover | 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, Superior | New Page Corporation |
| Wisconsin, Wisconsin Rapids | New Page Corporation |

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, Suzhou ¹ | Gold HuaSheng Paper Company Ltd. |
| China, Henan ² | Henan Jianghe Paper Co., Ltd. |
| China, Guangxi ² | Nanning Jindaxing Paper Industry Company Ltd |
| China, Shandong ² | Shandong Sun Paper Industry Joint Stock Company Ltd |
| Finland, Äänekoski | M-real Corporation |
| Finland, Tervakoski | Trierenberg Holding |
| France, Alizay | Double A Paper Company Ltd. |
| France, Docelles | UPM Corporation |
| France, Saillat Sur Vienne | International Paper Company |
| Germany, Schongau | UPM Corporation |
| India, Ballarshah ¹ | Ballarpur Industries Ltd. |
| India, Dandeli | West Coast Paper Mill Ltd. |
| India, Gaganapur ¹ | Ballarpur Industries Ltd. |
| India, Saila Khurd | ABC Paper Ltd. |
| India, Rayagada ¹ | JK Paper |
| Indonesia, Perawang ¹ | PT Indah Kiat Pulp and Paper Corporation |
| Japan, Shiraoi ¹ | Nippon Paper Group Inc. |
| Malaysia, Sipitang | Ballarpur Industries Ltd. |
| Mexico, Anahuac | 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, Namphong | Phoenix Pulp & Paper Public Co. Ltd. |
| Thailand, Tha Toom ¹ | Double A Paper Company Ltd. |
| Thailand, Tha Toom 2 ¹ | Double A Paper Company Ltd. |

¹ These plants are owned through joint ventures.

² These plants are under construction.

The Company also owned and operated at December 31, 2013, 7 plants engaged in the mining, processing and/or production of lime, limestone, precipitated calcium carbonate and talc, as well as owned or leased and operated 17 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:

| <u>Location</u> | <u>Facility</u> | <u>Product Line</u> |
|----------------------------|----------------------------|---------------------------------------|
| United States | | |
| Arizona, Pima County | Plant; Quarry ¹ | Limestone |
| California, Lucerne Valley | Plant; Quarry | Limestone |
| Connecticut, Canaan | Plant; Quarry | Limestone, Metallurgical Wire/Calcium |
| Indiana, Portage | Plant | Refractories/Shapes |
| Louisiana, Baton Rouge | Plant | Monolithic Refractories |
| Massachusetts, Adams | Plant; Quarry | Limestone, Lime, PCC |
| Montana, Dillon | Plant; Quarry | Talc |
| New York, New York | Headquarters ² | All Company Products |
| Ohio, Bryan | Plant | Monolithic Refractories |
| Ohio, Dover | Plant | Monolithic Refractories/Shapes |
| | | All Company Products |

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| | | |
|--------------------------------|---|---|
| Pennsylvania, Bethlehem | Administrative Office; Research laboratories; Sales Offices | |
| 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 |
| <u>Location</u> | <u>Facility</u> | <u>Product Line</u> |
| International | | |
| Australia, Carlingford | Sales Office ² | Monolithic Refractories |
| Belgium, Brussels | Sales Office ² /Administrative Office | Monolithic Refractories/PCC |
| Brazil, Sao Jose dos Campos | Sales Office ² /Administrative Office | PCC |
| Canada, Pt. Claire | Administrative Office | PCC/Monolithic Refractories |
| China, Shanghai | Administrative Office/Sales Office | PCC/Monolithic Refractories |
| China, Suzhou | Plant/Sales Office/Research laboratories | PCC/Monolithic Refractories |
| Germany, Duisburg | Plant/Sales Office/Research laboratories | Laser Scanning Instrumentation/ Probes/Monolithic Refractories |

| <u>Location</u> | <u>Facility</u> | <u>Product Line</u> |
|--------------------------------|--|---|
| Holland, Hengelo | Plant/Sales Office | Metallurgical Wire |
| India, Mumbai | Sales Office ² /Administrative Office | PCC/Monolithic Refractories/ Metallurgical Wire |
| Ireland, Cork | Plant; Administrative Office ² / Research laboratories | Monolithic Refractories |
| Italy, Brescia | Sales Office | Monolithic Refractories/Shapes |
| Italy, Nave | Plant | Monolithic Refractories/Shapes |
| Japan, Gamagori | Plant/Research laboratories | Monolithic Refractories/Shapes, Calcium |
| Japan, Tokyo | Sales Office | Monolithic Refractories |
| Singapore | Sales Office ² /Administrative Office | PCC |
| Spain, Santander | Sales Office ² /Administrative Office | Monolithic Refractories |
| South Africa, Pietermaritzburg | Plant | Monolithic Refractories |
| South Africa, Johannesburg | Sales Office/Administrative Office ² | Monolithic Refractories |
| Turkey, Gebze a | Plant/Research Laboratories | Monolithic Refractories/Shapes/ Application Equipment |
| Turkey, Istanbul | Sales Office/Administrative 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 and quarry is leased to another company.

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 2021.

The following sets forth, for each of the quarries or mines we own or operate, as set forth above, our current estimate as to the amount of reserves such quarry or mine holds, based on the most recent mine plan, and its usage rate in 2013.

Millions of tons

| <u>Location</u> | <u>Reserves</u> | <u>2013 Usage</u> |
|----------------------------|-----------------|-------------------|
| Arizona, Pima County | 8.73 | 0.17 |
| California, Lucerne Valley | 47.07 | 0.87 |
| Connecticut, Canaan | 20.41 | 0.46 |
| Massachusetts, Adams | 25.59 | 0.58 |
| Montana, Dillon | 3.76 | 0.18 |

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 72 pending silica cases and 15 pending asbestos cases. To date, 1,394 silica cases and 34 asbestos cases have been dismissed. Two new asbestos cases were filed in the fourth quarter of 2013. 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 continues to be insignificant. The majority of the costs of defense are reimbursed by Pfizer Inc. pursuant to the terms of certain agreements entered into in connection with the Company's initial public offering in 1992. Of the 15 pending asbestos cases, all allege liability based on products sold largely or entirely prior to the initial public offering, and for which the Company is therefore entitled to indemnification pursuant to such agreements. 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 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") and mercury at a portion of the site. We have completed the required investigations and submitted several reports characterizing the contamination. We are now conducting a site-specific risk assessment required by the regulators.

We believe that the most likely form of overall site remediation will be to leave the existing contamination in place (with some limited soil removal), encapsulate it, and monitor the effectiveness of the encapsulation. We anticipate that a substantial portion of the remediation cost will be borne by the United States based on its involvement at the site from 1942 – 1964, as historic documentation indicates that PCBs and mercury were first used at the facility at a time of U.S. government ownership for production of materials needed by the military. Though the cost of the likely remediation remains uncertain pending completion of the phased remediation decision process, we have estimated that the Company's share of the cost of the encapsulation and limited soil removal described above would approximate \$0.4 million, which has been accrued as of December 31, 2013.

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 ("DEP") on June 18, 2002. This order was amended on June 1, 2009 and on June 2, 2010. The amended Order 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 \$0.4 million, which has been accrued as of December 31, 2013.

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. Mine Safety Disclosures

The information concerning mine safety violations or other regulatory matters required by Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K is included in Exhibit 95 to this Annual Report on Form 10-K.

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. On December 11, 2012, the Company effected a two-for-one stock split in the form of a stock dividend. Accordingly, all share and per share data presented reflects the effect of the stock split. See Note 1 to the consolidated financial statements "Summary of Significant Accounting Policies," for additional information.

| <u>2013 Quarters</u> | First | Second | Third | Fourth |
|--|---------|---------|---------|---------|
| Market Price Range Per Share of Common Stock | | | | |
| High | \$43.04 | \$43.12 | \$49.03 | \$60.40 |
| Low | 39.54 | 38.43 | 42.53 | 49.28 |
| Close | 41.51 | 41.34 | 48.95 | 60.07 |
| Dividends paid per common share | \$0.05 | \$0.05 | \$0.05 | \$0.05 |

2012 Quarters

| | First | Second | Third | Fourth |
|--|---------|---------|---------|---------|
| Market Price Range Per Share of Common Stock | | | | |
| High | \$33.96 | \$33.60 | \$36.99 | \$39.92 |
| Low | 28.78 | 30.81 | 30.50 | 34.25 |
| Close | 32.70 | 31.89 | 35.46 | 39.92 |
| Dividends paid per common share | \$0.025 | \$0.025 | \$0.025 | \$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 | 1,131,415 | \$ 32.42 | 1,144,989 |
| Total | 1,131,415 | \$ 32.42 | 1,144,989 |

¹ The Company's only equity compensation plan has been approved by the Company's stockholders.

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 30 – October 27 | 110,700 | \$ 52.06 | 110,700 | 144,540,946 |
| October 28 – November 24 | 35,400 | \$ 56.55 | 35,400 | 142,539,032 |
| November 25 - December 31 | -- | \$ -- | -- | 142,539,032 |
| Total | 146,100 | \$ 53.15 | | |

In 2011, the Company's Board of Directors authorized the Company's management to repurchase, at its discretion, up to \$75 million of shares over a two-year period. The \$75 million repurchase program was completed on October 1, 2013. The Company repurchased 1,646,097 shares at an average price of approximately \$45.54 per share under this program.

On September 19, 2013, the Company's Board of Directors authorized the Company's management to repurchase, at its discretion, up to \$150 million of the Company's shares over a two-year period commencing upon completion of the repurchase program authorized in 2011. As of December 31, 2013, 139,900 shares have been repurchased under this program for \$7.5 million, or an average price of approximately \$53.33 per share.

On January 22, 2014, 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 10, 2014, the last reported sales price on the NYSE was \$51.32 per share. As of February 10, 2014, there were approximately 169 holders of record of the common stock.

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The graph below compares Minerals Technologies Inc.'s cumulative 1-year total shareholder return on common stock with the cumulative total returns of the S&P 500 index, the Dow Jones US Industrials index, the S&P Midcap 400 index, the Dow Jones US Basic Materials index, and the S&P MidCap 400 Materials Sector. The graph tracks the performance of a \$100 investment in our common stock and in each index (with the reinvestment of all dividends) from 12/31/2012 to 12/31/2013.

| | 12/12 | 12/13 |
|---------------------------------|--------|--------|
| Minerals Technologies Inc. | 100.00 | 151.13 |
| S&P 500 | 100.00 | 132.39 |
| S&P Midcap 400 | 100.00 | 133.50 |
| Dow Jones US Industrials | 100.00 | 140.61 |
| Dow Jones US Basic Materials | 100.00 | 120.38 |
| S&P MidCap 400 Materials Sector | 100.00 | 125.10 |

The graph below compares Minerals Technologies Inc.'s cumulative 2-year total shareholder return on common stock with the cumulative total returns of the S&P 500 index, the Dow Jones US Industrials index, the S&P Midcap 400 index, the Dow Jones US Basic Materials index, and the S&P MidCap 400 Materials Sector. The graph tracks the performance of a \$100 investment in our common stock and in each index (with the reinvestment of all dividends) from 12/31/2011 to 12/31/2013.

| | 12/11 | 12/12 | 12/13 |
|---------------------------------|--------|--------|--------|
| Minerals Technologies Inc. | 100.00 | 141.93 | 214.50 |
| S&P 500 | 100.00 | 116.00 | 153.58 |
| S&P Midcap 400 | 100.00 | 117.88 | 157.37 |
| Dow Jones US Industrials | 100.00 | 117.87 | 165.74 |
| Dow Jones US Basic Materials | 100.00 | 110.49 | 133.00 |
| S&P MidCap 400 Materials Sector | 100.00 | 125.35 | 156.81 |

The graph below compares Minerals Technologies Inc.'s cumulative 3-year total shareholder return on common stock with the cumulative total returns of the S&P 500 index, the Dow Jones US Industrials index, the S&P Midcap 400 index, the Dow Jones US Basic Materials index, and the S&P MidCap 400 Materials Sector. The graph tracks the performance of a \$100 investment in our common stock and in each index (with the reinvestment of all dividends) from 12/31/2010 to 12/31/2013.

| | 12/10 | 12/11 | 12/12 | 12/13 |
|---------------------------------|--------|--------|--------|--------|
| Minerals Technologies Inc. | 100.00 | 86.71 | 123.06 | 185.99 |
| S&P 500 | 100.00 | 102.11 | 118.45 | 156.82 |
| S&P Midcap 400 | 100.00 | 98.27 | 115.84 | 154.64 |
| Dow Jones US Industrials | 100.00 | 99.21 | 116.94 | 164.43 |
| Dow Jones US Basic Materials | 100.00 | 85.28 | 94.23 | 113.43 |
| S&P MidCap 400 Materials Sector | 100.00 | 98.67 | 123.68 | 154.73 |

The graph below compares Minerals Technologies Inc.'s cumulative 5-year total shareholder return on common stock with the cumulative total returns of the S&P 500 index, the Dow Jones US Industrials index, the S&P Midcap 400 index, the Dow Jones US Basic Materials index, and the S&P MidCap 400 Materials Sector. The graph tracks the performance of a \$100 investment in our common stock and in each index (with the reinvestment of all dividends) from 12/31/2008 to 12/31/2013.

| | 12/08 | 12/09 | 12/10 | 12/11 | 12/12 | 12/13 |
|---------------------------------|--------|--------|--------|--------|--------|--------|
| Minerals Technologies Inc. | 100.00 | 133.84 | 161.32 | 139.88 | 198.52 | 300.03 |
| S&P 500 | 100.00 | 126.46 | 145.51 | 148.59 | 172.37 | 228.19 |
| S&P Midcap 400 | 100.00 | 137.38 | 173.98 | 170.96 | 201.53 | 269.04 |
| Dow Jones US Industrials | 100.00 | 126.07 | 158.88 | 157.63 | 185.80 | 261.25 |
| Dow Jones US Basic Materials | 100.00 | 165.51 | 218.03 | 185.94 | 205.44 | 247.30 |
| S&P MidCap 400 Materials Sector | 100.00 | 148.00 | 185.27 | 182.80 | 229.14 | 286.66 |

Item 6. Selected Financial Data

Dollars in Millions, Except Per Share Data

| Income Statement Data: | 2013 | 2012 | 2011 | 2010 | 2009 |
|--|-----------|---------|-----------|---------|-----------|
| Net sales | \$1,018.2 | \$996.8 | \$1,032.9 | \$989.2 | \$897.5 |
| Cost of goods sold | 784.5 | 774.5 | 818.7 | 779.3 | 740.6 |
| Production margin | 233.7 | 222.3 | 214.2 | 209.9 | 156.9 |
| Marketing and administrative expenses | 89.2 | 88.5 | 91.2 | 89.4 | 90.3 |
| Research and development expenses | 20.1 | 20.2 | 19.3 | 19.4 | 19.7 |
| Insurance settlement (gain) | (2.5) | -- | -- | -- | -- |
| Impairment of assets | -- | -- | -- | -- | 39.8 |
| Restructuring and other costs | -- | -- | (0.4) | 0.8 | 22.0 |
| Income (loss) from operations | 126.9 | 113.6 | 104.1 | 100.3 | (14.9) |
| Non-operating income (deductions), net | (3.2) | (3.0) | (2.7) | 0.4 | (6.3) |
| Income (loss) from continuing operations before provision (benefit) for taxes on income (loss) | 123.7 | 110.6 | 101.4 | 100.7 | (21.2) |
| Provision (benefit) for taxes on income (loss) | 34.5 | 31.9 | 28.7 | 29.6 | (4.8) |
| Income (loss) from continuing operations | 89.2 | 78.7 | 72.7 | 71.1 | (16.4) |
| Loss from discontinued operations, net of tax | (5.8) | (2.5) | (2.5) | (1.2) | (4.5) |
| Consolidated net income (loss) | 83.4 | 76.2 | 70.2 | 69.9 | (20.9) |
| Less: Net income attributable to non-controlling interests | (3.1) | (2.1) | (2.7) | (3.0) | (2.9) |
| Net income (loss) attributable to Minerals Technologies Inc. (MTI) | \$80.3 | \$74.1 | \$67.5 | \$66.9 | \$(23.8) |
| Earnings Per Share | | | | | |
| Basic: | | | | | |
| Earnings (loss) from continuing operations attributable to MTI | \$2.48 | \$2.17 | \$1.94 | \$1.83 | \$(0.52) |
| Loss from discontinued operations attributable to MTI | (0.17) | (0.07) | (0.07) | (0.03) | (0.12) |
| Basic earnings (loss) per share attributable to MTI | \$2.31 | \$2.10 | \$1.87 | \$1.80 | \$(0.64) |
| Diluted: | | | | | |
| Earnings (loss) from continuing operations attributable to MTI | \$2.46 | \$2.16 | \$1.93 | \$1.82 | \$(0.52) |
| Loss from discontinued operations attributable to MTI | (0.16) | (0.07) | (0.07) | (0.03) | (0.12) |
| Diluted earnings (loss) per share attributable to MTI | \$2.30 | \$2.09 | \$1.86 | \$1.79 | \$(0.64) |
| Weighted average number of common shares outstanding: | | | | | |
| Basic | 34,690 | 35,340 | 36,018 | 37,228 | 37,448 |

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| | | | | | |
|-------------------------------------|--------|---------|--------|--------|--------|
| Diluted | 34,976 | 35,529 | 36,236 | 37,386 | 37,448 |
| Dividends declared per common share | \$0.20 | \$0.125 | \$0.10 | \$0.10 | \$0.10 |

Balance Sheet Data:

| | | | | | |
|----------------------------|---------|---------|---------|---------|---------|
| Working capital | \$634.2 | \$514.4 | \$539.4 | \$520.3 | \$447.8 |
| Total assets | 1,217.5 | 1,211.2 | 1,165.0 | 1,116.1 | 1,072.1 |
| Long-term debt | 75.0 | 8.5 | 85.4 | 92.6 | 92.6 |
| Total debt | 88.7 | 92.6 | 99.8 | 97.2 | 104.1 |
| Total shareholders' equity | 874.4 | 813.7 | 768.0 | 782.7 | 747.7 |

Shares and per share amounts have been retrospectively adjusted for all periods presented for the two-for-one stock split on December 11, 2012. See Note 1 to the consolidated financial statements, "Summary of Significant Accounting Policies", for additional information.

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

Cautionary Statement for "Safe Harbor" Purposes under the Private Securities Litigation Reform Act of 1995

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements made by or on behalf of the Company. This report contains statements that the Company believes may be "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934, particularly statements relating to the Company's objectives, plans or goals, 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 "believes," "expects," "plans," "intends," "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. Many of these risks and uncertainties are difficult to predict or are beyond the Company's control. Consequently, no forward-looking statements can be guaranteed. Actual future results may vary materially. Significant factors affecting the expectations and forecasts are set forth under "Item 1A — Risk Factors" in this Annual Report on Form 10-K.

The Company undertakes no obligation to update any forward-looking statements to reflect events or circumstances that arise after the date hereof. Investors should refer to the Company's subsequent filings under the Securities Exchange Act of 1934 for further disclosures.

Income and Expense Items as a Percentage of Net Sales

| Year Ended December 31, | 2013 | 2012 | 2011 |
|--|--------|--------|--------|
| Net sales | 100.0% | 100.0% | 100.0% |
| Cost of goods sold | 77.1 | 77.7 | 79.3 |
| Production margin | 22.9 | 22.3 | 20.8 |
| Marketing and administrative expenses | 8.8 | 8.9 | 8.8 |
| Research and development expenses | 2.0 | 2.0 | 1.9 |
| Insurance settlement (gain) | (0.3) | -- | -- |
| Restructuring charges | -- | -- | -- |
| Income from operations | 12.5 | 11.4 | 10.1 |
| Income from continuing operations before provision for taxes on income | 12.2 | 11.1 | 9.8 |
| Provision for taxes on income | 3.4 | 3.2 | 2.8 |
| Income from continuing operations | 8.8 | 7.9 | 7.0 |
| Net income | 7.9 | % 7.4 | % 6.5 |

Executive Summary

The Company reported record earnings per share for 2013, the fourth consecutive year of record earnings. Earnings from continuing operations in 2013 were \$2.46 per share, an increase of 14% from 2012. The results reflected continued solid financial performance.

Worldwide sales were \$1.02 billion compared with \$1.00 billion in 2012, an increase of 2 percent. Foreign exchange had an unfavorable impact on sales of \$11.2 million or 1 percentage point.

Income from operations grew 12 percent to \$126.9 million as compared to \$113.6 million in the prior year and represented 12.5% of sales. This increase was due to a strong operating performance highlighted by 5-percent company-wide productivity improvements, which resulted in savings of \$3.3 million, and continued cost and expense control. Income from operations also included a one-time insurance settlement gain of \$2.5 million. The strong operating performance occurred in both segments. The Specialty Minerals segment's income from operations increased 12 percent to a record \$98.4 million in 2013 and represented 14.7% of sales. This increase was attributable to a strong performance in Paper PCC due to contributions from the Fulfill® technology, the startup of two new satellite plants and productivity improvements and price increases in both the PCC and Processed Minerals product lines. The Refractories segment's operating income increased 10% to \$35.9 million, including the insurance gain, and represented 10.3% of sales. This segment attained strong productivity improvements, higher metallurgical wire sales and improved profitability in Europe.

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In 2013, the Company continued to advance the execution of its growth strategies of geographic expansion and new product innovation and development. During the year, we experienced sales growth of 6% in our Paper PCC operations in Asia due primarily to the startup of two new satellite plants, one in India and one in Thailand. In addition, we signed contracts for two new satellite PCC facilities in China and in Europe which will add approximately 60,000 tons of production capacity and should be operational by the fourth quarter of 2014. In January 2014, we signed an agreement with UPM-Kymmene Corporation for a 100,000-ton satellite in Changshu, China which should be operational in the first quarter of 2015. We presently have four PCC facilities under construction in China. The Company continues to see progress in our major growth strategy of developing and commercializing new products in advancing our FulFill® platform of technologies of high filler loading. We presently have 15 commercial contracts for FulFill®. In 2013 the FulFill® program generated \$2.5 million of operating income and we expect to generate operating income between \$4.0 million and \$4.5 million in 2014. Our agreement with United Steel Company B.S.C. (SULB), to perform all refractory maintenance at a greenfield steel mill in Bahrain which began operations in the third quarter of 2012, generated sales of \$12.5 million in 2013. We expect to generate on average \$10 million per year over the 3 year term of the contract.

The Company discontinued its operations at its merchant PCC facility at Walsum, Germany in the second quarter of 2013. In connection with the Company's 2007 restructuring of its European coating PCC operations, the Company recorded an impairment charge related to its Walsum facility. This facility continued to operate well below capacity levels into 2013. The Company recorded a pre-tax charge for closure costs of this facility in the second quarter of \$5.9 million. The loss from discontinued operations in 2013 was \$0.16 per share compared with \$0.07 per share in 2012. All prior periods have been restated to reflect the reclassification as a discontinued operation.

The Company's balance sheet as of December 31, 2013 continues to be very strong. Cash, cash equivalents and short-term investments at December 31, 2013 were approximately \$506.0 million. Our cash flows from continuing operations were \$137.5 million in 2013. In addition, we had available lines of credit of \$189.7 million, our debt to capital ratio was 9.2%, and our current ratio was 4.5.

Outlook

Looking forward, we remain cautious about the state of the global economy, and the impact it will have on our product lines. Although we saw market stabilization and improvement in 2013, there remains uncertainty as to the sustainability of the upturn.

In 2014, the Company will continue to focus on innovation and new product development and other opportunities for sales growth as follows:

- Develop multiple high-filler technologies, such as filler-fiber, under the FulFill® platform of products, to increase the fill rate in freesheet paper and continue to progress with commercial discussions and full-scale paper machine trials.
- Develop products and processes for waste management and recycling, opportunities to reduce the environmental impact of the paper mill, reduce energy consumption and improve the sustainability of the papermaking process and further penetration into the packaging segment of the paper industry.
- Increase 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.
- Expand the Company's PCC coating product line using the satellite model.
- Promote the Company's expertise in crystal engineering, especially in helping papermakers customize PCC morphologies for specific paper applications.
- Expand PCC produced for paper filling applications by working with industry partners to develop new methods to increase the ratio of PCC for fiber substitutions.
- Develop unique calcium carbonates and talc products used in the manufacture of novel biopolymers, a new market opportunity.

- Deploy new talc and GCC products in paint, coating and packaging applications.
- Deploy value-added formulations of refractory materials that not only reduce costs but improve performance.
- Expand our solid core wire product line into BRIC, Middle Eastern and other Asian countries.
- Deploy our laser measurement technologies into new applications.
- Expand our refractory maintenance model to other steel makers globally.
- Deploy 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 | 2013 | % of Total Sales | Growth | 2012 | % of Total Sales | Growth | 2011 | % of Total Sales | |
|-----------------------------|-----------|------------------|--------|---------|------------------|--------|-----------|------------------|---|
| U.S. | \$563.5 | 55.3 | % 0 | \$562.5 | 56.4 | % 1 | \$557.5 | 54.0 | % |
| International | 454.7 | 44.7 | % 5 | 434.3 | 43.6 | % (9) | 475.4 | 46.0 | % |
| Net sales | \$1,018.2 | 100.0 | % 2 | \$996.8 | 100.0 | % (3) | \$1,032.9 | 100.0 | % |
| Paper PCC | \$480.0 | 47.2 | % 2 | \$471.5 | 47.3 | % (3) | \$485.0 | 47.0 | % |
| Specialty PCC | 67.2 | 6.6 | % 2 | 65.9 | 6.6 | % 4 | 63.6 | 6.1 | % |
| PCC Products | \$547.2 | 53.8 | % 2 | \$537.4 | 53.9 | % (2) | \$548.6 | 53.1 | % |
| Talc | \$50.9 | 5.0 | % 6 | \$48.1 | 4.8 | % 3 | \$46.9 | 4.5 | % |
| GCC | 71.7 | 7.0 | % 6 | 67.9 | 6.8 | % (1) | 68.6 | 6.7 | % |
| Processed Minerals Products | \$122.6 | 12.0 | % 6 | \$116.0 | 11.6 | % 0 | \$115.5 | 11.2 | % |
| Specialty Minerals Segment | \$669.8 | 65.8 | % 3 | \$653.4 | 65.5 | % (2) | \$664.1 | 64.3 | % |
| Refractory Products | \$264.0 | 25.9 | % 0 | \$264.1 | 26.5 | % (8) | \$287.4 | 27.8 | % |
| Metallurgical Products | 84.4 | 8.3 | % 6 | 79.3 | 8.0 | % (3) | 81.4 | 7.9 | % |
| Refractories Segment | \$348.4 | 34.2 | % 1 | \$343.4 | 34.5 | % (7) | \$368.8 | 35.7 | % |
| Net sales | \$1,018.2 | 100.0 | % 2 | \$996.8 | 100.0 | % (3) | \$1,032.9 | 100.0 | % |

Worldwide net sales in 2013 increased 2% from the previous year to \$1.02 billion. Foreign exchange had an unfavorable impact on sales of \$11.2 million or 1 percentage point of growth. Sales in the Specialty Minerals segment, which includes the PCC and Processed Minerals product lines, increased 3% to \$669.8 million from \$653.4 million in 2012. Sales in the Refractories segment increased 1% to \$348.4 million from \$343.4 million in the previous year.

In 2012, worldwide net sales decreased 3% to \$996.8 million from \$1.03 billion in the prior year. Foreign exchange had an unfavorable impact on sales of \$25.7 million, or 2 percentage points of growth. In 2012, Specialty Minerals segment sales decreased 2% and Refractories segment sales decreased 7% from 2011 levels.

In 2013, worldwide net sales of PCC, which is primarily used in the manufacturing process of the paper industry, increased 2% to \$547.2 million from \$537.4 million in the prior year. Foreign exchange had an unfavorable impact on 2013 sales of approximately \$6.0 million or 1 percentage point of growth. Worldwide net sales of Paper PCC increased 2% to \$480.0 million from \$471.5 million in the prior year. This increase was due to sales growth in Asia of 6%, the re-start of our Alizay, France satellite, increased usage of FulFill® technology at existing customers, and increased pricing were partially offset by several temporary paper mill and paper machine shutdowns in North America and Europe. The sales growth in Asia was primarily related to the start-up and ramp-up of three new PCC satellites. Sales of Specialty PCC increased 2% to \$67.2 million from \$65.9 million in 2012. This increase was due to higher volumes in the U.S. as a result of our expansion at Adams, Massachusetts and increased pricing, partially offset by weak demand in Europe.

In 2012 worldwide net sale of PCC decreased 2% to \$537.4 million from \$548.6 million in the prior year. Foreign exchange had an unfavorable impact on 2012 sales of approximately \$16.5 million or 3 percentage points of growth. Worldwide net sales of Paper PCC decreased 3% to \$471.5 million from \$485.0 million in the prior year. Volumes for this product line decreased 3 percent, primarily in Europe. Sales were affected by the closure of one satellite PCC facility in Finland, and the temporary shutdown of a satellite PCC facility in France, both of which occurred in the fourth quarter of 2011. There were, however, increased volumes from new satellites which largely offset the volume decline. Sales of Specialty PCC increased 4% to \$65.9 million from \$63.6 million in 2011. This increase was attributable to higher volumes and the effects of foreign exchange.

Net sales of Processed Minerals products in 2013 increased 6% to \$122.6 million from \$116.0 million in 2012. Ground Calcium Carbonate (GCC) products increased 6% to \$71.7 million due to volume growth of 3% and increased pricing. Talc products increased 6% to \$50.9 million. This growth was attributable to increased pricing and 3% higher volumes.

Net sales of Processed Minerals products in 2012 were relatively flat at \$116.0 million as compared to \$115.5 million in 2011. GCC products decreased 1% to \$67.9 million while talc products increased 3% to \$48.1 million. Volume decreases of 2% were offset by price increases.

Net sales in the Refractories segment in 2013 increased 1% to \$348.4 million from \$343.4 million in the prior year. Foreign exchange had an unfavorable impact on 2013 sales of \$5.1 million, or approximately 1 percentage point.

Sales of refractory products and systems to steel and other industrial applications decreased slightly to \$264.0 million from \$264.1 million as new business in

Europe, primarily from the operations in Bahrain, were offset by lower demand in North America, and lower sales to non-steel applications. Sales of metallurgical products within the Refractories segment increased 6% to \$84.4 million as compared with \$79.3 million last year primarily attributable to higher volumes in North America and Europe.

Net sales in the Refractories segment in 2012 decreased 7% to \$343.4 million from \$368.8 million in the prior year. Foreign exchange had an unfavorable impact on 2012 sales of \$9.3 million, or approximately 3 percentage points. Sales of refractory products and systems to steel and other industrial applications decreased 8% to \$264.1 million from \$287.4 million. Sales of metallurgical products within the Refractories segment decreased 3% to \$79.3 million as compared with \$81.4 million in the prior year. The decreases in all product lines within this segment were primarily due to volume reductions in all regions and the effects of foreign exchange.

Net sales in the United States grew slightly to \$563.5 million in 2013 and represented approximately 55.3% of consolidated net sales. International sales increased approximately 5% to \$454.7 million from \$434.3 million.

Operating Costs and Expenses (Dollars in millions)

| | 2013 | Growth | 2012 | Growth | 2011 |
|------------------------------|----------|--------|-----------|--------|------------|
| Cost of goods sold | \$784.5 | 1 | % \$774.5 | (5) | % \$818.7 |
| Marketing and administrative | \$89.2 | 1 | % \$88.5 | (3) | % \$91.2 |
| Research and development | \$20.1 | (1) | % \$20.2 | 5 | % \$19.3 |
| Insurance settlement (gain) | \$(2.5) | * | % \$-- | * | % \$-- |
| Restructuring charges | \$-- | * | % \$-- | * | % \$(0.4) |

* Percentage not meaningful

Cost of goods sold in 2013 was 77.1% of sales compared with 77.7% in the prior year. Production margin increased \$11.3 million, or 5% as compared with a 2% increase in sales. In the Specialty Minerals segment, production margin increased 8%, or \$10.9 million, as compared with a 3% increase in sales. This was primarily attributable to improved profitability in Asia and volume increases of approximately \$3.5 million, price increases, net of raw material cost increases, of \$8.5 million, and continued productivity and cost improvements of \$2.9 million.

This was partially offset by higher energy costs of \$2.6 million and the effect foreign exchange of \$1.4 million. In the Refractories segment, production margin increased \$0.5 million, or 1% as compared with a 2% increase in sales.

Production Margin increased due to higher sales to SULB in Bahrain, volume increases of metallurgical products, and improved productivity. This was partially offset by lower profits from equipment sales and to the effects of foreign exchange

Cost of goods sold in 2012 was 77.7% of sales compared with 79.3% in the prior year. Production margin increased \$8.1 million, or 4% as compared with a 4% decrease in sales. In the Specialty Minerals segment, production margin increased 7%, or \$9.0 million, as compared with a 2% decrease in sales. This increase was primarily attributable to increased pricing of \$20 million, lower energy costs of \$1.3 million, continued productivity improvements and cost improvements of \$4 million and combined higher volumes from our new satellite facilities and processed minerals product lines of \$7 million. These items were offset by increased material costs of \$12 million, the effects of continued permanent and temporary PCC facility closures and other volume declines of \$8 million and the effects of foreign exchange of approximately \$2.9 million. In the Refractories segment, production margin decreased \$0.9 million, or 1% as compared with a 7% decrease in sales. Volume declines, lower equipment sales of \$10 million

and the effects of foreign exchange were partially offset by lower material costs of \$9 million and increased pricing of \$1.5 million.

Marketing and administrative costs increased 1% to \$89.2 million in 2013 from \$88.5 million in the prior year. Marketing and administrative costs as a percentage of net sales were 8.8% which was the same as the prior year. In 2012, marketing and administrative expenses were 3.0% lower than in the prior year.

Research and development expenses decreased 1% in 2013 to \$20.1 million from \$20.2 million and represented 2.0% of net sales. In 2012, research and development expense increased 5% from 2011 and represented 2.0% of net sales.

The Company recognized a one-time insurance settlement gain of \$2.5 million in the fourth quarter of 2013.

| Income from Operations (Dollars in millions) | 2013 | Growth | 2012 | Growth | 2011 |
|---|---------|--------|---------|--------|---------|
| Income from operations | \$126.9 | 12 % | \$113.6 | 9 % | \$104.1 |

The Company recorded income from operations in 2013 of \$126.9 million as compared with \$113.6 million in the prior year. Income from operations represented 12.5% of sales compared with 11.4% of sales in the prior year. The Specialty Minerals segment recorded income from operations of \$98.4 million in 2013 as compared with \$87.7 million in the prior year. The Refractories segment

recorded income from operations of \$35.9 million in 2013 as compared to \$32.6 million in the prior year. Income from operations in the Refractories segment included an insurance settlement gain of \$2.5 million.

In 2012, the Specialty Minerals segment recorded income from operations of \$87.7 million as compared with \$76.6 million in the prior year. The Refractories segment recorded income from operations of \$32.6 million in 2012 as compared with \$33.2 million in the previous year.

| Non-Operating Income Deductions (Dollars in millions) | 2013 | Growth | 2012 | Growth | 2011 |
|--|----------|--------|----------|--------|----------|
| Non-operating deductions, net | \$ (3.2) | 5% | \$ (3.0) | 15 % | \$ (2.6) |

The Company recorded non-operating deductions of \$3.2 million in 2013 as compared with \$3.0 million in the previous year.

The Company recorded non-operating deductions of \$3.0 million in 2012 as compared with \$2.6 million in the previous year. Included in non-operating deductions in 2011 were foreign currency losses of \$1.4 million recognized upon the sale of a 50% interest in and deconsolidation of the Company's joint venture in Korea.

| Provision for Taxes on Income (Dollars in millions) | 2013 | Growth | 2012 | Growth | 2011 |
|--|--------|--------|--------|--------|--------|
| Provision for taxes on income | \$34.5 | 8 % | \$31.9 | 11 % | \$28.7 |

The Company recorded provision for taxes on income of \$34.5 million in 2013 as compared with \$31.9 million in the previous year. The effective tax rate for 2013 was 27.9% as compared with 28.9% in the prior year. The decrease in the tax rate in the current year primarily relates to the settlement of an IRS audit for tax years 2007 and 2008 and the impact of closing those years, the impact of the reversal of prior year charges resulting from the late extension of expiring corporate income tax provisions by the American Taxpayer Relief Act of 2012 and additional foreign tax credits generated and utilized.

The Company recorded provision for taxes on income of \$31.9 million in 2012 as compared to \$28.7 million in the previous year. The effective tax rate for 2012 was 28.9% as compared with 28.3% in the previous year. The increase in the tax rate primarily relates to a prior year favorable United States tax court case settlement and the resulting expiration of the statute of limitations of the tax years related to the tax court case.

The factors having the most significant impact on our effective tax rates in recent periods are the rate differential related to foreign earnings indefinitely invested, percentage depletion, and the reversal of tax reserves as a result of a tax court case settlement.

Percentage depletion allowances (tax deductions for depletion that may exceed our tax basis in our mineral reserves) are available to us under the income tax laws of the United States for operations conducted in the United States. The tax benefits from percentage depletion were \$4.5 million in 2013, \$4.1 million in 2012, and \$4.0 million in 2011.

We operate in various countries around the world that have tax laws, tax incentives and tax rates that are significantly different than those of the United States. Many of these differences combine to move our overall effective tax rate higher or lower than the United States statutory rate depending on the mix of income relative to income earned in the United States. The effects of foreign earnings and the related foreign rate differentials resulted in a decrease of income tax expense of \$4.4 million, \$4.6 million and \$1.1 million in 2013, 2012 and 2011, respectively.

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The increase of income tax benefits in 2013 as compared with 2012 results from the change in the mix of earnings in the foreign jurisdictions in 2013, statutory rate changes and a change in the amount of local income and tax adjustments. The increase of income tax benefits in 2012 as compared with 2011 results from the change in the mix of earnings in the foreign jurisdictions in 2012, statutory rate changes and a change in the amount of local income and tax adjustments.

| Income from Continuing Operations (Dollars in millions) | 2013 | Growth | 2012 | Growth | 2011 |
|--|------|--------|------|--------|------|
|--|------|--------|------|--------|------|

| | | | | | |
|-----------------------------------|--------|------|--------|-----|--------|
| Income from continuing operations | \$89.2 | 13 % | \$78.7 | 8 % | \$72.7 |
|-----------------------------------|--------|------|--------|-----|--------|

The Company recognized income from continuing operations of \$89.2 million in 2013 as compared to \$78.7 million in 2012. In 2011, the company recorded income from operations of \$72.7 million.

| Loss from Discontinued Operations (Dollars in millions) | 2013 | Growth | 2012 | Growth | 2011 |
|--|------|--------|------|--------|------|
|--|------|--------|------|--------|------|

| | | | | | |
|-----------------------------------|----------|-------|---------|-----|---------|
| Loss from discontinued operations | \$(5.8) | 132 % | \$(2.5) | 0 % | \$(2.5) |
|-----------------------------------|----------|-------|---------|-----|---------|

* Percentage not meaningful

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The Company recognized a loss from discontinued operations of \$5.8 million in 2013 as compared to \$2.5 million in 2012. In 2011, the Company recorded a loss from discontinued operations of \$2.5 million.

The Company discontinued its operations at its merchant PCC facility at Walsum, Germany in the second quarter of 2013. In connection with the Company's 2007 restructuring of its European coating PCC operations, the Company recorded an impairment charge related to its Walsum facility. This facility continued to operate well below capacity levels into 2013. The Company recorded a pre-tax charge for closure costs of this facility in the second quarter of 2013 of \$5.9 million.

| Non-controlling Interests (Dollars in millions) | 2013 | Growth | 2012 | Growth | 2011 |
|--|-------|--------|-------|--------|-------|
| Non-controlling interests | \$3.1 | 47 % | \$2.1 | (22) % | \$2.7 |

The increase in the income attributable to non-controlling interests is due to higher profitability in our joint ventures.

| Net Income attributable to Minerals Technologies Inc. (MTI) (Dollars in millions) | 2013 | Growth | 2012 | Growth | 2011 |
|--|--------|--------|--------|--------|--------|
| Net income attributable to MTI | \$80.3 | 8 % | \$74.1 | 10 % | \$67.5 |

The Company recorded net income of \$80.3 million in 2013 as compared to \$74.1 million in 2012. Diluted earnings per share were \$2.30 as compared with \$2.09 in the previous year.

In 2011, the Company recorded net income of \$67.5 million and diluted earnings per share of \$1.86.

Liquidity and Capital Resources

Cash provided from operating activities from continuing operations in 2013 was \$137.5 million, compared with \$142.1 million in the prior year. Cash flows provided from operations in 2013 were principally used to fund capital expenditures, pay the Company's dividend to common shareholders and to repurchase shares. Cash flows used in discontinued operations were not material to the Company's liquidity. Included in cash flow from operations was pension plan funding of approximately \$11.4 million, \$17.0 million and \$6.6 million for the years ended December 31, 2013, 2012 and 2011, respectively.

Trade working capital is defined as trade accounts receivable, trade accounts payable and inventories. Our average total days of trade working capital were 57 days in 2013 compared with 58 days last year.

The funding status of the Company's pension plans was approximately 83% at December 31, 2013 and we have met all minimum funding requirements. The funding status at December 31, 2012 was 66%. The increase in our funded status was due to a decrease in the projected benefit obligation from an increase in the discount rate and to a higher actual return on assets.

In 2011, the Company's Board of Directors authorized the Company's management to repurchase, at its discretion, up to \$75 million of additional shares over a two-year period. The \$75 million repurchase program was completed on October 1, 2013. The Company repurchased 1,646,097 shares at an average price of approximately \$45.54 per share under this program.

On September 19, 2013, the Company's Board of Directors authorized the Company's management to repurchase, at its discretion, up to \$150 million of the Company's shares over a two-year period commencing upon completion of

the repurchase program authorized in 2011. As of December 31, 2013, 139,900 shares have been repurchased under this program for \$7.5 million, or an average price of approximately \$53.33 per share.

On January 22, 2014, 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.

The Company is required to make future payments under various contracts, including debt agreements and lease agreements. The Company also has commitments to fund its pension plans and provide payments for other postretirement benefit plans. A summary of the Company's outstanding contractual obligations as of December 31, 2013 is as follows:

Contractual Obligations

| (millions of dollars) | Payments Due by Period | | | | |
|--|------------------------|--------|-----------|-----------|------------|
| | Total | 2014 | 2015-2016 | 2017-2018 | After 2018 |
| Debt | \$83.2 | \$8.2 | \$-- | \$-- | \$75.0 |
| Interest related to long term debt | 26.0 | 3.0 | 5.8 | 5.8 | 11.4 |
| Estimated pension and post retirement plan funding | 29.1 | 11.1 | 18.0 | -- | -- |
| Other long term liabilities | 15.1 | 0.4 | -- | -- | 14.7 |
| Operating lease obligations | 14.5 | 3.5 | 4.8 | 2.3 | 3.9 |
| Total contractual obligations | \$167.9 | \$26.2 | \$28.6 | \$8.1 | \$105.0 |

Long-term debt amounts in the preceding table represent the principal amounts of all outstanding long-term debt, including current portion. Maturities for long-term debt extend to 2023. In October 2013, the Company refinanced its maturing \$75 million of private placement debt.

Interest related to long-term debt is based on interest rates in effect as of December 31, 2013 and is calculated on debt with maturities that extend to 2023. As the contractual interest rates for certain debt are variable, actual cash payments may differ from the estimates provided in the preceding table.

Estimated minimum required pension funding and post-retirement benefits are based on actuarial estimates using current assumptions for discount rates, long-term rate of return on plan assets, rate of compensation increases, and health care cost trend rates. The Company has determined that it is not practicable to present expected pension funding and other postretirement benefit payments beyond 2016 and, accordingly, no amounts have been included in the table beyond such dates.

Other long term liabilities include asset retirement obligations. The Company will be contractually required to retire tangible long-lived assets at its PCC satellite facilities and mining operations.

The Company has several non-cancelable operating leases, primarily for office space and equipment. Operating lease obligations includes future minimum rental commitments under non-cancelable leases.

We have \$189.7 million in uncommitted short-term bank credit lines, of which \$5.5 million was in use at December 31, 2013. The credit lines are primarily in the US, with approximately \$19.7 million or 10% outside the US. The credit lines are generally one year in term at competitive market rates at large well-established institutions. The Company typically uses its available credit lines to fund working capital requirements or local capital spending needs. At the present time, we have no indication that the financial institutions would be unable to commit to these lines of credit should the need arise. We anticipate that capital expenditures for 2014 should be between \$65 million to \$75 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: 2014 - \$8.2 million; 2015 - \$-- million; 2016 - \$-- million; 2017 - \$-- million; 2018 - \$-- million; thereafter - \$75.0 million.

The Company announced on February 14, 2014 that it has made a proposal to acquire all outstanding shares of AMCOL International Corporation, a company publicly traded on the New York Stock Exchange, for \$42 per share in cash. The Company is confident in its ability to finance the transaction. If the proposal is accepted, the transaction would be expected to close in the first half of 2014 and would be conditioned upon customary closing conditions.

On May 31, 2013, the Company paid \$1.4 million for its installment obligations on land and limestone ore reserves acquired from the Cushenbury Mine Trust.

On October 7, 2013, the Company entered into, through private placement, a Note Purchase Agreement and issued \$75 million aggregate principal amount of senior unsecured notes, consisting of (a) \$30,000,000 aggregate principal amount 3.46% Senior Notes, Series A, due October 7, 2020 (the "Series A Notes"), and (b) \$45,000,000 aggregate principal amount 4.13% Senior Notes, Series B, due October 7, 2023 (the "Series B Notes" and, together with the Series A Notes, the "Notes"). The Company has used the proceeds of the Notes to repay its \$75 million aggregate principal amount of senior unsecured notes due October 5, 2013.

The Company's debt to capital ratio is 9.2%, which is well below the only financial covenant ratio in its debt agreements.

The total amount of contingent obligations associated with gross unrecognized tax benefits for uncertain tax positions, including positions impacting only the timing of tax benefits, was \$3.9 million at December 31, 2013. Payment of these obligations would result from settlements with taxing authorities. Due to the difficulty in determining the timing of settlements, these obligations are not included in the table above. We do not expect to make a tax payment related to these obligations within the next year that would significantly impact liquidity.

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, asset retirement obligations, income tax valuation allowances, stock-based compensation, 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 cannot 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 2013 and 2012, 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 of \$0.6 million, \$1.0 million and \$0.9 million in 2013, 2012 and 2011, respectively. 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 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 is reviewed for impairment at least annually. 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;
- Market capitalization below invested capital.

The goodwill balance for each reporting unit as of December 31, 2013 and 2012, respectively, was as follows:

| (\$ in millions) | December 31, 2013 | December 31, 2012 |
|--------------------|----------------------|----------------------|
| PCC | \$9.7 | \$9.5 |
| Processed Minerals | 4.6 | 4.6 |
| Refractories | 50.1 | 51.7 |
| Total | \$64.4 | \$65.8 |

Annually, the Company performs a qualitative assessment for each of its reporting units to determine if the two step process for impairment testing is required. If the Company determines that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, the Company then evaluates the recoverability of goodwill using a two-step impairment test approach at the reporting unit level. Step one involves a) developing the fair value of total invested capital of each reporting unit in which goodwill is assigned; and b) comparing the fair value of total invested capital for each reporting unit to its carrying amount, to determine if there is goodwill impairment. Should the carrying amount for a reporting unit exceed its fair value, then the step one test is failed, and the magnitude of any goodwill impairment is determined under step two. The amount of impairment loss is determined in Step Two by comparing the implied fair value of reporting unit goodwill with the carrying amount of goodwill.

The Company has three reporting units; PCC, Processed Minerals and Refractories. We identify our reporting units by assessing whether the components of our operating segments constitute businesses for which discrete financial information is available and management regularly reviews the operating results of those components.

In the fourth quarter of 2013, the Company performed a qualitative assessment of each of its reporting units and determined it was not more likely than not that the fair value of any of its reporting units was less than their carrying values.

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 change this allowance in a period, we must include an expense within the tax provision in the Consolidated Statements of Operations.

Deferred income tax assets represent amounts available to reduce income taxes payable on taxable income in future years. Such assets arise because of temporary differences between the financial reporting and tax bases of assets and liabilities, as well as from net operating loss. We evaluate the recoverability of these future tax deductions by assessing the adequacy of future expected taxable income from all sources, including reversal of taxable temporary differences and forecasted operating earnings. These sources of income inherently rely heavily on estimates. We use our historical experience and business forecasts to provide insight. Amounts recorded for deferred tax assets, net of valuation allowances, were \$19.8 million and \$47.5 million at December 31, 2013 and 2012, respectively. Such year-end 2013 amounts are expected to be fully recoverable within the applicable statutory expiration periods. To the extent we do not consider it more likely than not that a deferred tax asset will be recovered, a valuation allowance is established.

The application of income tax law is inherently complex. Laws and regulations in this area are voluminous and are often ambiguous. As such, we are required to make many subjective assumptions and judgments regarding our income tax exposures. Interpretations of and guidance surrounding income tax laws and regulations change over time. As such, changes in our subjective assumptions and judgments can materially affect amounts recognized in the consolidated balance sheets and statements of operations. See Note 5 to the consolidated financial statements, "Income Taxes," for additional detail on our uncertain tax positions.

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

| (millions of dollars) | Discount Rate | Salary Scale | Return on Asset |
|-----------------------|---------------|--------------|-----------------|
| 1% increase | \$(5.6 |) \$0.7 | \$(2.0) |
| 1% decrease | \$6.7 | \$(0.6) | \$2.0 |

Effect on Projected Benefit Obligation

| (millions of dollars) | Discount Rate | Salary Scale |
|-----------------------|---------------|--------------|
| 1% increase | \$(38.6 |) \$3.0 |
| 1% decrease | \$47.7 | \$(2.7) |

The investment strategy for pension plan assets is to maintain a broadly diversified portfolio designed to both preserve and grow plan assets to meet future plan obligations. The Company's average rate of return on assets from inception through December 31, 2013 was over 10%. The Company's assets are strategically allocated among equity, debt and other investments to achieve a diversification level that dampens fluctuations in investment returns. The Company's long-term investment strategy is an investment portfolio mix of approximately 65% in equity securities and 35% in fixed income securities. As of December 31, 2013, the Company had approximately 65% of its pension assets in equity securities and 35% in fixed income securities.

In 2013, a net gain of \$56.1 million (\$34.3 million after-tax) was recorded in other comprehensive income, primarily due to a change in discount rates. In 2012, a net charge of \$12.0 million (\$7.7 million after-tax) was recorded in other comprehensive income, primarily due to a change in discount rates. In 2011, a net charge of \$41.4 million (\$25.6 million after-tax) was recorded in other comprehensive income, primarily due to lower discount rates and lower returns on plan assets.

We recognized pension expense of \$19.8 million in 2013 as compared to \$20.9 million in 2012. Accounting guidance on retirement benefits requires companies to discount future benefit obligations back to today's dollars using a discount rate that is based on high-quality fixed-income investments. A decrease in the discount rate increases the pension benefit obligation, while an increase in the discount rate decreases the pension benefit obligation. This increase or decrease in the pension benefit obligation is recognized in Accumulated other comprehensive income and subsequently amortized into earnings as an actuarial gain or loss. The guidance also requires companies to use an expected long-term rate of return on plan assets for computing current year pension expense. Differences between the actual and expected returns are also recognized in Accumulated other comprehensive income (loss) and subsequently amortized into earnings as actuarial gains and losses. At the end of 2013, total actuarial losses recognized in Accumulated other comprehensive income (loss) for pension plans were (\$58.4 million), as compared to (\$93.7 million) in 2012. The majority of the actuarial losses were due to decreases in the discount rate in 2012 and lower

actual rates of return on assets than expected during the financial crisis of 2008.

Actuarial losses for pensions will be impacted in future periods by actual asset returns, discount rate changes, actual demographic experience and other factors that impact these expenses. These losses, reported in Accumulated other comprehensive income (loss), will generally be amortized as a component of net periodic benefit cost on a straight-line basis over the average remaining service period of active employees expected to receive benefits under the benefit plans. At the end of 2013, the average remaining service period of active employees or life expectancy for fully eligible employees was 12 years. We expect our amortization of net actuarial losses to decrease by approximately \$6 million in 2014 as compared to 2013, primarily due to an increase in the discount rate in 2013 from 2012. We expect our pension expense to be approximately \$15 million in 2014.

Asset Retirement Obligations: We currently record the obligation for estimated asset retirement costs at 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 \$0.1 million.

Stock Based Compensation: 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 and 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, 2013, the Company used a volatility assumption of 37.82%.

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, 2013, the Company used a 6.85 year life assumption.

The Company believes the above critical estimates are based upon outcomes most likely to occur. If we were to simultaneously increase or decrease the option life by one year and the volatility by 100 basis points, recognized compensation expense would have changed approximately \$0.1 million in either direction for the year ended December 31, 2013.

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.

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. Energy costs typically have the most significant impact in the production of our Processed Minerals and Specialty PCC products, but also affect the cost of raw materials purchased in our Paper PCC product line and Refractories Segment (most significantly, prices for lime and magnesia, respectively). The contracts pursuant to which we construct and operate our satellite PCC plants generally adjust pricing to reflect the pass-through of increases in costs resulting from inflation, including lime and energy prices. However, there is a time lag before such price adjustments can be implemented. The Company and its customers in both the Refractories Segment and Processed Minerals and Specialty PCC product lines will typically negotiate reasonable price adjustments in order to recover a portion of these escalating costs, but there can be no assurance that we will be able to recover increasing costs through such negotiations.

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.

Recently Issued Accounting Standards

Changes to accounting principles generally accepted in the United States of America (U.S. GAAP) are established by the Financial Accounting Standards Board (FASB) in the form of accounting standards updates (ASUs) to the FASB's Accounting Standards Codification.

The Company considers the applicability and impact of all ASUs. ASUs not listed below were assessed and determined to be either not applicable or are expected to have minimal impact on our consolidated financial position and results of operations.

Comprehensive Income

In February 2012, the FASB issued ASU No. 2013-02, "Comprehensive Income: Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income ("AOCI")" which improves the reporting of reclassifications out of AOCI. This ASU requires an entity to report the effect of significant reclassifications out of AOCI on the respective line items in net income. For other amounts not required to be reclassified to net income, an entity is required to cross-reference other disclosures required under U.S. GAAP that provide additional detail about these amounts. This ASU became effective January 1, 2013 and the effect of adopting this updated guidance did not have an impact on the Company's financial position or results of operations.

Presentation of Unrecognized Tax Benefits

In July 2013, the FASB issued ASU No. 2013-11, "Income Taxes: Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists" which improves the reporting of unrecognized tax benefits. This ASU requires an entity to present an unrecognized tax benefit as a reduction to deferred tax assets for NOLs or tax credit carryforwards, unless the NOL or tax credit carryforward is not available under the tax law or not intended to be used as of the reporting date to settle any additional income taxes that would be due from the disallowance of a tax position. Under that exception, the unrecognized tax benefit should be presented as a liability instead of being netted against deferred tax assets for NOLs or tax credit carryforwards. This ASU is effective for fiscal quarters and years beginning after December 15, 2013. The Company is currently evaluating the impact of adopting ASU No. 2013-11 on the Company's Consolidated Balance Sheet.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Market risk represents the risk of loss that may have an impact on 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 15% 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 \$0.5 million and \$0.8 million of foreign currencies as of December 31, 2013 and 2012, respectively. These contracts matured in January of 2014 and January and February of 2013, respectively. The fair value of these instruments at December 31, 2013 and December 31, 2012 was an asset of less than \$0.1 million, respectively.

In 2008, the Company entered into forward contracts to sell 30 million Euros as a hedge of its net investment in Europe. These contracts matured in October 2013. From inception of the contracts, the Company has realized in comprehensive income an after-tax gain of \$2.4 million, of which \$0.5 million was reflected in 2013.

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

As of the end of the period covered by this report, and under the supervision and with participation of the Company's management, including the Chief Executive Officer and the Chief Financial Officer, the Company carried out an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures, pursuant to Exchange Act Rule 13a-15(b). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of December 31, 2013.

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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. Management's report is included in our consolidated financial statements beginning on page F-1 of this report under the caption entitled "Management's Report on Internal Control Over Financial Reporting."

Changes in Internal Control Over Financial Reporting

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

Item 9B. Other Information

None

PART III

Item 10. Directors, Executive Officers and Corporate Governance

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

| <u>Name</u> | <u>Age</u> | <u>Position</u> |
|----------------------|------------|---|
| Joseph C. Muscari | 67 | Executive Chairman |
| Robert S. Wetherbee | 54 | President and Chief Executive Officer |
| Douglas T. Dietrich | 44 | Senior Vice President, Finance and Treasury, Chief Financial Officer |
| Jonathan J. Hastings | 51 | Senior Vice President, Corporate Development |
| Douglas W. Mayger | 56 | Senior Vice President, Performance Minerals and MTI Supply Chain |
| Thomas J. Meek | 56 | Senior Vice President, General Counsel, Human Resources, Secretary and Chief Compliance Officer |
| D.J. Monagle, III | 51 | Senior Vice President and Managing Director, Paper PCC |
| Michael A. Cipolla | 56 | Vice President, Corporate Controller and Chief Accounting Officer |
| Johannes C. Schut | 49 | Vice President and Managing Director, Minteq International |

Joseph C. Muscari was elected Executive Chairman effective March 2013, having served as Chief Executive Officer prior to that since March 2007. Prior to that, he was Executive Vice President and Chief Financial Officer of Alcoa Inc. He has served as a member of the Board of Directors since 2005.

Robert S. Wetherbee was elected President and Chief Executive Office effective March 2013. Prior to that, he was President of ATI Tungsten Materials, a business unit of Allegheny Technologies, Inc. Before joining Allegheny

Technologies, Mr. Wetherbee spent 29 years at Alcoa Inc. in positions of increasing responsibility including Vice President, Market Strategy for Alcoa from 2006 through 2010 and President of Alcoa Rigid Packaging, from 2004 to 2006.

Douglas T. Dietrich was elected Senior Vice President, Finance and Treasury, Chief Financial Officer effective January 1, 2011. Prior to that, he was appointed Vice President, Corporate Development and Treasury effective August 2007. He had been Vice President, Alcoa Wheel Products since 2006 and President, Latin America Extrusions and Global Rod and Bar Products since 2002.

Jonathan J. Hastings was elected Senior Vice President, Corporate Development effective March 2013. Prior to that he was elected Vice President, Corporate Development, effective September 2011. Prior to that, he was Senior Director of Strategy and New Business Development- Coatings, Global at The Dow Chemical Company. Prior to that he held positions of increasing responsibility at Rohm and Haas, including Vice President & General Manager—Packaging and Building Materials—Europe.

Douglas W. Mayger was elected Senior Vice President, Performance Minerals and Supply Chain in June 2011. Prior to that, he was Vice President and Managing Director, Performance Minerals which encompasses the Processed Minerals product line and the Specialty PCC product line, effective October 1, 2008. Prior to that, he was General Manager- Carbonates West, Performance Minerals and Business Manager - Western Region. Before joining the Company as plant manager in Lucerne Valley in 2002, he served as Vice President of Operations for Aggregate Industries.

Thomas J. Meek was elected Senior Vice President, General Counsel, Human Resources, Secretary and Chief Compliance Officer in October 2011. Prior to that, he was Vice President, General Counsel and Secretary of the Company effective September 1, 2009. Prior to that, he served as Deputy General Counsel at Alcoa. Before joining Alcoa in 1999, Mr. Meek worked with Koch Industries, Inc. of Wichita, Kansas, where he held numerous supervisory positions. His last position there was Interim General Counsel. From 1985 to 1990, Mr. Meek was an Associate/Partner in the Wichita, Kansas law firm of McDonald, Tinker, Skaer, Quinn & Herrington, P.A.

D.J. Monagle, III was elected Senior Vice President and Managing Director, Paper PCC, effective October 1, 2008. In November 2007, he was appointed Vice President and Managing Director - Performance Minerals. He joined the Company in January of 2003 and held positions of increasing responsibility including Vice President, Americas, Paper PCC and Global Marketing Director, Paper PCC. Before joining the Company, Mr. Monagle worked for the Paper Technology Group at Hercules between 1990 and 2003, where he held sales and marketing positions of increasing responsibility. Between 1985 and 1990, he served as an aviation officer in the U.S. Army's 11th Armored Cavalry Regiment, leaving the service as a troop commander with a rank of Captain.

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

Johannes C. Schut was elected Vice President and Managing Director, Minteq International in March 2011. He joined the Company in 2004 as Director of Finance- Europe. In 2006, he was named Vice President, Minteq – Europe including Middle East and India. Before joining Minerals Technologies Inc., Mr. Schut held positions of increasing responsibility with Royal Phillips Electronics and Royal FrieslandCampina – DMV International.

The information concerning the Company's Board of Directors required by this item is incorporated herein by reference to the Company's Proxy Statement, under the captions "Committees of the Board of Directors" and "Item 1- Election of Directors."

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

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

Item 11. Executive Compensation

The information appearing in the Company's Proxy Statement under the captions "Compensation Discussion and Analysis," "Report of the Compensation Committee" and "Compensation of Executive Officers and Directors" is incorporated herein by reference.

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

The information appearing in the Company's Proxy Statement under the caption "Security Ownership of Certain Beneficial Owners and Management" is incorporated herein by reference.

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

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

The Board has established Corporate Governance principles which include guidelines for determining Director independence, which is available on our website, www.mineralstech.com, under the links entitled Corporate Responsibility, Corporate Governance and Policies and Charters. The information appearing in the Company's Proxy Statement under the caption "Corporate Governance – Director Independence" is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services

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

PART IV

Item 15. Exhibits and Financial Statement Schedules

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

1. Financial Statements. The following Consolidated Financial Statements of Mineral Technologies Inc. and subsidiary companies and Reports of Independent Registered Public Accounting Firm are set forth on pages F-2 to F-33.

Consolidated Balance Sheets as of December 31, 2013 and 2012
Consolidated Statements of Income for the years ended December 31, 2013, 2012 and 2011

Consolidated Statements of Comprehensive Income for the years ended December 31, 2013, 2012 and 2011

Consolidated Statements of Cash Flows for the years ended December 31, 2013, 2012 and 2011

Consolidated Statements of Shareholders' Equity for the years ended December 31, 2013, 2012 and 2011

Notes to the Consolidated Financial Statements
Reports of Independent Registered Public Accounting Firm

Management's Report on Internal Control Over Financial Reporting

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

Schedule II - Valuation Page S-1
and

Qualifying
Accounts

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

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

- 3.1 - Restated Certificate of Incorporation of the Company (1)
- 3.2 - By-Laws of the Company as amended and restated effective May 25, 2005 (2)
- 4.1 - Specimen Certificate of Common Stock (1)
- 10.1 - Asset Purchase Agreement, dated as of September 28, 1992, by and between Specialty Refractories Inc. and Quigley Company Inc. (3)
- 10.1(a) - Agreement dated October 22, 1992 between Specialty Refractories Inc. and Quigley Company Inc., amending Exhibit 10.1 (4)
- 10.1(b) - Letter Agreement dated October 29, 1992 between Specialty Refractories Inc. and Quigley Company Inc., amending Exhibit

- 10.1 (4)
 Reorganization
 Agreement, dated
 as of September
- 10.2 - 28, 1992, by and
 between the
 Company and
 Pfizer Inc (3)
 Asset Contribution
 Agreement, dated
 as of September
- 10.3 - 28, 1992, by and
 between Pfizer Inc
 and Specialty
 Minerals Inc. (3)
 Asset Contribution
 Agreement, dated
 as of September
- 10.4 - 28, 1992, by and
 between Pfizer Inc
 and Barretts
 Minerals Inc. (3)
 Agreement dated
 October 22, 1992
 between Pfizer Inc,
 Barretts Minerals
- 10.4(a) - Inc. and Specialty
 Minerals Inc.,
 amending Exhibits
 10.3 and 10.4 (4)
 Employment
 Agreement, dated
 November 27,
- 10.5 - 2006, between the
 Company and
 Joseph C. Muscari
 (5) (+)
 Second
 Amendment to
 Employment
 Agreement, dated
- 10.5(a) - July 21, 2010,
 between the
 Company and
 Joseph C. Muscari
 (6) (+)
- 10.5(b) - Third Amendment
 to Employment
 Agreement, dated
 February 21, 2013,
 by and between

- Joseph C. Muscari
and the Company
(7) (+)
Employment
Agreement, dated
February 4, 2013,
10.6 between the
Company and
Robert S.
Wetherbee (8) (+)
Form of
Employment
Agreement
between the
Company and each
of Michael A.
10.7 - Cipolla, Douglas
T. Dietrich,
Jonathan J.
Hastings, Douglas
W. Mayger,
Thomas J. Meek
and D.J. Monagle,
III (9) (+)
Form of
amendment to
Employment
Agreement
between the
Company and each
of Joseph C.
Muscari, Michael
10.7(a) - A. Cipolla,
Douglas T.
Dietrich, Jonathan
J. Hastings,
Douglas W.
Mayger, Thomas J.
Meek, D.J.
Monagle III and
Johannes C. Schut
(10) (+)
10.8 - Form of Severance
Agreement
between the
Company and each
of Joseph C.
Muscari, Robert S.
Wetherbee,
Michael A.
Cipolla, Douglas

10.8(a) - T. Dietrich,
Jonathan J.
Hastings, Douglas
W. Mayger,
Thomas J. Meek,
D.J. Monagle and
Johannes C. Schut
(11) (+)
Form of
amendment to
Severance
Agreement
between the
Company and each
of Joseph C.
Muscari, Robert S.
Wetherbee,
Michael A.
Cipolla, Douglas
T. Dietrich,
Jonathan J.
Hastings, Douglas
W. Mayger,
Thomas J. Meek
and D.J. Monagle,
III (12) (+)

- 10.8(b) Form of amendment to Severance Agreement between the Company and Robert S. Wetherbee (13) (+)
- 10.9 - Form of Indemnification Agreement between the Company and each of Joseph C. Muscari, Robert S. Wetherbee, Michael A. Cipolla, Douglas T. Dietrich, Jonathan J. Hastings, Douglas W. Mayger, Thomas J. Meek, D.J. Monagle, Johannes C. Schut and each of the Company's non-employee directors III (14) (+)
- 10.10 - Company Employee Protection Plan, as amended August 27, 1999 (15) (+)
- 10.110 - Company Nonfunded Deferred Compensation and Unit Award Plan for Non-Employee Directors, as amended and restated effective January 1, 2008 (16) (+)
- 10.11(a)- First Amendment to the Company Nonfunded Deferred Compensation and Unit Award Plan for Non-Employee Directors, dated January 18, 2012 (17) (+)
- 10.12 - 2001 Stock Award and Incentive Plan of the Company, as amended and

- restated as of March
18, 2009 (18) (+)
Company
Retirement Plan, as
10.13 - amended and
restated, dated
December 21, 2012
(19) (+)
Company
Supplemental
10.14 - Retirement Plan,
amended and
restated effective
December 31, 2009
(20) (+)
Company Savings
and Investment Plan,
10.15 - as amended and
restated, dated
December 21, 2012
(21) (+)
Amendment to the
Company Savings
and Investment Plan,
10.15(a)- as amended and
restated, dated
December 5, 2013
(*) (+)
Amendment to the
Company Savings
and Investment Plan,
10.15(b)- as amended and
restated, dated
December 5, 2013
(*) (+)
Company
Supplemental
Savings Plan,
10.16 - amended and
restated effective
December 31, 2009
(22) (+)
Amendment to the
Company
Supplemental
10.16(a)- Savings Plan, dated
December 28, 2011
(23)(+)
10.17 - Company Health
and Welfare Plan,
effective as of April

- 1, 2003 and amended and restated as of January 1, 2006 (24)(+) Amendment to the Company Health and Welfare Plan, dated May 19, 2009 (25) (+) Company Retiree Medical Plan, effective as of January 1, 2011 (26)(+) Amended and Restated Grantor Trust Agreement, dated as of April 1, 2010, by and between the Company and the Wilmington Trust Company (27)(+) Note Purchase Agreement, dated as of October 7, 2013, among the Company and New York Life Insurance Company, New York Life Insurance And Annuity Corporation, New York Life Insurance And Annuity Corporation Institutionally Owned Life Insurance Separate Account (BOLI 30c), Forethought Life Insurance Company, Prudential Retirement Insurance And Annuity Company, Prudential Arizona Reinsurance Captive Company,
- 10.17(a) -
 - 10.18 -
 - 10.19 -
 - 10.20 -

| | | |
|-------|---|--|
| | | Physicians Mutual Insurance Company, The Prudential Insurance Company of America, Prudential Retirement Insurance And Annuity Company, United of Omaha Life Insurance Company and Great-West Life & Annuity Insurance Company (28) |
| 10.21 | - | Indenture, dated July 22, 1963, between the Cork Harbour Commissioners and Roofchrome Limited (3) |
| 21.1 | - | Subsidiaries of the Company (*) |
| 23.1 | - | Consent of Independent Registered Public Accounting Firm (*) |
| 24 | - | Power of Attorney (*) |
| 31.1 | - | Rule 13a-14(a)/15d-14(a) Certification executed by the Company's principal executive officer (*) |
| 31.2 | - | Rule 13a-14(a)/15d-14(a) Certification executed by the Company's principal financial officer (*) |
| 32 | - | Section 1350 Certification (*) |
| 95 | | Information Concerning Mine Safety Violations (*) |

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

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

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

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

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

(6) Incorporated by reference to the exhibit 10.1 filed with the Company's Current Report on form 8-K filed on July 27, 2010

(7) Incorporated by reference to the Exhibit 10.1 filed with the Company's Current Report on form 8-K filed on February 21, 2013

- (8) Incorporated by reference to the Exhibit 10.1 filed with the Company's Current Report on form 8-K filed on March 4, 2013
- (9) Incorporated by reference to exhibit 10.5 filed with the Company's Annual Report on Form 10-K for the year ended December 31, 2006.
- (10) Incorporated by reference to exhibit 10.6(a) filed with the Company's Annual Report on Form 10-K for the year ended December 31, 2009.
- (11) Incorporated by reference to exhibit 10.6 filed with the Company's Annual Report on Form 10-K for the year ended December 31, 2005.
- (12) Incorporated by reference to exhibit 10.7(a) filed with the Company's

- Annual Report
on Form 10-K
for the year
ended
December 31,
2009.
Incorporated
by reference
to the Exhibit
10.1 filed with
the Company's
(13) Current
Report on
form 8-K filed
on March 25,
2013
Incorporated
by reference
to exhibit 10.1
filed with the
(14) Company's
Current
Report on
Form 8-K
filed on May
8, 2009.
Incorporated
by reference
to exhibit 10.7
filed with the
Company's
(15) Annual Report
on Form 10-K
for the year
ended
December 31,
2004.
Incorporated
by reference
to exhibit 10.8
filed with the
Company's
(16) Quarterly
Report on
Form 10-Q for
the quarter
ended March
30, 2008.
(17) Incorporated
by reference
to exhibit

- 10.11(a) filed with the Company's Annual Report on Form 10-K for the year ended December 31, 2011
Incorporated by reference to exhibit 10.1 filed with the Company's
- (18) Current Report on Form 8-K filed on May 11, 2009.
Incorporated by reference to exhibit 10.12 filed with the Company's
- (19) Annual Report on Form 10-K for the year ended December 31, 2012.
Incorporated by reference to exhibit 10.13 filed with the Company's
- (20) Annual Report on Form 10-K for the year ended December 31, 2009.
- (21) Incorporated by reference to exhibit 10.14 filed with the Company's Annual Report on Form 10-K

for the year
ended
December 31,
2012.

Incorporated
by reference
to exhibit
10.15 filed
with the

(22) Company's
Annual Report
on Form 10-K
for the year
ended
December 31,
2009.

Incorporated
by reference
to exhibit
10.16(a) filed
with the

(23) Company's
Annual Report
on Form 10-K
for the year
ended
December 31,
2011.

Incorporated
by reference
to exhibit
10.14 filed
with the

(24) Company's
Annual Report
on Form 10-K
for the year
ended
December 31,
2006.

(25) Incorporated
by reference
to exhibit
10.16(a) filed
with the
Company's
Annual Report
on Form 10-K
for the year
ended
December 31,

2009.
Incorporated
by reference
to exhibit
10.17 filed
with the
(26) Company's
Annual Report
on Form 10-K
for the year
ended
December 31,
2010.
Incorporated
by reference
to exhibit 10.1
filed with the
Company's
(27) Quarterly
Report on
Form 10-Q for
the period
ended April 4,
2010.
Incorporated
by reference
to the exhibit
10.1 filed with
the Company's
(28) Current
Report on
Form 8-K
filed on
October 11,
2013.
- (*) Filed
herewith.
Management
contract or
compensatory
plan or
(+) arrangement
required to be
filed pursuant
to Item 601 of
Regulation
S-K.

SIGNATURES

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

By: /s/Robert S. Wetherbee
Robert S. Wetherbee
President and Chief Executive Officer

February 21, 2014

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

| <u>SIGNATURE</u> | <u>TITLE</u> | <u>DATE</u> |
|---|--|-------------------|
| /s/ Robert S. Wetherbee Robert S. Wetherbee | President and Chief Executive Officer (principal executive officer) | February 21, 2014 |
| /s/ Douglas T. Dietrich Douglas T. Dietrich | Senior Vice President-Finance and Treasury, Chief Financial Officer (principal financial officer) | February 21, 2014 |
| /s/ Michael A. Cipolla Michael A. Cipolla | Vice President - Controller and Chief Accounting Officer (principal accounting officer) | February 21, 2014 |

* Director February 21, 2014
Paula H. J. Cholmondeley

* Director February 21, 2014
John J. Carmola

* Director February 21, 2014
Robert L. Clark

* Director February 21, 2014
Duane R. Dunham

* Executive Chairman and Director February 21, 2014
Joseph C. Muscari

* Director February 21, 2014
Marc E. Robinson

* Director February 21, 2014
Barbara Smith

* Director February 21, 2014
Donald C. Winter

* By: /s/ Thomas J. Meek
Thomas J. Meek
Attorney-in-Fact

MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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| <u>Consolidated Statements of Income for the years ended December 31, 2013, 2012 and 2011</u> | F-3 |
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| F-1 | |

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

| | December 31, | |
|---|--------------|--------------|
| | 2013 | 2012 |
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 490,267 | \$ 454,092 |
| Short-term investments, at cost which approximates market | 15,769 | 14,178 |
| Accounts receivable, less allowance for doubtful accounts: | | |
| 2013 - \$1,715; 2012 - \$3,837 | 204,449 | 193,328 |
| Inventories | 89,169 | 84,569 |
| Prepaid expenses and other current assets | 15,463 | 18,318 |
| Total current assets | 815,117 | 764,485 |
| Property, plant and equipment, less accumulated depreciation and depletion | 306,071 | 317,669 |
| Goodwill | 64,432 | 65,829 |
| Other assets and deferred charges | 31,927 | 63,206 |
| Total assets | \$ 1,217,547 | \$ 1,211,189 |
| Liabilities and Shareholders' Equity | | |
| Current liabilities: | | |
| Short-term debt | \$ 5,504 | \$ 7,111 |
| Current maturities of long-term debt | 8,200 | 76,977 |
| Accounts payable | 94,855 | 98,371 |
| Income taxes payable | 7,103 | 8,862 |
| Accrued compensation and related items | 37,868 | 33,603 |
| Other current liabilities | 27,364 | 25,174 |
| Total current liabilities | 180,894 | 250,098 |
| Long-term debt | 75,000 | 8,478 |
| Accrued pension and postretirement benefits | 57,893 | 108,035 |
| Other non-current liabilities | 29,352 | 30,859 |
| Total liabilities | 343,139 | 397,470 |
| Commitments and contingent liabilities (Notes 15 and 16) | | |
| Shareholders' equity: | | |
| Preferred stock, without par value; 1,000,000 shares authorized; none issued | -- | -- |
| Common stock at par, \$0.10 par value; 100,000,000 shares authorized; Issued 47,555,927 shares in 2013 and 47,002,939 shares in 2012 | 4,756 | 4,700 |

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| | | |
|--|--------------|--------------|
| Additional paid-in capital | 361,460 | 345,929 |
| Retained earnings | 1,106,252 | 1,032,869 |
| Accumulated other comprehensive loss | (31,265) | (51,198) |
| Less common stock held in treasury, at cost; 13,205,741 shares in 2013 and 12,053,319 shares in 2012 | (593,665) | (541,889) |
| Total MTI shareholders' equity | 847,538 | 790,411 |
| Non-controlling interest | 26,870 | 23,308 |
| Total shareholders' equity | 874,408 | 813,719 |
| Total liabilities and shareholders' equity | \$ 1,217,547 | \$ 1,211,189 |

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

F-2

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

| | Year Ended December 31, | | |
|--|-------------------------|-----------|-------------|
| | 2013 | 2012 | 2011 |
| Net sales | \$1,018,181 | \$996,764 | \$1,032,933 |
| Cost of goods sold | 784,536 | 774,466 | 818,743 |
| Production margin | 233,645 | 222,298 | 214,190 |
| Marketing and administrative expenses | 89,231 | 88,485 | 91,212 |
| Research and development expenses | 20,053 | 20,173 | 19,330 |
| Insurance settlement (gain) | (2,491) | -- | -- |
| Restructuring and other costs | -- | -- | (411) |
| Income from operations | 126,852 | 113,640 | 104,059 |
| Interest income | 3,016 | 3,168 | 3,907 |
| Interest expense | (3,263) | (3,221) | (3,254) |
| Foreign exchange losses | (2,109) | (1,348) | (1,211) |
| Other deductions | (786) | (1,594) | (2,040) |
| Non-operating deductions, net | (3,142) | (2,995) | (2,598) |
| Income from continuing operations before provision for taxes on income | 123,710 | 110,645 | 101,461 |
| Provision for taxes on income | 34,515 | 31,926 | 28,675 |
| Income from continuing operations, net of tax | 89,195 | 78,719 | 72,786 |
| Loss from discontinued operations, net of tax | (5,744) | (2,450) | (2,532) |
| Consolidated net income | 83,451 | 76,269 | 70,254 |
| Less: Net income attributable to non-controlling interests | (3,121) | (2,122) | (2,733) |
| Net income attributable to Minerals Technologies Inc. (MTI) | \$80,330 | \$74,147 | \$67,521 |
| Earnings per share: | | | |
| Basic: | | | |
| Income from continuing operations attributable to MTI | \$2.48 | \$2.17 | \$1.94 |
| Loss from discontinued operations attributable to MTI | (0.17) | (0.07) | (0.07) |
| Basic earnings per share attributable to MTI | \$2.31 | \$2.10 | \$1.87 |
| Diluted: | | | |
| Income from continuing operations attributable to MTI | \$2.46 | \$2.16 | \$1.93 |
| Loss from discontinued operations attributable to MTI | (0.16) | (0.07) | (0.07) |
| Diluted earnings per share attributable to MTI | \$2.30 | \$2.09 | \$1.86 |

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

F-3

MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(thousands of dollars)

| | Year Ended December 31, | | |
|---|-------------------------|----------|----------|
| | 2013 | 2012 | 2011 |
| Consolidated net income | \$83,451 | \$76,269 | \$70,254 |
| Other comprehensive income, net of tax: | | | |
| Foreign currency translation adjustments | (16,533) | 1,479 | (17,565) |
| Pension and postretirement plan adjustments | 34,281 | (7,730) | (25,630) |
| Sale of interest in business | -- | -- | (820) |
| Cash flow hedges: | | | |
| Reclassification adjustments | (2) | 11 | 47 |
| Net derivative gains (losses) arising during the period | 514 | (204) | 529 |
| Comprehensive income | 101,711 | 69,825 | 26,815 |
| Comprehensive income attributable to non-controlling interest | (1,448) | (1,545) | (1,035) |
| Comprehensive income attributable to MTI | \$100,263 | \$68,280 | \$25,780 |

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

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

| | Year Ended December 31, | | |
|--|-------------------------|-----------|-----------|
| | 2013 | 2012 | 2011 |
| Operating Activities | | | |
| Consolidated net income | \$83,451 | \$76,269 | \$70,254 |
| Loss from discontinued operations | (5,744) | (2,450) | (2,532) |
| Income from continuing operations | 89,195 | 78,719 | 72,786 |
| Adjustments to reconcile income from continuing operations to net cash provided by operating activities: | | | |
| Depreciation, depletion and amortization | 47,289 | 51,124 | 58,175 |
| Loss on disposal of property, plant and equipment | 1,187 | 1,093 | 288 |
| Pension amortization and settlement loss | 11,836 | 11,497 | 7,417 |
| Deferred income taxes | 4,421 | 1,257 | 1,250 |
| Provision for bad debts | 586 | 1,011 | 878 |
| Stock-based compensation | 5,249 | 5,476 | 7,237 |
| Other non-cash items | 515 | 612 | 41 |
| Changes in operating assets and liabilities | | | |
| Accounts receivable | (10,460) | (158) | (14,451) |
| Inventories | (6,534) | 6,361 | (7,059) |
| Prepaid expenses and other current assets | 706 | 3,398 | (5,787) |
| Pension plan funding | (11,407) | (16,963) | (6,650) |
| Accounts payable | (776) | (4,375) | 25,426 |
| Restructuring liabilities | (254) | (1,103) | (2,550) |
| Income taxes payable | (1,505) | 3,748 | (712) |
| Tax benefits related to stock incentive programs | 485 | 513 | 166 |
| Other | 7,015 | (61) | 305 |
| Net cash provided by continuing operations | 137,548 | 142,149 | 136,670 |
| Net cash used in discontinued operations | (2,751) | (2,231) | (3,011) |
| Net cash provided by operating activities | 134,797 | 139,918 | 133,659 |
| Investing Activities | | | |
| Purchases of property, plant and equipment | (43,831) | (52,130) | (52,060) |
| Purchases of short-term investments | (5,407) | (5,390) | (12,423) |
| Proceeds from sales of short-term investments | 3,049 | 9,310 | 9,380 |
| Proceeds from disposal of property, plant and equipment | 28 | 169 | 78 |
| Net cash used in investing activities | (46,161) | (48,041) | (55,025) |
| Financing Activities | | | |
| Issuance of long-term debt | 75,000 | -- | 1,596 |
| Repayment of long-term debt | (77,277) | (8,558) | (275) |
| Net issuance (repayment) of short-term debt | (1,179) | 1,031 | 2,030 |
| Purchase of common shares for treasury | (51,776) | (25,884) | (48,004) |
| Cash dividends paid | (6,946) | (4,409) | (3,601) |

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| | | | |
|--|-----------|-----------|-----------|
| Proceeds from issuance of stock under option plan | 12,108 | 8,173 | 5,912 |
| Excess tax benefits related to stock incentive programs | 2,303 | 313 | 6 |
| Dividends to non-controlling shareholders | (2,445) | (4,645) | -- |
| Net cash used in financing activities | (50,212) | (33,979) | (42,336) |
| |) | | |
| Effect of exchange rate changes on cash and cash equivalents | (2,249) | 1,042 | (8,973) |
| Net increase in cash and cash equivalents | 36,175 | 58,940 | 27,325 |
| Cash and cash equivalents at beginning of year | 454,092 | 395,152 | 367,827 |
| Cash and cash equivalents at end of year | \$490,267 | \$454,092 | \$395,152 |
| Non-cash Investing and Financing Activities: | | | |
| Treasury stock purchases settled after year-end | \$-- | \$1,771 | \$-- |

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

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

| | Equity Attributable to MTI | | | | Accumulated Other Comprehensive Income (Loss) | Treasury Stock | Non-controlling Interests | Total |
|---|----------------------------|----------------------------------|----------------------|--------------|---|-------------------|------------------------------|-------|
| | Common Stock | Additional Paid-in Capital | Retained Earnings | | | | | |
| Balance as of December 31, 2010 | \$4,659 | \$321,473 | \$899,211 | \$ (3,590) | \$ (466,230) | \$ 27,172 | \$782,695 | |
| Net income | -- | -- | 67,521 | -- | -- | 2,733 | 70,254 | |
| Sale of controlling interest | -- | -- | -- | -- | -- | (820) | (820) | |
| Currency translation adjustment | -- | -- | -- | (16,687) | -- | (878) | (17,565) | |
| Unamortized losses and prior service cost | -- | -- | -- | (25,630) | -- | -- | (25,630) | |
| Cash flow hedge: | | | | | | | | |
| Net derivative losses arising during the year | -- | -- | -- | 529 | -- | -- | 529 | |
| Reclassification adjustment | -- | -- | -- | 47 | -- | -- | 47 | |
| Dividends declared | -- | -- | (3,602) | -- | -- | -- | (3,602) | |
| Dividends to non-controlling interests | -- | -- | -- | -- | -- | (1,799) | (1,799) | |
| Employee benefit transactions | 16 | 5,895 | -- | -- | -- | -- | 5,911 | |
| Income tax benefit arising from employee stock option plans | -- | 172 | -- | -- | -- | -- | 172 | |
| Stock-based compensation | -- | 5,832 | -- | -- | -- | -- | 5,832 | |
| Purchase of common stock for treasury | -- | -- | -- | -- | (48,004) | -- | (48,004) | |
| Balance as of December 31, 2011 | \$4,675 | \$333,372 | \$963,130 | \$ (45,331) | \$ (514,234) | \$ 26,408 | \$768,020 | |
| Net income | -- | -- | 74,147 | -- | -- | 2,122 | 76,269 | |
| Currency translation adjustment | -- | -- | -- | 2,056 | -- | (577) | 1,479 | |
| Unamortized losses and prior service cost | -- | -- | -- | (7,730) | -- | -- | (7,730) | |
| Cash flow hedge: | | | | | | | | |
| Net derivative gains arising during the year | -- | -- | -- | (204) | -- | -- | (204) | |
| Reclassification adjustment | -- | -- | -- | 11 | -- | -- | 11 | |
| Dividends declared | -- | -- | (4,408) | -- | -- | -- | (4,408) | |
| Capital contributions by non-controlling interests | -- | -- | -- | -- | -- | 808 | 808 | |
| | -- | -- | -- | -- | -- | (5,453) | (5,453) | |

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| | | | | | | | |
|---|---------|-----------|-------------|--------------|--------------|-----------|-----------|
| Dividends to non-controlling interests | | | | | | | |
| Employee benefit transactions | 25 | 8,148 | -- | -- | -- | -- | 8,173 |
| Income tax benefit arising from employee stock option plans | -- | 826 | -- | -- | -- | -- | 826 |
| Stock-based compensation | -- | 3,583 | -- | -- | -- | -- | 3,583 |
| Purchase of common stock for treasury | -- | -- | -- | -- | (27,655) | -- | (27,655) |
| Balance as of December 31, 2012 | \$4,700 | \$345,929 | \$1,032,869 | \$ (51,198) | \$ (541,889) | \$ 23,308 | \$813,719 |
| Net income | -- | -- | 80,330 | -- | -- | 3,121 | 83,451 |
| Currency translation adjustment | -- | -- | -- | (14,860) | -- | (1,673) | (16,533) |
| Unamortized losses and prior service cost | -- | -- | -- | 34,281 | -- | -- | 34,281 |
| Cash flow hedge: | | | | | | | |
| Net derivative gains arising during the year | -- | -- | -- | 514 | -- | -- | 514 |
| Reclassification adjustment | -- | -- | -- | (2) | -- | -- | (2) |
| Dividends declared | -- | -- | (6,946) | -- | -- | -- | (6,946) |
| Dividends to non-controlling interests | -- | -- | -- | -- | -- | (2,445) | (2,445) |
| Employee benefit transactions | 56 | 12,052 | -- | -- | -- | -- | 12,108 |
| Equity reclassification adjustment to non-controlling interests | -- | (4,559) | -- | -- | -- | 4,559 | -- |
| Income tax benefit arising from employee stock option plans | -- | 2,788 | -- | -- | -- | -- | 2,788 |
| Stock-based compensation | -- | 5,249 | -- | -- | -- | -- | 5,249 |
| Purchase of common stock for treasury | -- | -- | -- | -- | (51,776) | -- | (51,776) |
| Balance as of December 31, 2013 | \$4,756 | \$361,459 | \$1,106,253 | \$ (31,265) | \$ (593,665) | \$ 26,870 | \$874,408 |

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

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

Note 1. Summary of Significant Accounting Policies

Basis of Presentation

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

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

During the second quarter of 2013, the Company ceased its operations at its Paper PCC merchant plant in Walsum, Germany and reclassified such operations as discontinued. All prior periods have been restated to reflect such reclassification.

Use of Estimates

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

Business

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

Cash Equivalents and Short-term Investments

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Short-term investments consist of financial instruments with original maturities beyond three months, but less than twelve months. Short-term investments amounted to \$15.8 million and \$14.2 million at December 31, 2013 and 2012, respectively.

Trade Accounts Receivable

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

Inventories

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

Additionally, items such as idle facility expense, excessive spoilage, freight handling costs, and re-handling costs are recognized as current period charges. The allocation of fixed production overheads to the costs of conversion are based upon the normal capacity of the production facility. Fixed overhead costs associated with idle capacity are expensed as incurred.

Property, Plant and Equipment

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

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

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

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

Stripping Costs Incurred During Production

Stripping costs are those costs incurred for the removal of waste materials for the purpose of accessing ore body that will be produced commercially. Stripping costs incurred during the production phase of a mine are variable costs that are included in the costs of inventory produced during the period that the stripping costs are incurred.

Accounting for the Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable, the Company estimates the undiscounted future cash flows (excluding interest), resulting from the use of the asset and its ultimate disposition. If the sum of the undiscounted cash flows (excluding interest) is less than the carrying value, the Company recognizes an impairment loss, measured as the amount by which the carrying value exceeds the fair value of the asset, determined principally using discounted cash flows.

Goodwill and Other Intangible Assets

Goodwill represents the excess of purchase price and related costs over the value assigned to the net tangible and identifiable intangible assets of businesses acquired. Goodwill is not amortized, but instead assessed for impairment. Intangible assets with estimable useful lives are amortized over their respective estimated lives to the estimated residual values, and reviewed for impairment.

The Company performs a qualitative assessment for each of its reporting units to determine if the two step process for impairment testing was required. If the Company determines that it was more likely than not that the fair value of a reporting unit was less than its carrying amount, the Company would then have evaluated the recoverability of goodwill using a two-step impairment test approach at the reporting unit level. In the first step, the fair value for the reporting unit is compared to its book value including goodwill. In the case that the fair value of the reporting unit is less than book value, a second step is performed which compares the fair value of the reporting unit's goodwill to the book value of the goodwill. The fair value for the goodwill is determined based on the difference between the fair values of the reporting unit and the net fair values of the identifiable assets and liabilities of such reporting unit. If the fair value of the goodwill is less than the book value, the difference is recognized as an impairment.

Accounting for Asset Retirement Obligations

The Company provides for obligations associated with the retirement of long-lived assets and the associated asset retirement costs. The fair value of a liability for an asset retirement obligation is recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset. The Company also provides for legal obligations to perform asset retirement activities where timing or methods of settlement are conditional on future events.

Fair Value of Financial Instruments

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

Derivative Financial Instruments

The Company records derivative financial instruments which are used to hedge certain foreign exchange risk at fair value on the balance sheet. See Note 9 for a full description of the Company's hedging activities and related accounting policies.

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

Revenue Recognition

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

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

Foreign Currency

The assets and liabilities of the Company's international subsidiaries are translated into U.S. dollars using exchange rates at the respective balance sheet date. The resulting translation adjustments are recorded in accumulated other comprehensive income (loss) in shareholders' equity. Income statement items are generally translated at monthly average exchange rates prevailing during the period. International subsidiaries operating in highly inflationary economies translate non-monetary assets at historical rates, while net monetary assets are translated at current rates, with the resulting translation adjustments included in net income. At December 31, 2013, the Company had no international subsidiaries operating in highly inflationary economies.

Income Taxes

Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

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

The application of income tax law is inherently complex. Laws and regulations in this area are voluminous and are often ambiguous. As such, we are required to make many subjective assumptions and judgments regarding our income tax exposures. Interpretations of and guidance surrounding income tax laws and regulations change over time. As such, changes in our subjective assumptions and judgments can materially affect amounts recognized in the consolidated balance sheets and statements of operations. The Company's accounting policy is to recognize interest and penalties as part of its provision for income taxes. See Note 5, "Income Taxes," for additional detail on our uncertain tax positions.

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

Research and Development Expenses

Research and development expenses are expensed as incurred.

Accounting for Stock-Based Compensation

The Company recognizes compensation expense for share-based awards based upon the grant date fair value over the vesting period.

Pension and Post-retirement Benefits

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

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

Environmental

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

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

Earnings Per Share

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

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

Subsequent events

The Company has evaluated for subsequent events through the date of issuance of its financial statements.

Stock Split

On November 14, 2012 the Company's Board of Directors authorized a two-for-one stock split of the of the Company's outstanding common stock, which was effected in the form of a 100-percent stock distribution payable on December 11, 2012 to shareholders of record on November 27, 2012. Treasury shares were not treated as outstanding shares in the stock split. The par-value of the Company's stock remained at \$0.10 per share. Unless otherwise noted, all share amounts and per share calculations have been adjusted for all periods presented to reflect the impact of this split and to provide data on a comparable basis.

Recently Issued accounting Standards

Comprehensive Income

In February 2012, the FASB issued ASU No. 2011-02, "Comprehensive Income: Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income ("AOCI")" which improves the reporting of reclassifications out of AOCI. This ASU requires an entity to report the effect of significant reclassifications out of AOCI on the respective line items in net income. For other amounts not required to be reclassified to net income, an entity is required to cross-reference other disclosures required under U.S. GAAP that provide additional detail about these amounts. This ASU became effective January 1, 2013 and the effect of adopting this updated guidance did not have an impact on the Company's financial position or results of operations.

Presentation of Unrecognized Tax Benefits

In July 2013, the FASB issued ASU No. 2013-11, "Income Taxes: Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists" which improves the reporting of unrecognized tax benefits. This ASU requires an entity to present an unrecognized tax benefit as a reduction to deferred tax assets for NOLs or tax credit carryforwards, unless the NOL or tax credit carryforward is not available under the tax law or not intended to be used as of the reporting date to settle any additional income taxes that would be due from the disallowance of a tax position. Under that exception, the unrecognized tax benefit should be presented as a liability instead of being netted against deferred tax assets for NOLs or tax credit carryforwards. This ASU is effective for fiscal quarters and years beginning after December 15, 2013. The Company is currently evaluating the impact of adopting ASU No. 2013-11 on the Company's Consolidated Balance Sheet.

Note 2. Stock-Based Compensation

The Company has a 2001 Stock Award and Incentive Plan (the "Plan"), which provides for grants of incentive and non-qualified stock options, restricted stock, stock appreciation rights, stock awards or performance unit awards. The Plan is administered by the Compensation Committee of the Board of Directors. Stock options granted under the Plan

generally have a ten year term. The exercise price for stock options are at prices at or above the fair market value of the common stock on the date of the grant, and each award of stock options will vest ratably over a specified period, generally three years.

Stock-based compensation expense is recognized in the consolidated financial statements for stock options based on the grant date fair value.

Net income for years ended 2013, 2012 and 2011 include \$2.8 million, \$2.0 million and \$2.7 million pre-tax compensation costs, respectively, related to stock option expense as a component of marketing and administrative expenses. All stock option expense is recognized in the consolidated statements of operations. The related tax benefit included in the statement of income on the non-qualified stock options was \$1.1 million, \$0.8 million and \$1.1 million for 2013, 2012 and 2011, respectively.

The benefits of tax deductions in excess of the tax benefit from compensation costs that were recognized or would have been recognized are classified as financing inflows on the consolidated statement of cash flows.

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

Stock Options

The fair value of options granted is estimated on the date of grant using the Black-Scholes valuation model. Compensation expense is recognized only for those options expected to vest, with forfeitures estimated at the date of grant based on the Company's historical experience and future expectations. The forfeiture rate assumption used for the periods ended December 31, 2013 and 2012 was 7.50% and 7.31%, respectively.

The weighted average grant date fair value for stock options granted during the years ended December 31, 2013, 2012 and 2011 was \$15.83, \$10.74 and \$11.03, respectively. The weighted average grant date fair value for stock options vested during 2013, 2012 and 2011 was \$10.29, \$8.57 and \$7.58, respectively. The total intrinsic value of stock options exercised during the years ended December 31, 2013, 2012 and 2011 was \$10.0 million, \$3.3 million and \$1.7 million, respectively.

The fair value for stock awards was estimated at the date of grant using the Black-Scholes option valuation model with the following weighted average assumptions for the years ended December 31, 2013, 2012 and 2011:

| | | | |
|-------------------------|--------|--------|--------|
| | 2013 | 2012 | 2011 |
| Expected life (years) | 6.9 | 6.9 | 6.3 |
| Interest rate | 1.22 % | 1.36 % | 2.46 % |
| Volatility | 37.82% | 31.26% | 30.93% |
| Expected dividend yield | 0.48 % | 0.31 % | 0.31 % |

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

The following table summarizes stock option activity for the year ended December 31, 2013:

| | Shares | Weighted Average Exercise Price Per Share | Weighted Average Remaining Contractual Life (Years) | Aggregate Intrinsic Value (in thousands) |
|--------------------------------------|------------|---|---|--|
| Balance December 31, 2012 | 1,395,520 | \$28.31 | | |
| Granted | 239,770 | 41.42 | | |
| Exercised | (501,222) | 25.26 | | |
| Canceled | (2,653) | 37.24 | | |
| Balance December 31, 2013 | 1,131,415 | \$32.42 | 6.16 | \$31,283 |
| Exercisable, December 31, 2013 | 758,014 | \$29.67 | 4.95 | \$23,046 |

The aggregate intrinsic value above is calculated before applicable income taxes, based on the Company's closing stock price of \$60.07 as of the last business day of the period ended December 31, 2013 had all options been exercised on that date. The weighted average intrinsic value of the options exercised during 2013, 2012 and 2011 was \$20.03,

\$10.11 and \$7.15 per share, respectively. As of December 31, 2013, total unrecognized stock-based compensation expense related to non-vested stock options was approximately \$2.4 million, which is expected to be recognized over a weighted average period of approximately three years.

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

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

Non-vested stock option activity for the year ended December 31, 2013 is as follows:

| | Shares | Weighted Average Exercise Price Per Share |
|---|-----------|---|
| Non-vested options outstanding at December 31, 2012 | 327,086 | \$31.17 |
| Options granted | 239,770 | 41.42 |
| Options vested | (190,802) | 30.57 |
| Options forfeited ... | (2,653) | 37.24 |
| Non-vested options outstanding at December 31, 2013 | 373,401 | \$38.01 |

The following table summarizes additional information concerning options outstanding at December 31, 2013:

| Options Outstanding | | | Options Exercisable | | |
|--------------------------|--------------------------------|---|---------------------------------|--------------------------------|---------------------------------|
| Range of Exercise Prices | Number Outstanding at 12/31/13 | Weighted Average Remaining Contractual Term (Years) | Weighted Average Exercise Price | Number Exercisable at 12/31/13 | Weighted Average Exercise Price |
| \$19.855-\$24.753 | 140,018 | 6.1 | \$ 23.13 | 140,018 | \$ 23.13 |
| \$26.257-\$29.665 | 50,828 | 2.0 | \$ 27.15 | 48,322 | \$ 27.16 |
| \$30.097-\$42.415 | 940,569 | 6.4 | \$ 34.09 | 569,674 | \$ 31.49 |
| \$19.855-\$42.415 | 1,131,415 | 4.8 | \$ 32.42 | 758,014 | \$ 29.67 |

Restricted Stock

The Company has granted key employees rights to receive shares of the Company's common stock pursuant to the Plan. The rights will be deferred for a specified number of years of service, subject to restrictions on transfer and other conditions. Compensation expense for these shares is recognized over the vesting period. The Company granted 112,225 shares, 123,446 shares and 136,978 shares for the periods ended December 31, 2013, 2012 and 2011, respectively. The fair value was determined based on the market value of unrestricted shares. As of December 31, 2013, there was unrecognized stock-based compensation related to restricted stock of \$3.4 million, which will be recognized over approximately the next three years. The compensation expense amortized with respect to all units was approximately \$3.9 million, \$3.4 million and \$4.6 million for the periods ended December 31, 2013, 2012 and 2011, respectively. In addition, the Company recorded reversals of \$0.1 million, \$-- million and \$0.1 million for periods ended December 31, 2013, 2012 and 2011, respectively, related to restricted stock forfeitures. Such costs and reversals are included in marketing and administrative expenses. There were 107,956 restricted stock shares that vested for the year ended December 31, 2013.

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

| | Shares | Weighted Average Grant Date Fair Value |
|---------------------------------------|-----------|--|
| Unvested balance at December 31, 2012 | 183,660 | \$31.25 |
| Granted | 112,225 | \$41.44 |
| Vested | (107,956) | \$30.71 |
| Canceled | (2,357) | \$36.39 |
| Unvested balance at December 31, 2013 | 185,572 | \$37.65 |

Note 3. Earnings Per Share (EPS)

(thousands, except per share amounts)

| Basic EPS | 2013 | 2012 | 2011 |
|---|----------|----------|----------|
| Income from continuing operations attributable to MTI | \$86,074 | \$76,597 | \$70,053 |
| Loss from discontinued operations attributable to MTI | (5,744) | (2,450) | (2,532) |
| Net income attributable to MTI | \$80,330 | \$74,147 | \$67,521 |
| Weighted average shares outstanding | 34,690 | 35,340 | 36,018 |

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

| | | | |
|---|----------|----------|----------|
| Basic earnings per share from continuing operations attributable to MTI | \$2.48 | \$2.17 | \$1.94 |
| Basic loss per share from discontinued operations attributable to MTI | (0.17) | (0.07) | (0.07) |
| Basic earnings per share attributable to MTI | \$2.31 | \$2.10 | \$1.87 |
| | | | |
| Diluted EPS | 2013 | 2012 | 2011 |
| Income from continuing operations attributable to MTI | \$86,074 | \$76,597 | \$70,053 |
| Loss from discontinued operations attributable to MTI | (5,744) | (2,450) | (2,532) |
| Net income attributable to MTI | \$80,330 | \$74,147 | \$67,521 |
| | | | |
| Weighted average shares outstanding | 34,690 | 35,340 | 36,018 |
| Dilutive effect of stock options | 286 | 189 | 218 |
| Weighted average shares outstanding, adjusted | 34,976 | 35,529 | 36,236 |
| | | | |
| Diluted earnings per share from continuing operations attributable to MTI | \$2.46 | \$2.16 | \$1.93 |
| Diluted loss per share from discontinued operations attributable to MTI | (0.16) | (0.07) | (0.07) |
| Diluted earnings per share attributable to MTI | \$2.30 | \$2.09 | \$1.86 |

Options to purchase 2,404 shares and 218,064 shares of common stock for the years ended December 31, 2012 and December 31, 2011, respectively, were not included in the computation of diluted earnings per share because they were anti-dilutive, as the exercise prices of the options were greater than the average market price of the common shares. No options were excluded for the year ended December 31, 2013.

Note 4. Discontinued Operations

During the second quarter of 2013, the Company ceased its operations at its Paper PCC merchant plant in Walsum, Germany and reclassified such operations as discontinued. The remaining assets at this facility are not material and are being disposed. All prior periods have been restated to reflect such reclassification. These operations were part of the Company's Specialty Minerals segment.

The following table provides selected financial information for the Walsum plant included within discontinued operations in the Consolidated Statements of Income. The amounts exclude general corporate overhead and interest expense which were previously allocated to the entity comprising the discontinued operations.

| | | | |
|---------------------|-------|-------|--------|
| Millions of Dollars | 2013 | 2012 | 2011 |
| Net sales | \$1.6 | \$8.9 | \$11.9 |
| Production margin | (2.1) | (2.9) | (2.0) |
| Expenses | 0.5 | 0.7 | 0.8 |

| | | | |
|---|----------|----------|----------|
| Facility closure costs | 5.9 | -- | -- |
| Restructuring costs | -- | -- | 0.9 |
| Loss from operations | \$(8.5) | \$(3.6) | \$(3.7) |
| Benefit for taxes on income | \$(2.7) | \$(1.1) | \$(1.2) |
| Loss from discontinued operations, net of tax | \$(5.8) | \$(2.5) | \$(2.5) |

Note 5. Income Taxes

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

| Millions of Dollars | 2013 | 2012 | 2011 |
|---|----------|----------|----------|
| Domestic | \$66.6 | \$56.9 | \$47.0 |
| Foreign | 57.1 | 53.7 | 54.5 |
| Income from operations before provision for income taxes | \$ 123.7 | \$ 110.6 | \$ 101.5 |

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The provision (benefit) for taxes on income consists of the following:

| Millions of Dollars | 2013 | 2012 | 2011 |
|-------------------------|--------|--------|--------|
| Domestic | | | |
| Taxes currently payable | | | |
| Federal | \$13.7 | \$14.9 | \$11.8 |
| State and local | 2.6 | 1.3 | 2.2 |
| Deferred income taxes | 2.5 | 3.2 | (1.9) |
| Domestic tax provision | 18.8 | 19.4 | 12.1 |
| Foreign | | | |
| Taxes currently payable | 13.8 | 14.3 | 13.1 |
| Deferred income taxes | 1.9 | (1.8) | 3.5 |
| Foreign tax provision | 15.7 | 12.5 | 16.6 |
| Total tax provision | \$34.5 | \$31.9 | \$28.7 |

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

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

| Percentages | 2013 | 2012 | 2011 |
|---|--------|--------|--------|
| U.S. statutory tax rate | 35.0 % | 35.0 % | 35.0 % |
| Depletion | (3.6) | (3.8) | (4.0) |
| Difference between tax provided on foreign earnings and the U.S. statutory rate | (3.6) | (4.0) | (1.0) |
| State and local taxes, net of Federal tax benefit | 1.7 | 1.5 | 1.2 |
| Tax credits and foreign dividends | (1.7) | (0.1) | (0.1) |
| Change in valuation allowance | 0.3 | (1.1) | (1.2) |
| Impact of uncertain tax positions..... | (0.6) | 0.9 | (2.7) |
| Impact of officer's non-deductible compensation | 2.3 | 2.1 | 2.9 |
| Other | (1.9) | (1.6) | (1.8) |
| Consolidated effective tax rate | 27.9 % | 28.9 % | 28.3 % |

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

liabilities are presented below:

| Millions of Dollars | 2013 | 2012 |
|---|--------|--------|
| Deferred tax assets: | | |
| Accrued expenses | \$9.4 | \$12.2 |
| Net operating loss carry forwards | 9.6 | 11.4 |
| Pension and post-retirement benefits costs | 21.6 | 43.8 |
| Other | 14.3 | 12.9 |
| Valuation allowance. | (5.9) | (5.7) |
| Total deferred tax assets | \$49.0 | \$74.6 |
| Millions of Dollars | 2013 | 2012 |
| Deferred tax liabilities: | | |
| Plant and equipment, principally due to differences in depreciation | \$14.3 | \$10.3 |
| Intangible assets | 13.3 | 12.4 |
| Other | 1.6 | 4.4 |
| Total deferred tax liabilities | 29.2 | 27.1 |
| Net deferred tax assets | \$19.8 | \$47.5 |

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

| Millions of Dollars | 2013 | 2012 |
|----------------------------------|--------|--------|
| Net deferred tax assets, current | \$4.0 | \$6.3 |
| Net deferred assets, long term | 15.8 | 41.2 |
| | \$19.8 | \$47.5 |

The current portion of the net deferred tax assets is included in prepaid expenses and other current assets. The long-term portion of the net deferred tax assets are included in other assets and deferred charges.

The Company has \$4.8 million of deferred tax assets arising from tax loss carry forwards which will be realized through future operations. Carry forwards of approximately \$2.3 million expire over the next 20 years, and \$2.5 million can be utilized over an indefinite period.

On December 31, 2013, the Company had \$3.9 million of total unrecognized tax benefits. Included in this amount were a total of \$2.5 million of unrecognized income tax benefits that, if recognized, would affect the Company's effective tax rate. While it is expected that the amount of unrecognized tax benefits will change in the next 12 months, we do not expect the change to have a significant impact on the results of operations or the financial position of the Company.

The following table summarizes the activity related to our unrecognized tax benefits:

| Millions of Dollars | 2013 | 2012 |
|--|--------|-------|
| Balance as of January 1, 2013 | \$4.8 | \$3.9 |
| Increases related to current year positions | 0.6 | 0.7 |
| Increases related to new judgments | -- | 0.2 |
| Decreases related to audit settlements and statute expirations | (1.5) | -- |
| Other | -- | -- |
| Balance as of December 31, 2013 | \$3.9 | \$4.8 |

The Company's accounting policy is to recognize interest and penalties accrued, relating to unrecognized income tax benefits as part of its provision for income taxes. The Company had recorded \$0.4 million of interest and penalties during 2013 and had a total accrued balance on December 31, 2013 of \$0.6 million.

The Company operates in multiple taxing jurisdictions, both within and outside the U.S. In certain situations, a taxing authority may challenge positions that the Company has adopted in its income tax filings. The Company, with a few exceptions (none of which are material), is no longer subject to U.S. federal, state, local, and European income tax examinations by tax authorities for years prior to 2006.

Net cash paid for income taxes were \$25.5 million, \$21.5 million and \$31.9 million for the years ended December 31, 2013, 2012 and 2011, respectively.

The Company has not provided for U.S. federal and foreign withholding taxes on \$334.8 million of foreign subsidiaries' undistributed earnings as of December 31, 2013 because such earnings are intended to be permanently reinvested overseas. To the extent the parent company has received foreign earnings as dividends; the foreign taxes paid on those earnings have generated tax credits, which have substantially offset related U.S. income taxes. However, in the event that the entire \$334.8 million of foreign earnings were to be repatriated, incremental taxes may

be incurred. We do not believe this amount would be more than \$46.0 million.

Note 6. Inventories

The following is a summary of inventories by major category:

| Millions of Dollars | 2013 | 2012 |
|------------------------|--------|--------|
| Raw materials | \$35.1 | \$30.8 |
| Work in process | 6.3 | 6.5 |
| Finished goods | 26.3 | 26.5 |
| Packaging and supplies | 21.5 | 20.8 |
| Total inventories | \$89.2 | \$84.6 |

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Note 7. Property, Plant and Equipment

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

| Millions of Dollars | 2013 | 2012 |
|--|----------|----------|
| Land | \$24.1 | \$26.5 |
| Quarries/mining properties | 39.6 | 39.6 |
| Buildings | 145.7 | 145.1 |
| Machinery and equipment | 956.0 | 937.6 |
| Construction in progress | 28.6 | 27.8 |
| Furniture and fixtures and other | 88.3 | 85.4 |
| | 1,282.3 | 1,262.0 |
| Less: Accumulated depreciation and depletion | (976.2) | (944.3) |
| Property, plant and equipment, net | \$306.1 | \$317.7 |

Depreciation and depletion expense for the years ended December 31, 2013, 2012 and 2011 was \$44.7 million, \$48.7 million and \$55.9 million, respectively.

Note 8. Goodwill and Other Intangible Assets

The carrying amount of goodwill was \$64.4 million and \$65.8 million as of December 31, 2013 and December 31, 2012, respectively. The net change in goodwill since December 31, 2012 was attributable to the effects of foreign exchange.

Acquired intangible assets subject to amortization included in other assets and deferred charges as of December 31, 2013 and December 31, 2012 was as follows:

| Millions of Dollars | December 31, 2013 | | December 31, 2012 | |
|------------------------|-----------------------|--------------------------|-----------------------|--------------------------|
| | Gross Carrying Amount | Accumulated Amortization | Gross Carrying Amount | Accumulated Amortization |
| Patents and trademarks | \$6.4 | 3.7 | \$6.0 | \$3.4 |
| Customer lists | 2.9 | 2.6 | 2.9 | 2.4 |
| | \$9.3 | 6.3 | \$8.9 | \$5.8 |

The weighted average amortization period for acquired intangible assets subject to amortization is approximately 15 years. Amortization expense was approximately \$0.6 million, \$0.6 million and \$0.8 million for the years ended December 31, 2013, 2012 and 2011, respectively. The estimated amortization expense is \$0.4 million for 2014, \$0.4 million for 2015-2016 and \$0.3 million for 2017-2018.

Included in other assets and deferred charges is an additional intangible asset of approximately \$0.5 million which represents the non-current unamortized amount paid to a customer in connection with contract extensions at seven satellite PCC facilities. In addition, a current portion of \$0.4 million is included in prepaid expenses and other current assets. Such amounts will be amortized as a reduction of sales over the remaining lives of the customer contracts. Approximately \$0.4 million, \$0.4 million and \$0.7 million were amortized in 2013, 2012 and 2011, respectively. Estimated amortization as a reduction of sales is as follows: 2014 - \$0.4 million; 2015 - \$0.1 million; 2016 - \$0.0 million.

Note 9. Derivative Financial Instruments and Hedging Activities

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

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

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owes the counterparty, and therefore, it does not face any credit risk. The Company minimizes the credit risk in derivative instruments by entering into transactions with major financial institutions.

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

Based on established criteria, the Company designated its derivatives as cash flow hedges. The Company uses FEC's designated as cash flow hedges to protect against foreign currency exchange rate risks inherent in its forecasted inventory purchases. The Company had 2 open foreign exchange contracts as of December 31, 2013.

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

The location and amounts of derivative fair values on the Consolidated Balance Sheets as of December 31, 2013 and December 31, 2012 were as follows:

| Millions of Dollars | Asset Derivatives | | | Liability Derivatives | | |
|------------------------------------|------------------------|---------------|---------------|---------------------------|---------------|---------------|
| | Balance Sheet Location | Dec. 31, 2013 | Dec. 31, 2012 | Balance Sheet Location | Dec. 31, 2013 | Dec. 31, 2012 |
| Foreign Exchange Forward Contracts | Other Current Assets | \$-- | \$3.2 | Other Current Liabilities | \$-- | \$-- |

Refer to Note 11, "Fair Value of Financial Instruments" for further discussion of the determination of the fair value of derivatives.

Note 10. Short-term Investments

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

| Millions of Dollars | 2013 | 2012 |
|--------------------------|---------|---------|
| Short-term Investments | | |
| Short-term bank deposits | \$ 15.8 | \$ 14.2 |

There were no unrealized holding gains and losses on the short-term bank deposits held at December 31, 2013.

Note 11. Fair Value of Financial Instruments

Fair value is an exchange price that would be received for an asset or paid to transfer a liability (exit price) in an orderly transaction between market participants at the measurement date. The Company utilizes market data or assumptions that market participants would use in pricing the asset or liability. The Company follows a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active

markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumptions.

Assets and liabilities measured at fair value are based on one or more of three valuation techniques. The three valuation techniques are as follows:

• Market approach - prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

• Cost approach - amount that would be required to replace the service capacity of an asset or replacement cost.

• Income approach - techniques to convert future amounts to a single present amount based on market expectations, including present value techniques, option-pricing and other models.

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The Company primarily applies the income approach for foreign exchange derivatives for recurring fair value measurements and attempts to utilize valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs.

As of December 31, 2013, the Company held certain financial assets and liabilities that were required to be measured at fair value on a recurring basis. These consisted of the Company's derivative instruments related to foreign exchange rates and certain investment in money market funds. The fair values of foreign exchange rate derivatives are determined based on inputs that are readily available in public markets or can be derived from information available in publicly quoted markets and are categorized as Level 2. The fair values of investments in money market funds are determined by quoted prices in active markets and are categorized as level 1. The Company does not have any financial assets or liabilities measured at fair value on a recurring basis categorized as Level 3 and there were no transfers in or out of Level 3 during the year ended December 31, 2013. There were also no changes to the Company's valuation techniques used to measure asset and liability fair values on a recurring basis.

The following table sets forth by level within the fair value hierarchy the Company's financial assets and liabilities accounted for at fair value on a recurring basis as of December 31, 2013. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

Millions of Dollars Assets (Liabilities) at Fair Value as of December 31, 2013

| | Quoted Prices In Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|----------------------------------|---|---|--|
| Forward exchange contracts | \$ -- | \$ -- | \$ -- |
| Money market funds | \$203.2 | \$ -- | \$ -- |
| Total | \$203.2 | \$ -- | \$ -- |

The following table sets forth by level within the fair value hierarchy the Company's financial assets and liabilities accounted for at fair value on a recurring basis as of December 31, 2012.

Millions of Dollars Assets (Liabilities) at Fair Value as of December 31, 2012

| Quoted Prices In Active | Significant Other Observable Inputs | Significant Unobservable Inputs |
|----------------------------------|--|---------------------------------------|
|----------------------------------|--|---------------------------------------|

| | Markets for Identical Assets (Level 1) | (Level 2) | (Level 3) |
|----------------------------------|---|-----------|-----------|
| Forward exchange contracts | \$ -- | \$ 3.2 | \$ -- |
| Money market funds | \$174.7 | \$ -- | \$ -- |
| Total | \$174.7 | \$ 3.2 | \$ -- |

Note 12. Financial Instruments and Concentrations of Credit Risk

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

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

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

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

Forward exchange contracts: The fair value of forward exchange contracts (used for hedging purposes) is based on information derived from active markets. If appropriate, the Company would enter into forward exchange contracts to

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mitigate the impact of foreign exchange rate movements on the Company's operating results. It does not engage in speculation. Such foreign exchange contracts would offset losses and gains on the assets, liabilities and transactions being hedged. At December 31, 2013, the Company had 2 open foreign exchange contracts with a financial institution to purchase approximately \$0.5 million of foreign currencies. These contracts matured in January 2013. The fair value of these instruments was an asset of less than \$0.1 million at December 31, 2013. The fair value of open foreign exchange contracts at December 31, 2012 was an asset of less than \$0.1 million.

Additionally, the Company has entered into forward contracts to sell 30 million Euros as a hedge of its net investment in Europe. These contracts matured in October 2013 and from inception the Company realized in comprehensive income an after-tax gain of \$2.4 million, of which \$0.5 million was reflected in 2013. The fair value of these instruments at December 31, 2012 was an asset of \$3.2 million.

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

The Company's bad debt expense for the years ended December 31, 2013, 2012 and 2011 was \$0.6 million, \$1.0 million and \$0.9 million, respectively.

Note 13. Long-Term Debt and Commitments

The following is a summary of long term debt:

| Millions of Dollars | Dec. 31, 2013 | Dec. 31, 2012 |
|--|------------------|------------------|
| 5.53% Series 2006A Senior Notes Due October 5, 2013 | \$ -- | \$ 50.0 |
| Floating Rate Series 2006A Senior Notes | | |
| Due October 5, 2013 25,000 | -- | 25.0 |
| 3.46% Series A Senior Notes Due October 7, 2020 | 30.0 | -- |
| 4.13% Series B Senior Notes Due October 7, 2023 | 45.0 | -- |
| Variable/Fixed Rate Industrial Development Revenue Bonds Series 1999 Due November 1, 2014 | 8.2 | 8.2 |
| Installment obligations Due 2013 | -- | 1.4 |
| Other Borrowings Due 2014 | -- | 0.9 |
| Total | 83.2 | 85.5 |
| Less: Current maturities | 8.2 | 77.0 |
| Long-term debt | \$ 75.0 | \$ 8.5 |

The Variable/Fixed Rate Industrial Development Revenue Bonds due November 1, 2014 are tax-exempt 15-year instruments and were issued on November 30, 1999 to refinance the bonds issued in connection with the construction of a PCC plant in Jackson, Alabama. The bonds bear interest at either a variable rate or fixed rate at the option of the Company. Interest is payable semi-annually under the fixed rate option and monthly under the variable rate option.

The Company selected the variable rate option on these borrowings and the average interest rates were approximately 0.13% and 0.22% for the years ended December 31, 2013 and 2012, respectively.

On May 31, 2003, the Company acquired land and limestone ore reserves from the Cushenbury Mine Trust for approximately \$17.5 million. Approximately \$6.1 million was paid at the closing and \$11.4 million was financed through an installment obligation. The interest rate on this obligation is approximately 4.25%. This obligation was repaid in 2013.

On October 5, 2006, the Company, through private placement, entered into a Note Purchase Agreement and issued \$75 million aggregate principal amount unsecured senior notes. These notes consist of two tranches: \$50 million aggregate principal amount 5.53% Series 2006A Senior Notes (Tranche 1 Notes); and \$25 million aggregate principal amount Floating

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Rate Series 2006A Senior Notes (Tranche 2 Notes). Tranche 1 Notes bear interest of 5.53% per annum, payable semi-annually. Tranche 2 Notes bear floating rate interest, payable quarterly. The average interest rate on Tranche 2 for the years ended December 31, 2013 and December 31, 2012 was 0.73% and 0.92%, respectively. The principal payment for both tranches was due on October 5, 2013. The Company repaid this obligation in 2013.

In January 2011, the Company entered into a Renminbi ("RMB") denominated loan agreement at its Refractories facility in China with the Bank of America totaling RMB 10.6 million, or \$1.6 million. Principal of this loan was payable in installments over three years. Interest was payable semi-annually and was based upon the official RMB lending rate announced by the People's Bank of China. The average interest rate for the year ended December 31, 2013 was 6.8%. This obligation was repaid in 2013.

On October 7, 2013, the Company entered into, through private placement, a Note Purchase Agreement and issued \$75 million aggregate principal amount of senior unsecured notes, consisting of (a) \$30,000,000 aggregate principal amount 3.46% Senior Notes, Series A, due October 7, 2020 (the "Series A Notes"), and (b) \$45,000,000 aggregate principal amount 4.13% Senior Notes, Series B, due October 7, 2023 (the "Series B Notes" and, together with the Series A Notes, the "Notes"). The Company used the proceeds of the Notes to repay its \$75 million aggregate principal amount of senior unsecured notes which were due October 5, 2013.

The aggregate maturities of long-term debt are as follows: 2014 - \$8.2 million; 2015 - \$-- million; 2016 - \$-- million; 2017 - \$-- million; 2018 - \$-- million; thereafter - \$75.0 million.

The Company had available approximately \$189.7 million in uncommitted, short-term bank credit lines, of which \$5.5 million was in use at December 31, 2013.

Short-term borrowings as of December 31, 2013 and 2012 were \$5.5 million and \$7.1 million, respectively. The weighted average interest rate on short-term borrowings outstanding as of December 31, 2013 and 2012 was 4.8% and 5.8%, respectively.

During 2013, 2012 and 2011, respectively, the Company incurred interest costs of \$3.4 million, \$3.5 million and \$3.5 million including \$0.1 million, \$0.3 million and \$0.3 million, respectively, which were capitalized. Interest paid approximated the incurred interest cost.

Note 14. Benefit Plans

Pension Plans and Other Postretirement Benefit Plans

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

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

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

The funded status of the Company's pension plans and other postretirement benefit plans at December 31, 2013 and 2012 is as follows:

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Obligations and Funded Status

| Millions of Dollars | Pension Benefits | | Post-retirement Benefits | |
|---|------------------|---------|--------------------------|--------|
| | 2013 | 2012 | 2013 | 2012 |
| Change in benefit obligation | | | | |
| Benefit obligation at beginning of year | \$311.4 | \$271.9 | \$10.6 | \$14.4 |
| Service cost | 8.4 | 8.1 | 0.6 | 0.6 |
| Interest cost | 11.3 | 11.6 | 0.3 | 0.4 |
| Actuarial (gain) loss | (28.0) | 30.4 | (1.1) | (4.3) |
| Benefits paid | (14.0) | (12.5) | (0.5) | (0.5) |
| Settlements | -- | (0.6) | -- | -- |
| Foreign exchange impact | 0.3 | 1.9 | -- | -- |
| Other | 0.5 | 0.6 | -- | -- |
| Benefit obligation at end of year | \$289.9 | \$311.4 | \$9.9 | \$10.6 |

| Millions of Dollars | Pension Benefits | | Post-retirement Benefits | |
|---|------------------|----------|--------------------------|----------|
| | 2013 | 2012 | 2013 | 2012 |
| Change in plan assets | | | | |
| Fair value of plan assets beginning of year | \$212.0 | \$187.5 | \$-- | \$-- |
| Actual return on plan assets | 31.0 | 17.2 | -- | -- |
| Employer contributions | 10.9 | 16.4 | 0.5 | 0.5 |
| Plan participants' contributions | 0.5 | 0.5 | -- | -- |
| Benefits paid | (14.0) | (12.5) | (0.5) | (0.5) |
| Settlements | -- | (0.5) | -- | -- |
| Foreign exchange impact | 0.3 | 3.4 | -- | -- |
| Fair value of plan assets at end of year | \$240.7 | \$212.0 | \$-- | \$-- |
| Funded status | \$(49.2) | \$(99.4) | \$(9.9) | \$(10.6) |

Amounts recognized in the consolidated balance sheet consist of:

| Millions of Dollars | Pension Benefits | | Post-retirement Benefits | |
|-----------------------|------------------|----------|--------------------------|----------|
| | 2013 | 2012 | 2013 | 2012 |
| Current liability | \$(0.3) | \$(0.3) | \$(0.8) | \$(1.0) |
| Non-current liability | (48.9) | (99.1) | (9.1) | (9.6) |
| Recognized liability | \$(49.2) | \$(99.4) | \$(9.9) | \$(10.6) |

The current portion of pension liabilities is included in accrued compensation and related items.

Amounts recognized in accumulated other comprehensive income, net of related tax effects, consist of:

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| Millions of Dollars | Pension Benefits | | Post-retirement Benefits | |
|-------------------------------|------------------|--------|--------------------------|----------|
| | 2013 | 2012 | 2013 | 2012 |
| Net actuarial (gain) loss | \$58.4 | \$93.7 | \$(1.6) | \$(10.1) |
| Prior service cost | 2.2 | 3.0 | (8.1) | (0.8) |
| Amount recognized end of year | \$60.6 | \$96.7 | \$(9.7) | \$(10.9) |

The accumulated benefit obligation for all defined benefit pension plans was \$269.0 million and \$287.1 million at December 31, 2013 and 2012, respectively.

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Changes in the Plan assets and benefit obligations recognized in other comprehensive income:

| Millions of Dollars | Pension Benefits | | Post-retirement Benefits | |
|--|------------------|----------|--------------------------|--------|
| | 2013 | 2012 | 2013 | 2012 |
| Current year actuarial gain (loss) | \$26.1 | \$(17.6) | \$0.7 | \$2.7 |
| Amortization of actuarial (gain) loss | 8.8 | 8.4 | -- | (0.1) |
| Amortization of prior service credit (gain) loss | 0.6 | 0.7 | (1.9) | (1.8) |
| Total recognized in other comprehensive income | \$35.5 | \$(8.5) | \$(1.2) | \$0.8 |

The components of net periodic benefit costs are as follows:

| Millions of Dollars | Pension Benefits | | | Post-retirement Benefits | | |
|--------------------------------------|------------------|--------|--------|--------------------------|----------|----------|
| | 2013 | 2012 | 2011 | 2013 | 2012 | 2011 |
| Service cost | \$8.4 | \$8.1 | \$7.1 | \$0.6 | \$0.6 | \$0.7 |
| Interest cost | 11.3 | 11.6 | 11.6 | 0.3 | 0.4 | 0.6 |
| Expected return on plan assets | (14.8) | (13.5) | (13.8) | -- | -- | -- |
| Amortization of prior service cost | 1.0 | 1.2 | 1.3 | (3.1) | (3.1) | (3.1) |
| Recognized net actuarial (gain) loss | 13.9 | 13.3 | 8.6 | -- | (0.1) | 0.1 |
| Settlement /curtailment loss | -- | 0.2 | 0.5 | -- | -- | -- |
| Net periodic benefit cost | \$19.8 | \$20.9 | \$15.3 | \$(2.2) | \$(2.2) | \$(1.7) |

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

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

The 2014 estimated amortization of amounts in other accumulated comprehensive income are as follows:

| Millions of Dollars | Pension Benefits | Post-Retirement Benefits |
|---|------------------|--------------------------|
| Amortization of prior service credit (gain) | \$ 1.0 | \$ (3.1) |
| Amortization of net (gain) loss | 7.2 | (0.1) |
| Total costs to be recognized | \$ 8.2 | \$ (3.2) |

Additional Information

The weighted average assumptions used to determine net periodic benefit cost in the accounting for the pension benefit plans and other benefit plans for the years ended December 31, 2013, 2012 and 2011 are as follows:

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| | 2013 | 2012 | 2011 |
|--------------------------------|--------|--------|--------|
| Discount rate | 3.80 % | 4.32 % | 5.70 % |
| Expected return on plan assets | 7.18 % | 7.06 % | 7.25 % |
| Rate of compensation increase | 3.16 % | 3.11 % | 3.20 % |

The weighted average assumptions used to determine benefit obligations for the pension benefit plans and other benefit plans at December 31, 2013, 2012 and 2011 are as follows:

| | 2013 | 2012 | 2011 |
|-------------------------------|--------|--------|--------|
| Discount rate | 4.37 % | 3.77 % | 4.30 % |
| Rate of compensation increase | 3.10 % | 3.14 % | 3.10 % |

For 2013, 2012 and 2011, the discount rate was based on a Citigroup yield curve of high quality corporate bonds with cash flows matching our plans' expected benefit payments. The expected return on plan assets is based on our asset allocation mix

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and our historical return, taking into account current and expected market conditions. The actual return on pension assets was approximately 14% in 2013, 9% in 2012 and 2% in 2011.

The Company maintains a self-funded health insurance plan for its retirees. This plan provided that the maximum health care cost trend rate would be 5%. Effective June 2010, the Company amended its plan to change the eligibility requirement for retirees and revised its plan so that increases in expected health care costs would be borne by the retiree.

Plan Assets

The Company's pension plan weighted average asset allocation percentages at December 31, 2013 and 2012 by asset category are as follows:

| Asset Category | 2013 | 2012 |
|-------------------------|--------|--------|
| Equity securities | 56.4 % | 56.4 % |
| Fixed income securities | 35.0 % | 34.9 % |
| Real estate | 0.5 % | 0.5 % |
| Other | 8.1 % | 8.2 % |
| Total | 100.0% | 100.0% |

The Company's pension plan fair values at December 31, 2013 and 2012 by asset category are as follows:

| Millions of Dollars | | |
|-------------------------|---------|---------|
| Asset Category | 2013 | 2012 |
| Equity securities | \$135.9 | \$119.5 |
| Fixed income securities | 84.2 | 74.1 |
| Real estate | 1.1 | 1.0 |
| Other | 19.5 | 17.4 |
| Total | \$240.7 | \$212.0 |

The following table presents domestic and foreign pension plan assets information at December 31, 2013, 2012 and 2011 (the measurement date of pension plan assets):

| Millions of Dollars | U.S. Plans | | | International Plans | | |
|---------------------------|------------|---------|---------|---------------------|--------|--------|
| | 2013 | 2012 | 2011 | 2013 | 2012 | 2011 |
| Fair value of plan assets | \$170.6 | \$148.2 | \$132.2 | \$70.1 | \$63.8 | \$55.3 |

The following table summarizes our defined benefit pension plan assets measured at fair value as of December 31, 2013:

| Millions of Dollars | Pension Assets at Fair Value as of December 31, 2013 | | | |
|----------------------------|--|---|---|---------|
| | Quoted Prices In Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total |
| Asset Class | | | | |
| Equity Securities | | | | |
| US equities | \$116.8 | \$-- | \$-- | \$116.8 |
| Non-US equities | 19.0 | -- | -- | 19.0 |
| Fixed Income Securities | | | | |
| Corporate debt instruments | 53.7 | 30.6 | -- | 84.3 |
| Real estate and other | | | | |
| Real estate | -- | -- | 1.1 | 1.1 |
| Other | -- | -- | 19.5 | 19.5 |
| Total Assets | \$189.5 | \$30.6 | \$20.6 | \$240.7 |

U.S. equities—This class included actively and passively managed common equity securities comprised primarily of large-capitalization stocks with value, core and growth strategies.

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Non-U.S. equities—This class included actively managed common equity securities comprised primarily of international large-capitalization stocks.

Fixed income—This class included debt instruments issued by the US Treasury, and corporate debt instruments.

The following table summarizes our defined benefit pension plan assets measured at fair value as of December 31, 2012:

| Millions of Dollars | Pension Assets at Fair Value as of December 31, 2012 | | | |
|----------------------------|--|---|---|---------|
| | Quoted Prices In Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total |
| Asset Class | | | | |
| Equity Securities | | | | |
| US equities | \$104.5 | \$-- | \$-- | \$104.5 |
| Non-US equities | 15.0 | -- | -- | 15.0 |
| Fixed Income Securities | | | | |
| Corporate debt instruments | 43.1 | 31.0 | -- | 74.1 |
| Real estate and other | | | | |
| Real estate | -- | -- | 1.0 | 1.0 |
| Other | -- | -- | 17.4 | 17.4 |
| Total Assets | \$162.6 | \$31.0 | \$18.4 | \$212.0 |

Contributions

The Company expects to contribute \$10 million to its pension plans and \$1 million to its other post-retirement benefit plan in 2014.

Estimated Future Benefit Payments

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

| Millions of Dollars | Pension Benefits | Other Benefits |
|---------------------|------------------|----------------|
|---------------------|------------------|----------------|

| | | |
|-----------|---------|-------|
| 2014 | \$14.1 | \$0.8 |
| 2015 | \$15.4 | \$0.8 |
| 2016 | \$17.3 | \$0.8 |
| 2017 | \$18.1 | \$0.7 |
| 2018 | \$18.0 | \$0.8 |
| 2019-2023 | \$101.4 | \$3.4 |

Investment Strategies

The investment strategy for pension plan assets is to maintain a broadly diversified portfolio designed to both preserve and grow plan assets to meet future plan obligations. The Company's average rate of return on assets from inception through December 31, 2013 was over 10%. The Company's assets are strategically allocated among equity, debt and other investments to achieve a diversification level that dampens fluctuations in investment returns. The Company's long-term investment strategy is an investment portfolio mix of approximately 65% in equity securities and 35% in fixed income securities. As of December 31, 2013, the Company had approximately 65% of its pension assets in equity securities and 35% in fixed income securities.

Savings and Investment Plans

The Company maintains a voluntary Savings and Investment Plan (a 401K plan) for most non-union employees in the U.S. Within prescribed limits, the Company bases its contribution to the Plan on employee contributions. The Company's contributions amounted to \$2.8 million for each of the years ended December 31, 2013, 2012 and 2011.

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Note 15. Leases

The Company has several non-cancelable operating leases, primarily for office space and equipment. Rent expense amounted to approximately \$4.5 million, \$5.0 million and \$5.3 million for the years ended December 31, 2013, 2012 and 2011, respectively. Total future minimum rental commitments under all non-cancelable leases for each of the years 2014 through 2018 and in aggregate thereafter are approximately \$3.5 million, \$2.6 million, \$2.2 million, \$1.2 million, \$1.1 million, respectively, and \$3.9 million thereafter. Total future minimum rentals to be received under non-cancelable subleases were approximately \$1.0 million at December 31, 2013.

Total future minimum payments to be received under direct financing leases for each of the years 2014 through 2018 and the aggregate thereafter are approximately: \$2.0 million, \$0.9 million, \$0.4 million, \$0.1 million, \$-- million and \$-- million thereafter.

Note 16. Litigation

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 72 pending silica cases and 15 pending asbestos cases. To date, 1,394 silica cases and 34 asbestos cases have been dismissed. Two new asbestos cases were filed in the fourth quarter of 2013. 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 continues to be insignificant. The majority of the costs of defense are reimbursed by Pfizer Inc. pursuant to the terms of certain agreements entered into in connection with the Company's initial public offering in 1992. Of the 15 pending asbestos cases, all allege liability based on products sold largely or entirely prior to the initial public offering, and for which the Company is therefore entitled to indemnification pursuant to such agreements. 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 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") and mercury at a portion of the site. We have completed the required investigations and submitted several reports characterizing the contamination. We are now conducting a site-specific risk assessment required by the regulators.

We believe that the most likely form of overall site remediation will be to leave the existing contamination in place (with some limited soil removal), encapsulate it, and monitor the effectiveness of the encapsulation. We anticipate that a substantial portion of the remediation cost will be borne by the United States based on its involvement at the site from 1942 – 1964, as historic documentation indicates that PCBs and mercury were first used at the facility at a time of U.S. government ownership for production of materials needed by the military. Though the cost of the likely remediation remains uncertain pending completion of the phased remediation decision process, we have estimated that the Company's share of the cost of the encapsulation and limited soil removal described above would approximate \$0.4 million, which has been accrued as of December 31, 2013.

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 ("DEP") on June 18, 2002. This order was amended on June 1, 2009 and on June 2, 2010. The amended Order 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 \$0.4 million, which has been accrued as of December 31, 2013.

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

Note 17. Stockholders' Equity
 Capital Stock

The Company's authorized capital stock consists of 100 million shares of common stock, par value \$0.10 per share, of which 34,350,186 shares and 34,949,620 shares were outstanding at December 31, 2013 and 2012, respectively, and 1,000,000 shares of preferred stock, none of which were issued and outstanding.

On November 14, 2012, the Company's Board of Directors approved a two-for-one stock split of the Company's outstanding common stock in the form of a 100-percent stock distribution payable on December 11, 2012 to shareholders of record on November 27, 2012. The stock split resulted in an increase of 17.6 million shares of common stock outstanding. Treasury shares were not affected by the stock split.

Cash Dividends

Cash dividends of \$6.9 million or \$0.20 per common share were paid during 2013. In January 2014, a cash dividend of approximately \$1.7 million or \$0.05 per share, was declared, payable in the first quarter of 2014.

Stock Award and Incentive Plan

The Company has adopted its 2001 Stock Award and Incentive Plan (the "Plan"), which provides for grants of incentive and non-qualified stock options, stock appreciation rights, stock awards or performance unit awards. The Plan is administered by the Compensation Committee of the Board of Directors. Stock options granted under the Plan have a term not in excess of ten years. The exercise price for stock options will not be less than the fair market value of the common stock on the date of the grant, and each award of stock options will vest ratably over a specified period, generally three years.

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

| | Shares Available for Grant | Stock Options | | Restricted Stock | |
|------------------------------|----------------------------------|---------------|--|------------------|--|
| | | Shares | Weighted Average Exercise Price Per Share (\$) | Shares | Weighted Average Exercise Price Per Share (\$) |
| Balance January 1, 2011 | 1,898,578 | 1,640,060 | 27.05 | 300,540 | 23.60 |
| Granted | (381,624) | 244,646 | 32.06 | 136,978 | 32.08 |
| Exercised/vested | -- | (241,196) | 25.01 | (94,246) | 31.99 |
| Canceled | 160,784 | (69,536) | 26.80 | (91,248) | 30.22 |
| Balance December 31, 2011 | 1,677,738 | 1,573,974 | 27.10 | 252,024 | 27.21 |
| Granted | (345,696) | 222,250 | 32.04 | 123,446 | 32.04 |
| Exercised/vested | -- | (330,158) | 25.15 | (102,424) | 25.90 |
| Canceled | 159,932 | (70,546) | 27.76 | (89,386) | 27.08 |
| Balance December 31, 2012 | 1,491,974 | 1,395,520 | 28.31 | 183,660 | 31.25 |
| Granted | (351,995) | 239,770 | 41.42 | 112,225 | 41.44 |
| Exercised/vested | -- | (501,222) | 25.26 | (107,956) | 30.71 |

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| | | | | | |
|------------------------------|-----------|-----------|-------|----------|-------|
| Canceled | 5,010 | (2,653) | 37.24 | (2,357) | 36.39 |
| Balance December 31, 2013 | 1,144,989 | 1,131,415 | 32.42 | 185,572 | 37.65 |

Note 18. Comprehensive Income

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

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

| Millions of Dollars | Currency Translation Adjustment | Unrecognized Pension Costs | Net Gain (Loss) On Cash Flow Hedges | Accumulated Other Comprehensive Income (Loss) |
|------------------------|------------------------------------|----------------------------------|--|--|
|------------------------|------------------------------------|----------------------------------|--|--|