

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

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

| (millions of dollars) | December 31, | |
|---|---------------------|-------------------|
| | 2021 | 2020 |
| Deferred tax assets attributable to: | | |
| Accrued liabilities | \$ 29.7 | \$ 29.8 |
| Net operating loss carry forwards | 31.8 | 31.1 |
| Pension and post-retirement benefits costs | 31.4 | 46.3 |
| Other | 22.4 | 28.2 |
| Valuation allowance | (22.3) | (20.9) |
| Total deferred tax assets | <u>93.0</u> | <u>114.5</u> |
| Deferred tax liabilities attributable to: | | |
| Plant and equipment, principally due to differences in depreciation | 178.8 | 169.5 |
| Intangible assets | 69.3 | 69.5 |
| Other | 10.0 | 13.9 |
| Total deferred tax liabilities | <u>258.1</u> | <u>252.9</u> |
| Net deferred tax asset (liability) | <u>\$ (165.1)</u> | <u>\$ (138.4)</u> |

Net deferred tax assets and net deferred tax liabilities are as follows:

| (millions of dollars) | December 31, | |
|---|---------------------|-------------------|
| | 2021 | 2020 |
| Net deferred tax asset, long-term | \$ 23.0 | \$ 25.3 |
| Net deferred tax liability, long-term | 188.1 | 163.7 |
| Net deferred tax asset (liability), long-term | <u>\$ (165.1)</u> | <u>\$ (138.4)</u> |

The Company has \$31.8 million of deferred tax assets arising from tax loss carry forwards which will be realized through future operations. Carry forwards of approximately \$17.8 million expire over the next 20 years, and \$14.0 million can be utilized over an indefinite period.

On December 31, 2021, the Company had \$5.1 million of total unrecognized tax benefits. Included in this amount were a total of \$3.6 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) | 2021 | 2020 |
|--|---------------|---------------|
| Balance at beginning of the year | \$ 7.6 | \$ 7.9 |
| Increases related to current year tax positions | 0.6 | 0.7 |
| Increases related to new judgements | 0.2 | — |
| Decreases related to audit settlements and statute expirations | (3.3) | (1.0) |
| Balance at the end of the year | <u>\$ 5.1</u> | <u>\$ 7.6</u> |

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 recorded \$0.8 million in interest and penalties during 2021 and had a total accrued balance on December 31, 2021 of \$1.2 million.