

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

Note 13. 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.

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.

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 at the end of each of the past two years. 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)

<u>Description</u>	<u>Asset / (Liability) Balance at December 31, 2021</u>	<u>Fair Value Measurements Using</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Deferred compensation plan assets	\$ 14.6	\$ —	\$ 14.6	\$ —
Supplementary pension plan assets	16.8	—	16.8	—
Cross currency rate swap	8.2	—	8.2	—
Interest rate swaps	(4.0)	—	(4.0)	—

<u>Description</u>	<u>Asset / (Liability) Balance at December 31, 2020</u>	<u>Fair Value Measurements Using</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Deferred compensation plan assets	\$ 14.2	\$ —	\$ 14.2	\$ —
Supplementary pension plan assets	15.0	—	15.0	—
Cross currency rate swap	0.4	—	0.4	—
Interest rate swaps	(7.6)	—	(7.6)	—