

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2020

OR

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 1-31763

**KRONOS WORLDWIDE, INC.**

(Exact name of registrant as specified in its charter)

DELAWARE  
(State or other jurisdiction of  
incorporation or organization)

76-0294959  
(IRS Employer  
Identification No.)

5430 LBJ Freeway, Suite 1700  
Dallas, Texas 75240-2620  
(Address of principal executive offices)

Registrant's telephone number, including area code: (972) 233-1700

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock	KRO	NYSE

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 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 every Interactive Data File required to be submitted 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 such files). Yes  No

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

Large accelerated filer  Accelerated filer   
Non-accelerated filer  Smaller reporting company   
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No

Number of shares of the registrant's common stock, \$.01 par value per share, outstanding on October 30, 2020: 115,542,717.

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## KRONOS WORLDWIDE, INC. AND SUBSIDIARIES

## CONDENSED CONSOLIDATED BALANCE SHEETS

(In millions)

	<u>December 31, 2019</u>	<u>September 30, 2020 (unaudited)</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 390.8	\$ 348.4
Restricted cash	1.5	4.7
Accounts and other receivables, net	309.4	314.5
Inventories, net	503.0	504.2
Prepaid expenses and other	<u>15.0</u>	<u>16.9</u>
Total current assets	<u>1,219.7</u>	<u>1,188.7</u>
Other assets:		
Investment in TiO <sub>2</sub> manufacturing joint venture	90.2	96.7
Marketable securities	3.3	2.0
Operating lease right-of-use assets	29.0	26.8
Deferred income taxes	127.7	141.1
Other	<u>5.3</u>	<u>6.4</u>
Total other assets	<u>255.5</u>	<u>273.0</u>
Property and equipment:		
Land	40.4	41.8
Buildings	211.4	217.1
Equipment	1,113.1	1,152.0
Mining properties	116.2	110.3
Construction in progress	<u>54.9</u>	<u>66.6</u>
	1,536.0	1,587.8
Less accumulated depreciation and amortization	<u>1,045.4</u>	<u>1,102.6</u>
Net property and equipment	<u>490.6</u>	<u>485.2</u>
Total assets	<u>\$ 1,965.8</u>	<u>\$ 1,946.9</u>

**KRONOS WORLDWIDE, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS (CONTINUED)**

(In millions)

	<u>December 31,</u> <u>2019</u>	<u>September 30,</u> <u>2020</u> <small>(unaudited)</small>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities:</b>		
Current maturities of long-term debt	\$ 1.5	\$ 1.5
Accounts payable and accrued liabilities	259.0	211.6
Income taxes	10.1	22.4
	<u>270.6</u>	<u>235.5</u>
<b>Total current liabilities</b>		
<b>Noncurrent liabilities:</b>		
Long-term debt	444.0	465.9
Accrued pension costs	307.4	321.9
Payable to affiliate - income taxes	56.6	50.6
Operating lease liabilities	22.2	19.6
Deferred income taxes	20.7	23.0
Other	28.2	28.7
	<u>879.1</u>	<u>909.7</u>
<b>Total noncurrent liabilities</b>		
<b>Stockholders' equity:</b>		
Common stock	1.2	1.2
Additional paid-in capital	1,396.2	1,395.3
Retained deficit	(132.5)	(141.2)
Accumulated other comprehensive loss	(448.8)	(453.6)
	<u>816.1</u>	<u>801.7</u>
<b>Total stockholders' equity</b>		
<b>Total liabilities and stockholders' equity</b>		
	<u>\$ 1,965.8</u>	<u>\$ 1,946.9</u>

Commitments and contingencies (Notes 11 and 13)

See accompanying notes to Condensed Consolidated Financial Statements.

**KRONOS WORLDWIDE, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**  
(In millions, except per share data)

	Three months ended September 30,		Nine months ended September 30,	
	2019	2020	2019	2020
	(unaudited)			
Net sales	\$ 437.4	\$ 416.9	\$ 1,358.4	\$ 1,223.9
Cost of sales	349.7	336.3	1,051.9	959.4
Gross margin	87.7	80.6	306.5	264.5
Selling, general and administrative expense	56.9	55.6	172.5	161.8
Other operating income (expense):				
Currency transactions, net	5.8	(2.9)	5.6	3.2
Other operating expense, net	(3.5)	(2.8)	(11.0)	(10.1)
Income from operations	33.1	19.3	128.6	95.8
Other income (expense):				
Interest and dividend income	1.4	.1	5.2	1.5
Insurance settlement gain	-	-	-	1.5
Marketable equity securities	(1.9)	.4	(.1)	(1.3)
Other components of net periodic pension and OPEB cost	(3.8)	(5.0)	(11.4)	(14.4)
Interest expense	(4.6)	(4.9)	(14.1)	(14.1)
Income before income taxes	24.2	9.9	108.2	69.0
Income tax expense	6.3	1.8	30.5	15.3
Net income	\$ 17.9	\$ 8.1	\$ 77.7	\$ 53.7
Net income per basic and diluted share	\$ .16	\$ .07	\$ .67	\$ .46
Weighted average shares used in the calculation of net income per share	115.7	115.5	115.8	115.6

See accompanying notes to Condensed Consolidated Financial Statements.

**KRONOS WORLDWIDE, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(In millions)

	Three months ended September 30,		Nine months ended September 30,	
	2019	2020	2019	2020
Net income	\$ 17.9	\$ 8.1	\$ 77.7	\$ 53.7
(unaudited)				
Other comprehensive income (loss), net of tax:				
Currency translation	(18.7)	10.1	(11.7)	(13.8)
Defined benefit pension plans	2.2	3.1	6.7	9.2
Other postretirement benefit plans	(1)	(1)	(2)	(2)
Total other comprehensive income (loss), net	(16.6)	13.1	(5.2)	(4.8)
Comprehensive income	\$ 1.3	\$ 21.2	\$ 72.5	\$ 48.9

See accompanying notes to Condensed Consolidated Financial Statements.

**KRONOS WORLDWIDE, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
(In millions)

Three months ended September 30, 2019 and 2020 (unaudited)						
	Common stock	Additional paid-in capital	Retained deficit	Accumulated other comprehensive loss	Treasury stock	Total
Balance at June 30, 2019	\$ 1.2	\$ 1,399.2	\$ (118.1)	\$ (412.9)	\$ (1.4)	\$ 868.0
Net income	-	-	17.9	-	-	17.9
Other comprehensive loss, net of tax	-	-	-	(16.6)	-	(16.6)
Dividends paid - \$.18 per share	-	-	(20.8)	-	-	(20.8)
Treasury stock acquired	-	-	-	-	(1.6)	(1.6)
Treasury stock retired	-	(1.4)	-	-	1.4	-
<b>Balance at September 30, 2019</b>	<b>\$ 1.2</b>	<b>\$ 1,397.8</b>	<b>\$ (121.0)</b>	<b>\$ (429.5)</b>	<b>\$ (1.6)</b>	<b>\$ 846.9</b>
Balance at June 30, 2020	\$ 1.2	\$ 1,395.3	\$ (128.5)	\$ (466.7)	\$ -	\$ 801.3
Net income	-	-	8.1	-	-	8.1
Other comprehensive income, net of tax	-	-	-	13.1	-	13.1
Dividends paid - \$.18 per share	-	-	(20.8)	-	-	(20.8)
<b>Balance at September 30, 2020</b>	<b>\$ 1.2</b>	<b>\$ 1,395.3</b>	<b>\$ (141.2)</b>	<b>\$ (453.6)</b>	<b>\$ -</b>	<b>\$ 801.7</b>

Nine months ended September 30, 2019 and 2020 (unaudited)						
	Common stock	Additional paid-in capital	Retained deficit	Accumulated other comprehensive loss	Treasury stock	Total
Balance at December 31, 2018	\$ 1.2	\$ 1,399.1	\$ (136.2)	\$ (424.3)	\$ -	\$ 839.8
Net income	-	-	77.7	-	-	77.7
Other comprehensive loss, net of tax	-	-	-	(5.2)	-	(5.2)
Issuance of common stock	-	.1	-	-	-	.1
Dividends paid - \$.54 per share	-	-	(62.5)	-	-	(62.5)
Treasury stock acquired	-	-	-	-	(3.0)	(3.0)
Treasury stock retired	-	(1.4)	-	-	1.4	-
<b>Balance at September 30, 2019</b>	<b>\$ 1.2</b>	<b>\$ 1,397.8</b>	<b>\$ (121.0)</b>	<b>\$ (429.5)</b>	<b>\$ (1.6)</b>	<b>\$ 846.9</b>
Balance at December 31, 2019	\$ 1.2	\$ 1,396.2	\$ (132.5)	\$ (448.8)	\$ -	\$ 816.1
Net income	-	-	53.7	-	-	53.7
Other comprehensive loss, net of tax	-	-	-	(4.8)	-	(4.8)
Issuance of common stock	-	.1	-	-	-	.1
Dividends paid - \$.54 per share	-	-	(62.4)	-	-	(62.4)
Treasury stock acquired	-	-	-	-	(1.0)	(1.0)
Treasury stock retired	-	(1.0)	-	-	1.0	-
<b>Balance at September 30, 2020</b>	<b>\$ 1.2</b>	<b>\$ 1,395.3</b>	<b>\$ (141.2)</b>	<b>\$ (453.6)</b>	<b>\$ -</b>	<b>\$ 801.7</b>

See accompanying notes to Condensed Consolidated Financial Statements.

**KRONOS WORLDWIDE, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In millions)

	Nine months ended September 30,	
	2019	2020
	(unaudited)	
<b>Cash flows from operating activities:</b>		
Net income	\$ 77.7	\$ 53.7
Depreciation	34.3	43.3
Amortization of operating lease right-of-use assets	5.1	4.8
Deferred income taxes	6.7	(12.3)
Benefit plan expense greater than cash funding	7.1	12.5
Marketable equity securities	.1	1.3
Contributions to TiO <sub>2</sub> manufacturing joint venture, net	(1.8)	(6.5)
Other, net	1.7	.3
<b>Change in assets and liabilities:</b>		
Accounts and other receivables, net	(59.9)	(10.4)
Inventories, net	52.1	7.7
Prepaid expenses	(1.9)	(1.7)
Accounts payable and accrued liabilities	5.0	(37.3)
Income taxes	(3.7)	18.3
Accounts with affiliates	2.1	(19.2)
Other, net	(.8)	1.6
<b>Net cash provided by operating activities</b>	<b>123.8</b>	<b>56.1</b>
<b>Cash flows from investing activities:</b>		
Capital expenditures	(34.2)	(38.3)
Loan to Valhi:		
Loans	(10.9)	-
Collections	5.9	-
Proceeds from insurance settlement	-	1.5
<b>Net cash used in investing activities</b>	<b>(39.2)</b>	<b>(36.8)</b>
<b>Cash flows from financing activities:</b>		
Payments on long-term debt	(.6)	(.2)
Dividends paid	(62.5)	(62.4)
Treasury stock acquired	(3.0)	(1.0)
<b>Net cash used in financing activities</b>	<b>(66.1)</b>	<b>(63.6)</b>
<b>Cash, cash equivalents and restricted cash - net change from:</b>		
Operating, investing and financing activities	18.5	(44.3)
Currency translation	(6.3)	5.9
Balance at beginning of period	374.7	392.3
<b>Balance at end of period</b>	<b>\$ 386.9</b>	<b>\$ 353.9</b>



**KRONOS WORLDWIDE, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)**  
**(In millions)**

Nine months ended September 30,	
2019	2020
(unaudited)	

Supplemental disclosures:

Cash paid for:			
Interest, net of amount capitalized	\$	17.3	\$ 17.9
Income taxes		32.3	13.5
Accrual for capital expenditures		1.6	1.8

See accompanying notes to Condensed Consolidated Financial Statements.

**KRONOS WORLDWIDE, INC. AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**September 30, 2020**

**(unaudited)**

**Note 1 - Organization and basis of presentation:**

*Organization* - At September 30, 2020, Valhi, Inc. (NYSE: VHI) held approximately 50% of our outstanding common stock and a wholly-owned subsidiary of NL Industries, Inc. (NYSE: NL) held approximately 30% of our common stock. Valhi owned approximately 83% of NL's outstanding common stock and a wholly-owned subsidiary of Contran Corporation held approximately 92% of Valhi's outstanding common stock. A majority of Contran's outstanding voting stock is held directly by Lisa K. Simmons and various family trusts established for the benefit of Ms. Simmons, Thomas C. Connelly (the husband of Ms. Simmons' late sister) and their children and for which Ms. Simmons or Mr. Connelly, as applicable, serve as trustee (collectively, the "Other Trusts"). With respect to the Other Trusts for which Mr. Connelly serves as trustee, he is required to vote the shares of Contran voting stock held in such trusts in the same manner as Ms. Simmons. Such voting rights of Ms. Simmons last through April 22, 2030 and are personal to Ms. Simmons. The remainder of Contran's outstanding voting stock is held by another trust (the "Family Trust"), which was established for the benefit of Ms. Simmons and her late sister and their children and for which a third-party financial institution serves as trustee. Consequently, at September 30, 2020 Ms. Simmons and the Family Trust may be deemed to control Contran, and therefore may be deemed to indirectly control the wholly-owned subsidiary of Contran, Valhi, NL and us.

*Basis of presentation* - The unaudited Condensed Consolidated Financial Statements contained in this Quarterly Report have been prepared on the same basis as the audited Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2019 that we filed with the Securities and Exchange Commission (SEC) on March 11, 2020 (2019 Annual Report). In our opinion, we have made all necessary adjustments (which include only normal recurring adjustments), in order to state fairly, in all material respects, our consolidated financial position, results of operations and cash flows as of the dates and for the periods presented. We have condensed the Consolidated Balance Sheet at December 31, 2019 contained in this Quarterly Report as compared to our audited Consolidated Financial Statements at that date, and we have omitted certain information and footnote disclosures (including those related to the Consolidated Balance Sheet at December 31, 2019) normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). Our results of operations for the interim periods ended September 30, 2020, may not be indicative of our operating results for the full year. The Condensed Consolidated Financial Statements contained in this Quarterly Report should be read in conjunction with our 2019 Consolidated Financial Statements contained in our 2019 Annual Report.

Our results of operations for the first nine months of 2020 were significantly impacted by the COVID-19 pandemic, primarily in the second and third quarters, specifically through reduced demand for many of our products resulting from the rapid contraction of vast areas of the global economy. The extent of the COVID-19 impact on our future operations will depend on the time period and degree to which the COVID-19 pandemic persists in the global economy thereby reducing customer demand for certain of our products, including the timing and extent to which our customers' operations continue to be impacted, our customers' perception as to when consumer demand for their products will return to pre-pandemic levels and on any future disruptions in our operations or our suppliers' operations, all of which are difficult to predict.

Unless otherwise indicated, references in this report to "we," "us" or "our" refer to Kronos Worldwide, Inc. and its subsidiaries (NYSE: KRO) taken as a whole.

**Note 2 - Accounts and other receivables, net:**

	December 31, 2019	September 30, 2020
	(In millions)	
Trade receivables	\$ 270.5	\$ 295.8
Recoverable VAT and other receivables	25.4	15.6
Receivables from affiliates:		
Louisiana Pigment Company, L.P. (LPC)	4.7	-
Other	2.2	2.5
Refundable income taxes	7.7	2.3
Allowance for doubtful accounts	(1.1)	(1.7)
Total	\$ 309.4	\$ 314.5

**Note 3 - Inventories, net:**

	December 31, 2019	September 30, 2020
	(In millions)	
Raw materials	\$ 124.4	\$ 134.3
Work in process	39.0	50.0
Finished products	269.9	246.9
Supplies	69.7	73.0
Total	\$ 503.0	\$ 504.2

**Note 4 - Marketable securities:**

Our marketable securities consist of investments in the publicly-traded shares of related parties: Valhi, NL and CompX International Inc. NL owns the majority of CompX's outstanding common stock. All of our marketable securities are accounted for as available-for-sale securities, which are carried at fair value using quoted market prices in active markets for each marketable security and represent a Level 1 input within the fair value hierarchy. Any unrealized gains or losses on the securities are recognized in Marketable equity securities on our Condensed Consolidated Statements of Income.

Marketable security	Fair value measurement level	Market value	Cost basis	Unrealized loss
(In millions)				
<b>December 31, 2019:</b>				
Valhi common stock	1	\$ 3.2	\$ 3.2	\$ -
NL and CompX common stocks	1	.1	.1	-
Total		\$ 3.3	\$ 3.3	\$ -
<b>September 30, 2020:</b>				
Valhi common stock	1	\$ 1.9	\$ 3.2	\$ (1.3)
NL and CompX common stocks	1	.1	.1	-
Total		\$ 2.0	\$ 3.3	\$ (1.3)

At December 31, 2019 and September 30, 2020, we held approximately 144,000 shares of Valhi's common stock. At December 31, 2019 and September 30, 2020, the quoted per share market price of Valhi's common stock was \$22.44 and \$13.16, respectively. Valhi implemented a reverse split of its common stock at a ratio of 1-for-12 effective on June 1, 2020. We have adjusted all share and per-share disclosures related to our investment in Valhi stock for all periods prior to June 2020 to give effect to the reverse stock split. The reverse stock split had no financial statement impact to us, and our ownership interest in Valhi did not change as a result of the split. We also held a nominal number of shares of CompX and NL common stocks at December 31, 2019 and September 30, 2020.

The Valhi, CompX and NL common stocks we own are subject to the restrictions on resale pursuant to certain provisions of SEC Rule 144. In addition, as a majority-owned subsidiary of Valhi we cannot vote our shares of Valhi common stock under Delaware General Corporation law, but we do receive dividends from Valhi on these shares when declared and paid.

**Note 5 - Other noncurrent assets:**

	December 31, 2019	September 30, 2020
	(In millions)	
Pension asset	\$ 3.1	\$ 4.0
Restricted cash	-	.8
Deferred financing costs, net	.6	.5
Other	1.6	1.1
Total	\$ 5.3	\$ 6.4

**Note 6 - Long-term debt:**

	December 31, 2019	September 30, 2020
	(In millions)	
Kronos International, Inc. 3.75% Senior Notes	\$ 442.6	\$ 464.7
Other	2.9	2.7
Total debt	445.5	467.4
Less current maturities	1.5	1.5
Total long-term debt	<u>\$ 444.0</u>	<u>\$ 465.9</u>

*Senior Notes* - At September 30, 2020, the carrying value of our 3.75% Senior Secured Notes due September 15, 2025 (€400 million aggregate principal amount outstanding) is stated net of unamortized debt issuance costs of \$4.8 million.

*Revolving credit facilities* - During the first nine months of 2020, we had no borrowings or repayments under our North American revolving credit facility and our European revolving credit facility. At September 30, 2020, \$125.0 million was available for borrowing under the North American revolving credit facility. Our European revolving credit facility requires the maintenance of certain financial ratios, and one of such requirements is based on the ratio of net debt to last twelve months earnings before interest, income tax, depreciation and amortization expense (EBITDA) of the borrowers. Based upon the borrowers' last twelve months EBITDA as of September 30, 2020 and the net debt to EBITDA financial test, the full €90.0 million amount of the credit facility (\$105.6 million) was available for borrowing at September 30, 2020.

*Other* - We are in compliance with all of our debt covenants at September 30, 2020.

**Note 7 - Accounts payable and accrued liabilities:**

	December 31, 2019	September 30, 2020
	(In millions)	
Accounts payable	\$ 137.2	\$ 108.9
Employee benefits	21.1	29.0
Accrued sales discounts and rebates	32.4	23.7
Payables to affiliates:		
LPC	16.4	5.6
Income taxes payable to Valhi	4.9	7.0
Operating lease liabilities	6.2	6.7
Other	40.8	30.7
Total	<u>\$ 259.0</u>	<u>\$ 211.6</u>

**Note 8 - Other noncurrent liabilities:**

	December 31, 2019	September 30, 2020
	(In millions)	
Accrued postretirement benefits	\$ 8.0	\$ 7.9
Employee benefits	6.0	6.0
Other	14.2	14.8
Total	<u>\$ 28.2</u>	<u>\$ 28.7</u>

**Note 9 - Revenue recognition:**

The following table disaggregates our net sales by place of manufacture (point of origin) and to the location of the customer (point of destination), which are the categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

	Three months ended September 30,		Nine months ended September 30,	
	2019	2020	2019	2020
	(In millions)			
Net sales - point of origin:				
United States	\$ 227.7	\$ 272.9	\$ 762.3	\$ 736.5
Germany	238.3	208.1	706.0	620.3
Canada	84.0	93.8	258.4	247.1
Belgium	58.3	64.9	205.7	181.9
Norway	46.0	46.6	145.2	163.5
Eliminations	(216.9)	(269.4)	(719.2)	(725.4)
Total	\$ 437.4	\$ 416.9	\$ 1,358.4	\$ 1,223.9
Net sales - point of destination:				
Europe	\$ 201.6	\$ 194.3	\$ 646.2	\$ 578.6
North America	147.8	153.2	456.1	434.4
Other	88.0	69.4	256.1	210.9
Total	\$ 437.4	\$ 416.9	\$ 1,358.4	\$ 1,223.9

**Note 10 - Employee benefit plans:**

The components of net periodic defined benefit pension cost are presented in the table below.

	Three months ended September 30,		Nine months ended September 30,	
	2019	2020	2019	2020
	(In millions)			
Service cost	\$ 2.7	\$ 3.5	\$ 8.3	\$ 9.9
Interest cost	3.5	2.7	10.5	7.9
Expected return on plan assets	(3.1)	(2.4)	(9.3)	(7.0)
Amortization of prior service cost	.1	.1	.2	.2
Recognized actuarial losses	3.3	4.6	10.0	13.3
Total	\$ 6.5	\$ 8.5	\$ 19.7	\$ 24.3

We expect our 2020 contributions for our pension plans to be approximately \$17 million.

**Note 11 - Income taxes:**

	Three months ended September 30,		Nine months ended September 30,	
	2019	2020	2019	2020
	(In millions)			
Expected tax expense, at U.S. federal statutory income tax rate of 21%	\$ 5.1	\$ 2.1	\$ 22.7	\$ 14.5
Non-U.S. tax rates	1.2	.1	5.9	.7
Incremental net tax expense (benefit) on earnings and losses of U.S. and non-U.S. companies	(1.1)	.1	(2.2)	(4.5)
Global intangible low-tax income, net	.1	(.9)	1.6	3.3
Valuation allowance	-	.5	-	.5
Adjustment to the reserve for uncertain tax positions, net	.2	(.5)	.6	-
Nondeductible expenses	.3	-	.9	1.0
Other, net	.5	.4	1.0	(.2)
Income tax expense	<u>\$ 6.3</u>	<u>\$ 1.8</u>	<u>\$ 30.5</u>	<u>\$ 15.3</u>
Comprehensive provision for income taxes allocable to:				
Net income	\$ 6.3	\$ 1.8	\$ 30.5	\$ 15.3
Other comprehensive income (loss):				
Pension plans	1.2	1.4	3.6	4.2
OPEB plans	-	-	(.1)	(.1)
Total	<u>\$ 7.5</u>	<u>\$ 3.2</u>	<u>\$ 34.0</u>	<u>\$ 19.4</u>

The amount shown in the above table of our income tax rate reconciliation for non-U.S. tax rates represents the result determined by multiplying the pre-tax earnings or losses of each of our non-U.S. subsidiaries by the difference between the applicable statutory income tax rate for each non-U.S. jurisdiction and the U.S. federal statutory tax rate. The amount shown on such table for incremental net tax expense (benefit) on earnings and losses of U.S. and non-U.S. companies includes, as applicable, (i) deferred state and non-U.S. income taxes (or deferred income tax benefits) and deferred withholding taxes, as applicable, associated with the current-year change in the aggregate amount of undistributed earnings of all of our non-U.S. subsidiaries, which earnings are not permanently reinvested and (ii) current U.S. income taxes (or current income tax benefit) attributable to current-year income (losses) of one of our non-U.S. subsidiaries, which subsidiary is treated as a dual resident for U.S. income tax purposes.

On March 27, 2020, the “Coronavirus Aid, Relief and Economic Security (CARES) Act” was signed into law in response to the COVID-19 pandemic. The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, modifications to the limitation of business interest for tax years beginning in 2019 and 2020 and technical corrections to tax depreciation methods for qualified improvement property. The modification to the business interest provisions increases the business interest limitation from 30% of adjusted taxable income to 50% of adjusted taxable income which increases our allowable interest expense deduction for 2019 and 2020. Consequently, in the first quarter of 2020 we recognized a cash tax benefit of \$.5 million related to the reversal of the valuation allowance recognized in 2019 for the portion of the disallowed interest expense we did not expect to fully utilize at December 31, 2019 and we have considered such modifications in our estimate of the 2020 effective tax rate. We have determined other provisions of the CARES Act will not have a material impact on our provision for income taxes in 2020.

Tax authorities may in the future propose tax deficiencies, including penalties and interest, related to examinations of our U.S. and non-U.S. income tax returns. Because of the uncertainties involved in settlement initiatives and court and tax proceedings, we cannot guarantee that these tax matters, if any, will be resolved in our favor, and therefore our potential exposure, if any, is also uncertain. We believe we have adequate accruals for additional taxes and related interest expense which could ultimately result from tax examinations. We believe the ultimate disposition of any future tax examinations should not have a material adverse effect on our consolidated financial position, results of operations or liquidity. We currently estimate that our unrecognized tax benefits will decrease by approximately \$.7 million during the next twelve months primarily due to the expiration of certain statutes of limitations.

**Note 12 - Stockholders' equity:**

Changes in accumulated other comprehensive loss are presented in the table below. See Note 4 for further discussion of our marketable securities and Note 10 for discussion of our defined benefit pension plans.

	Three months ended September 30,		Nine months ended September 30,	
	2019	2020	2019	2020
(In millions)				
<b>Accumulated other comprehensive loss, net of tax:</b>				
Currency translation:				
Balance at beginning of period	\$ (238.0)	\$ (270.7)	\$ (245.0)	\$ (246.8)
Other comprehensive income (loss)	(18.7)	10.1	(11.7)	(13.8)
Balance at end of period	<u>\$ (256.7)</u>	<u>\$ (260.6)</u>	<u>\$ (256.7)</u>	<u>\$ (260.6)</u>
Defined benefit pension plans:				
Balance at beginning of period	\$ (175.5)	\$ (196.1)	\$ (180.0)	\$ (202.2)
Other comprehensive income - amortization of prior service cost and net losses included in net periodic pension cost	2.2	3.1	6.7	9.2
Balance at end of period	<u>\$ (173.3)</u>	<u>\$ (193.0)</u>	<u>\$ (173.3)</u>	<u>\$ (193.0)</u>
OPEB plans:				
Balance at beginning of period	\$ .6	\$ .1	\$ .7	\$ .2
Other comprehensive loss - amortization of prior service credit and net losses included in net periodic OPEB cost	(.1)	(.1)	(.2)	(.2)
Balance at end of period	<u>\$ .5</u>	<u>\$ -</u>	<u>\$ .5</u>	<u>\$ -</u>
<b>Total accumulated other comprehensive loss:</b>				
Balance at beginning of period	\$ (412.9)	\$ (466.7)	\$ (424.3)	\$ (448.8)
Other comprehensive income (loss)	(16.6)	13.1	(5.2)	(4.8)
Balance at end of period	<u>\$ (429.5)</u>	<u>\$ (453.6)</u>	<u>\$ (429.5)</u>	<u>\$ (453.6)</u>

Prior to 2019, our board of directors authorized the repurchase of up to 2.0 million shares of our common stock in open market transactions, including block purchases, or in privately-negotiated transactions at unspecified prices and over an unspecified period of time. We may repurchase our common stock from time to time as market conditions permit. The stock repurchase program does not include specific price targets or timetables and may be suspended at any time. Depending on market conditions, we may terminate the program prior to its completion. We use cash on hand or other sources of liquidity to acquire the shares. Repurchased shares are added to our treasury and subsequently cancelled upon approval of the board of directors. At December 31, 2019, 1,686,008 shares were available for repurchase under this stock repurchase program.

During the first nine months of 2020, we acquired 122,489 shares of our common stock in market transactions for an aggregate purchase price of \$1.0 million and subsequently cancelled all such shares. At September 30, 2020, 1,563,519 shares are available for repurchase under this stock repurchase program.

**Note 13 - Commitments and contingencies:**

We are involved in various environmental, contractual, product liability, patent (or intellectual property), employment and other claims and disputes incidental to our business. At least quarterly our management discusses and evaluates the status of any pending litigation to which we are a party. The factors considered in such evaluation include, among other things, the nature of such pending cases, the status of such pending cases, the advice of legal counsel and our experience in similar cases (if any). Based on such evaluation, we make a determination as to whether we believe (i) it is probable a loss has been incurred, and if so if the amount of such loss (or a range of loss) is reasonably estimable, or (ii) it is reasonably possible but not probable a loss has been incurred, and if so if the amount of such loss (or a range of loss) is reasonably estimable, or (iii) the probability a loss has been incurred is remote. We have not accrued any amounts for litigation matters because it is not reasonably possible we have incurred a loss that would be material to our consolidated financial condition, results of operations or liquidity.

**Note 14 - Financial instruments:**

See Note 4 for information on how we determine fair value of our marketable securities.

The following table presents the financial instruments that are not carried at fair value but which require fair value disclosure:

	December 31, 2019		September 30, 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
	(In millions)			
Cash, cash equivalents and restricted cash	\$ 392.3	\$ 392.3	\$ 353.9	\$ 353.9
Long-term debt - Fixed rate Senior Notes	442.6	457.0	464.7	465.0

At September 30, 2020, the estimated market price of our Senior Notes was €990 per €1,000 principal amount. The fair value of our Senior Notes is based on quoted market prices; however, these quoted market prices represented Level 2 inputs because the markets in which the Senior Notes trade are not active. Due to their near-term maturities, the carrying amounts of accounts receivable and accounts payable are considered equivalent to fair value. See Notes 2 and 7.

**Note 15 - Recent accounting pronouncement:**

In December 2019, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2019-12, Simplifying the Accounting for Income Taxes, which changes the accounting for certain income tax transactions and reduces complexity in accounting for income taxes in certain areas. The ASU introduces new guidance including providing a policy election for an entity to not allocate consolidated current and deferred tax expense when a member of a consolidated tax return is not subject to income tax in its separate financial statements and is a disregarded entity by the taxing authority; and providing guidance to evaluate whether a step-up in tax basis of goodwill relates to a business combination in which book goodwill was recognized or a separate transaction. The ASU also changes existing guidance in a number of areas, including: the method of making an intraperiod allocation of total income tax expense if there is a loss in continuing operations and gains outside of continuing operations; determining when a deferred tax liability is recognized after an investor in a non-U.S. entity transitions to or from the equity method of accounting; accounting for tax law changes and year-to-date losses in interim periods; and determining how to apply the income tax guidance to franchise taxes that are partially based on income. We adopted this ASU as of January 1, 2020. The adoption of this ASU did not have a material effect on our Condensed Consolidated Financial Statements.



## RESULTS OF OPERATIONS

### Business overview

We are a leading global producer and marketer of value-added titanium dioxide pigments (TiO<sub>2</sub>). TiO<sub>2</sub> is used for a variety of manufacturing applications, including paints, plastics, paper and other industrial and specialty products. For the nine months ended September 30, 2020, approximately one-half of our sales volumes were sold into European markets. Our production facilities are located in Europe and North America.

We consider TiO<sub>2</sub> to be a "quality of life" product, with demand affected by gross domestic product, or GDP, and overall economic conditions in our markets located in various regions of the world. Over the long-term, we expect demand for TiO<sub>2</sub> to be consistent with our expectations for the long-term growth in GDP. However, even if we and our competitors maintain consistent shares of the worldwide market, demand for TiO<sub>2</sub> in any interim or annual period may not change in the same proportion as the change in global GDP, in part due to relative changes in the TiO<sub>2</sub> inventory levels of our customers. We believe that our customers' inventory levels are influenced in part by their expectations for future changes in TiO<sub>2</sub> market selling prices as well as their expectations for future availability of product. Although certain of our TiO<sub>2</sub> grades are considered specialty pigments, the majority of our grades and substantially all of our production are considered commodity pigment products, with price and availability being the most significant competitive factors along with product quality, and customer and technical support services.

The factors having the most impact on our reported operating results are:

- TiO<sub>2</sub> selling prices,
- Our TiO<sub>2</sub> sales and production volumes,
- Manufacturing costs, particularly raw materials such as third-party feedstock, maintenance and energy-related expenses, and
- Currency exchange rates (particularly the exchange rate for the U.S. dollar relative to the euro, Norwegian krone and the Canadian dollar).

Our key performance indicators are our TiO<sub>2</sub> average selling prices, our level of TiO<sub>2</sub> sales and production volumes and the cost of our third-party feedstock. TiO<sub>2</sub> selling prices generally follow industry trends and prices will increase or decrease generally as a result of competitive market pressures.

### Executive summary

We reported net income of \$8.1 million, or \$.07 per share, in the third quarter of 2020 as compared to net income of \$17.9 million, or \$.16 per share, in the third quarter of 2019. For the first nine months of 2020, we reported net income of \$53.7 million, or \$.46 per share, compared to net income of \$77.7 million, or \$.67 per share, in the first nine months of 2019. We reported lower net income in the third quarter of 2020 as compared to the third quarter of 2019 primarily due to lower income from operations resulting from the effects of lower sales volumes and lower average TiO<sub>2</sub> selling prices, partially offset by lower production costs. We reported lower net income in the first nine months of 2020 compared to the same period in 2019 primarily due to lower income from operations resulting from the effects of lower sales volumes, lower average TiO<sub>2</sub> selling prices and higher raw materials and other production costs. Our results of operations for the first nine months of 2020 were significantly impacted by the COVID-19 pandemic, specifically through sharply reduced demand for certain of our products resulting from the rapid contraction across the global economy occurring in the second quarter, with demand improving throughout the third quarter of 2020, but not to pre-pandemic levels in all regions of the world. Comparability of our results was also impacted by the effects of changes in currency exchange rates.

## Forward-looking information

This report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, as amended. Statements in this Quarterly Report on Form 10-Q that are not historical facts are forward-looking in nature and represent management's beliefs and assumptions based on currently available information. Statements in this report including, but not limited to, statements found in Item 2 - "Management's Discussion and Analysis of Financial Condition and Results of Operations," are forward-looking statements that represent our management's beliefs and assumptions based on currently available information. In some cases you can identify forward-looking statements by the use of words such as "believes," "intends," "may," "should," "could," "anticipates," "expects" or comparable terminology, or by discussions of strategies or trends. Although we believe the expectations reflected in forward-looking statements are reasonable, we do not know if these expectations will be correct. Such statements by their nature involve substantial risks and uncertainties that could significantly impact expected results. Actual future results could differ materially from those predicted. The factors that could cause our actual future results to differ materially from those described herein are the risks and uncertainties discussed in this Quarterly Report and those described from time to time in our other filings with the SEC including, but are not limited to, the following:

- Future supply and demand for our products
- The extent of the dependence of certain of our businesses on certain market sectors
- The cyclical nature of our business
- Customer and producer inventory levels
- Unexpected or earlier-than-expected industry capacity expansion
- Changes in raw material and other operating costs (such as energy and ore costs)
- Changes in the availability of raw materials (such as ore)
- General global economic and political conditions that harm the worldwide economy, disrupt our supply chain, increase material costs or reduce demand or perceived demand for our TiO<sub>2</sub> products or impair our ability to operate our facilities (including changes in the level of gross domestic product in various regions of the world, natural disasters, terrorist acts, global conflicts and public health crises such as COVID-19)
- Competitive products and substitute products
- Customer and competitor strategies
- Potential consolidation of our competitors
- Potential consolidation of our customers
- The impact of pricing and production decisions
- Competitive technology positions
- Potential difficulties in upgrading or implementing accounting and manufacturing software systems
- The introduction of trade barriers or trade disputes
- Fluctuations in currency exchange rates (such as changes in the exchange rate between the U.S. dollar and each of the euro, the Norwegian krone and the Canadian dollar), or possible disruptions to our business resulting from uncertainties associated with the euro or other currencies
- Operating interruptions (including, but not limited to, labor disputes, leaks, natural disasters, fires, explosions, unscheduled or unplanned downtime, transportation interruptions, cyber-attacks and public health crises such as COVID-19)
- Our ability to renew or refinance credit facilities
- Our ability to maintain sufficient liquidity
- The ultimate outcome of income tax audits, tax settlement initiatives or other tax matters, including future tax reform
- Our ability to utilize income tax attributes, the benefits of which may or may not have been recognized under the more-likely-than-not recognition criteria
- Environmental matters (such as those requiring compliance with emission and discharge standards for existing and new facilities)

- Government laws and regulations and possible changes therein including new environmental health and safety regulations such as those seeking to limit or classify TiO<sub>2</sub> or its use
- Possible future litigation.

Should one or more of these risks materialize (or the consequences of such a development worsen), or should the underlying assumptions prove incorrect, actual results could differ materially from those forecasted or expected. We disclaim any intention or obligation to update or revise any forward-looking statement whether as a result of changes in information, future events or otherwise.

## Results of operations

### Current industry conditions

We started 2020 with average TiO<sub>2</sub> selling prices 1% lower than at the beginning of 2019. At the end of the third quarter of 2020, our average TiO<sub>2</sub> selling prices were 3% lower than the beginning of the year and comparable to our average TiO<sub>2</sub> selling prices at the end of the second quarter of 2020. We experienced lower sales volumes in all major markets in the first nine months of 2020 as compared to the same period of 2019 primarily due to demand contraction related to the COVID-19 pandemic, which primarily impacted the second and third quarters. See further discussion below under Outlook.

We operated our production facilities at overall average capacity utilization rates of 92% for the year-to-date period ended September 30, 2020 compared to 97% for the comparable period of 2019. Early in the third quarter of 2020, we decreased production levels to align with demand and our market expectations for the near term as a result of the COVID-19 pandemic, and late in the third quarter we began increasing production levels as demand improved. The table below lists our comparative quarterly production capacity utilization rates.

	Production Capacity Utilization Rates	
	2019	2020
First quarter	97%	95%
Second quarter	97%	96%
Third quarter	97%	86%

Primarily due to a moderate rise in the cost of third-party feedstock we procured in 2019 and 2020, our cost of sales per metric ton of TiO<sub>2</sub> sold in the first nine months of 2020 was higher as compared to the first nine months of 2019 (excluding the effect of changes in currency exchange rates).

### Quarter ended September 30, 2020 compared to the quarter ended September 30, 2019

	Three months ended September 30,			
	2019		2020	
	(Dollars in millions)			
Net sales	\$ 437.4	100%	\$ 416.9	100%
Cost of sales	349.7	80	336.3	81
Gross margin	87.7	20	80.6	19
Selling, general and administrative expense	56.9	13	55.6	13
Other operating income (expense):				
Currency transactions, net	5.8	1	(2.9)	(1)
Other operating expense, net	(3.5)	-	(2.8)	-
Income from operations	\$ 33.1	8%	\$ 19.3	5%

			% Change
TiO <sub>2</sub> operating statistics:			
Sales volumes*	144	136	(6)%
Production volumes*	136	122	(11)%
Percentage change in net sales:			
TiO <sub>2</sub> sales volumes			(6)%
TiO <sub>2</sub> product pricing			(4)
TiO <sub>2</sub> product mix/other			3
Changes in currency exchange rates			2
Total			(5)%

\* Thousands of metric tons

*Net sales* - Net sales in the third quarter of 2020 decreased 5%, or \$20.5 million, compared to the third quarter of 2019 primarily due to a 6% decrease in sales volumes (which decreased net sales by approximately \$26 million) and a 4% decrease in average TiO<sub>2</sub> selling prices (which decreased net sales by approximately \$17 million). TiO<sub>2</sub> selling prices will increase or decrease generally as a result of competitive market pressures, changes in the relative level of supply and demand as well as changes in raw material and other manufacturing costs.

Our sales volumes decreased 6% in the third quarter of 2020 as compared to the third quarter of 2019 primarily due to lower demand in our European and export markets resulting from the COVID-19 pandemic. In addition to the impact of lower sales volumes and lower average selling prices, we estimate that changes in currency exchange rates (primarily the euro) increased our net sales by approximately \$7 million in the third quarter of 2020 as compared to the third quarter of 2019.

*Cost of sales and gross margin* - Cost of sales decreased \$13.4 million, or 4%, in the third quarter of 2020 compared to the third quarter of 2019 due to a 6% decrease in sales volumes and lower production costs of approximately \$8 million (primarily lower energy costs). Our cost of sales as a percentage of net sales increased to 81% in the third quarter of 2020 compared to 80% in the same period of 2019 primarily due to the unfavorable effects of lower average TiO<sub>2</sub> selling prices partially offset by lower production costs.

Gross margin as a percentage of net sales decreased to 19% in the third quarter of 2020 compared to 20% in the third quarter of 2019. As discussed and quantified above, our gross margin as a percentage of net sales decreased primarily due to the net effect of lower sales volumes, lower average TiO<sub>2</sub> selling prices and lower production costs.

*Selling, general and administrative expense* - Selling, general and administrative expense in the third quarter of 2020 was comparable to the third quarter of 2019.

*Income from operations* - Income from operations decreased by \$13.8 million, or 42%, in the third quarter of 2020 compared to the third quarter of 2019. Income from operations as a percentage of net sales decreased to 5% in the third quarter of 2020 from 8% in the same period of 2019. This decrease was driven by the lower gross margin discussed above. We estimate that changes in currency exchange rates decreased income from operations by approximately \$5 million in the third quarter of 2020 as compared to the same period in 2019, as discussed in the Effects of Currency Exchange Rates section below.

*Other non-operating income (expense)* - We recognized a gain of \$4 million on the change in value of our marketable equity securities in the third quarter of 2020 compared to a loss of \$1.9 million in the third quarter of 2019. See Note 4 to our Condensed Consolidated Financial Statements. Other components of net periodic pension and OPEB cost in the third quarter of 2020 increased \$1.2 million compared to the third quarter of 2019 primarily due to increased amortization costs from previously unrecognized actuarial losses as a result of lower discount rates and lower expected returns on plan assets. See Note 10 to our Condensed Consolidated Financial Statements. Interest expense in the third quarter of 2020 was comparable to the third quarter of 2019 and we currently expect our interest expense for all of 2020 to be comparable to 2019.

*Income tax expense* - We recognized income tax expense of \$1.8 million in the third quarter of 2020 compared to income tax expense of \$6.3 million in the third quarter of 2019. The difference is primarily due to lower earnings in 2020. Our earnings are subject to income tax in various U.S. and non-U.S. jurisdictions, and the income tax rates applicable to the pre-tax earnings (losses) of our non-U.S. operations are generally higher than the income tax rates applicable to our U.S. operations. We would generally expect our overall effective tax rate to be higher than the U.S. federal statutory tax rate of 21% primarily because of our sizeable non-U.S. operations. See Note 11 to our Condensed Consolidated Financial Statements.

Nine months ended September 30, 2020 compared to the nine months ended September 30, 2019

	Nine months ended September 30,			
	2019		2020	
	(Dollars in millions)			
Net sales	\$ 1,358.4	100 %	\$ 1,223.9	100 %
Cost of sales	1,051.9	77	959.4	78
Gross margin	306.5	23	264.5	22
Selling, general and administrative expense	172.5	13	161.8	13
Other operating income (expense):				
Currency transactions, net	5.6	-	3.2	-
Other operating expense, net	(11.0)	(1)	(10.1)	(1)
Income from operations	\$ 128.6	9 %	\$ 95.8	8 %

			% Change
TiO <sub>2</sub> operating statistics:			
Sales volumes*	445	396	(11)%
Production volumes*	406	387	(5)%
Percentage change in net sales:			
TiO <sub>2</sub> sales volumes			(11)%
TiO <sub>2</sub> product pricing			(2)
TiO <sub>2</sub> product mix/other			3
Changes in currency exchange rates			-
Total			(10)%

\* Thousands of metric tons

*Net sales* - Net sales in the first nine months of 2020 decreased 10%, or \$134.5 million, compared to the first nine months of 2019 primarily due to an 11% decrease in sales volumes (which decreased net sales by approximately \$149 million) and a 2% decrease in average TiO<sub>2</sub> selling prices (which decreased net sales by approximately \$27 million). TiO<sub>2</sub> selling prices will increase or decrease generally as a result of competitive market pressures, changes in the relative level of supply and demand as well as changes in raw material and other manufacturing costs.

Our sales volumes decreased 11% in the first nine months of 2020 as compared to the first nine months of 2019 primarily due to lower sales volumes in all major markets, with a significant portion of the decrease occurring in the second and third quarters resulting from the COVID-19 pandemic. In addition to the impact of lower sales volumes and lower average selling prices, we estimate that changes in currency exchange rates (primarily the euro) decreased our net sales by approximately \$4 million in the first nine months of 2020 as compared to the first nine months of 2019.

*Cost of sales and gross margin* - Cost of sales decreased \$92.5 million, or 9%, in the first nine months of 2020 compared to the first nine months of 2019 due to the net effect of an 11% decrease in sales volumes, higher raw materials and other production costs of approximately \$21 million (including higher cost for third-party feedstock and other raw materials) and currency fluctuations (primarily the euro). Our cost of sales as a percentage of net sales increased to 78% in the first nine months of 2020 compared to 77% in the same period of 2019 primarily due to the unfavorable effects of lower average TiO<sub>2</sub> selling prices and higher raw materials and other production costs, as discussed above.

Gross margin as a percentage of net sales decreased to 22% in the first nine months of 2020 compared to 23% in the first nine months of 2019. As discussed and quantified above, our gross margin as a percentage of net sales decreased primarily due to the unfavorable effects of lower sales volumes, lower average TiO<sub>2</sub> selling prices and higher raw materials and other production costs.

*Selling, general and administrative expense* - Selling, general and administrative expense decreased \$10.7 million, or 6%, in the first nine months of 2020 compared to the first nine months of 2019 primarily due to variable costs related to lower overall sales volumes.

*Income from operations* - Income from operations decreased by \$32.8 million, or 26%, in the first nine months of 2020 compared to the first nine months of 2019. Income from operations as a percentage of net sales decreased to 8% in the first nine months of 2020 from 9% in the same period of 2019. This decrease was driven by the lower gross margin discussed above. We estimate that changes in currency exchange rates increased income from operations by approximately \$6 million in the first nine months of 2020 as compared to the same period in 2019, as discussed below.

*Other non-operating income (expense)* - We recognized a loss of \$1.3 million on the change in value of our marketable equity securities in the first nine months of 2020 and a loss of \$.1 million in the first nine months of 2019. See Note 4 to our Condensed Consolidated Financial Statements. Other components of net periodic pension and OPEB cost in the first nine months of 2020 increased \$3.0 million compared to the first nine months of 2019 primarily due to increased amortization costs from previously unrecognized actuarial losses as a result of lower discount rates and lower expected returns on plan assets. See Note 10 to our Condensed Consolidated Financial Statements. In the first nine months of 2020, we recognized an insurance settlement gain of \$1.5 million related to a property damage claim. Interest expense in the first nine months of 2020 was comparable to the first nine months of 2019.

*Income tax expense* - We recognized income tax expense of \$15.3 million in the first nine months of 2020 compared to income tax expense of \$30.5 million in the first nine months of 2019. The difference is primarily due to lower earnings in 2020. Our earnings are subject to income tax in various U.S. and non-U.S. jurisdictions, and the income tax rates applicable to the pre-tax earnings (losses) of our non-U.S. operations are generally higher than the income tax rates applicable to our U.S. operations. We would generally expect our overall effective tax rate to be higher than the U.S. federal statutory tax rate of 21% primarily because of our sizeable non-U.S. operations. See Note 11 to our Condensed Consolidated Financial Statements.

### Effects of Currency Exchange Rates

We have substantial operations and assets located outside the United States (primarily in Germany, Belgium, Norway and Canada). The majority of our sales from non-U.S. operations are denominated in currencies other than the U.S. dollar, principally the euro, other major European currencies and the Canadian dollar. A portion of our sales generated from our non-U.S. operations is denominated in the U.S. dollar (and consequently our non-U.S. operations will generally hold U.S. dollars from time to time). Certain raw materials used in all our production facilities, primarily titanium-containing feedstocks, are purchased in U.S. dollars, while labor and other production and administrative costs are incurred primarily in local currencies. Consequently, the translated U.S. dollar value of our non-U.S. sales and operating results are subject to currency exchange rate fluctuations which may favorably or unfavorably impact reported earnings and may affect the comparability of period-to-period operating results. In addition to the impact of the translation of sales and expenses over time, our non-U.S. operations also generate currency transaction gains and losses which primarily relate to (i) the difference between the currency exchange rates in effect when non-local currency sales or operating costs (primarily U.S. dollar denominated) are initially accrued and when such amounts are settled with the non-local currency, (ii) changes in currency exchange rates during time periods when our non-U.S. operations are holding non-local currency (primarily U.S. dollars), and (iii) relative changes in the aggregate fair value of currency forward contracts held from time to time. We periodically use currency forward contracts to manage a portion of our currency exchange risk, and relative changes in the aggregate fair value of any currency forward contracts we hold from time to time serve in part to mitigate the currency transaction gains or losses we would otherwise recognize from the first two items described above.

Overall, we estimate that fluctuations in currency exchange rates had the following effects on the reported amounts of our sales and income from operations for the periods indicated.

	Impact of changes in currency exchange rates					Translation gains - impact of rate changes	Total currency impact 2020 vs 2019
	Three months ended September 30, 2020 vs September 30, 2019						
	Transaction gains (losses) recognized			Change			
2019	2020						
(In millions)							
<b>Impact on:</b>							
Net sales	\$	-	\$	-	\$	-	\$ 7
Income from operations		6		(3)		(9)	4
							(5)

The \$7 million increase in net sales (translation gain) was caused primarily by a weakening of the U.S. dollar relative to the euro, as our euro-denominated sales were translated into more U.S. dollars in 2020 as compared to 2019. The strengthening of the U.S. dollar relative to the Canadian dollar and the Norwegian krone in 2020 did not have a significant effect on the reported amount of our net sales, as a substantial portion of the sales generated by our Canadian and Norwegian operations are denominated in the U.S. dollar.

The \$5 million decrease in income from operations was comprised of the following:

- A decrease by approximately \$9 million from net currency transaction gains and losses primarily caused by relative changes in currency exchange rates at each applicable balance sheet date between the U.S. dollar and the euro, Canadian dollar and the Norwegian krone, which causes increases or decreases, as applicable, in U.S. dollar-denominated receivables and payables and U.S. dollar currency held by our non-U.S. operations, and
- Approximately \$4 million from net currency translation gains primarily caused by the strengthening of the U.S. dollar relative to the Canadian dollar and Norwegian krone, as local currency-denominated operating costs were translated into fewer U.S. dollars in 2020 as compared to 2019, and such translation, as it related to the U.S. dollar relative to the euro, had a nominal effect on income from operations in 2020 as compared to 2019.

**Impact of changes in currency exchange rates**  
**Nine months ended September 30, 2020 vs September 30, 2019**

	Transaction gains recognized			Translation gains (losses) - impact of rate changes	Total currency impact 2020 vs 2019
	2019	2020	Change		
	(In millions)				
<b>Impact on:</b>					
Net sales	\$ -	\$ -	\$ -	\$ (4)	\$ (4)
Income from operations	6	3	(3)	9	6

The \$4 million decrease in net sales (translation loss) was caused primarily by a strengthening of the U.S. dollar relative to the euro, as our euro-denominated sales were translated into fewer U.S. dollars in 2020 as compared to 2019. The strengthening of the U.S. dollar relative to the Canadian dollar and the Norwegian krone in 2020 did not have a significant effect on the reported amount of our net sales, as a substantial portion of the sales generated by our Canadian and Norwegian operations are denominated in the U.S. dollar.

The \$6 million increase in income from operations was comprised of the following:

- Lower net currency transaction gains of approximately \$3 million primarily caused by relative changes in currency exchange rates at each applicable balance sheet date between the U.S. dollar and the euro, Canadian dollar and the Norwegian krone, and between the euro and the Norwegian krone, which causes increases or decreases, as applicable, in U.S. dollar-denominated receivables and payables and U.S. dollar currency held by our non-U.S. operations, and in Norwegian krone denominated receivables and payables held by our non-U.S. operations, and
- Approximately \$9 million from net currency translation gains primarily caused by the strengthening of the U.S. dollar relative to the Canadian dollar and Norwegian krone, as local currency-denominated operating costs were translated into fewer U.S. dollars in 2020 as compared to 2019, and such translation, as it related to the U.S. dollar relative to the euro, had a nominal effect on income from operations in 2020 as compared to 2019.

## Outlook

In the third quarter of 2020 our sales volumes increased from the levels we experienced during the second quarter, although the COVID-19 pandemic, including the measures employed to mitigate its spread, continues to impact our operations through reduced demand for our products, resulting in lower sales and earnings than otherwise would have been expected. Our manufacturing facilities operated at near planned production rates in the first half of 2020, however, early in the third quarter we decreased our production levels to align with demand and our market expectations for the near term, and late in the third quarter we began increasing production levels as demand improved. To-date, the availability of raw materials has not been adversely impacted.

Our manufacturing and administrative facilities are generally located in densely populated regions of Europe and North America which have experienced substantial outbreaks of COVID-19 and are in varying stages of outbreak and recovery. We continue to employ a variety of methods to protect the health and well-being of our workforce and our customers, including the implementation of contact tracing, deep cleaning and disinfecting of facilities, work-from-home strategies and staggered shift deployment, among other health and safety protocols. To-date, we have had limited cases of COVID-19 among our workforce and all of our facilities have remained open and operational.

The advance of the COVID-19 pandemic and the global efforts to mitigate its spread have resulted in sharp contractions of vast areas of the global economy and are expected to continue to challenge workers, businesses and governments for the foreseeable future. Government actions in various regions have generally permitted the resumption of commercial activities following various regional

shutdowns, but further government action restricting economic activity is possible in an effort to mitigate increases in COVID-19 in certain regions. As a result, we expect U.S. and worldwide gross domestic product to be significantly impacted for an indeterminate period of time. While many of our products are used by our customers in end-products that thus far have remained in demand across the world economy, we believe overall demand for our products and our customers' products will continue to be negatively impacted by reduced economic activity.

Given the impact of COVID-19 on the global economy, we expect our sales volumes and resulting earnings for the remainder of 2020 will continue to be lower compared to 2019. The full extent of the COVID-19 impact on our operations will depend on numerous factors, including customer demand for our products, any future disruption in our operations or our suppliers' operations and the timing and effectiveness of measures deployed to fight COVID-19, all of which are uncertain and cannot be predicted. We will continue to monitor current and anticipated near-term customer demand throughout the year and further align our production and inventory levels accordingly.

Although it is not possible to predict the impact of the COVID-19 pandemic on future demand for our products or those of our customers, we believe we have sufficient liquidity (including cash on-hand of approximately \$348 million and borrowing capacity under our revolving credit facilities of approximately \$231 million at September 30, 2020) available to meet our obligations, and we are prepared to implement multiple cash-saving strategies as necessary, including reduction of inventories, delays in certain capital expenditures and other cost saving initiatives. We believe we are well positioned to navigate the uncertainty ahead and we commend our employees for their continuing efforts and support in these challenging times as we work together to foster their physical and economic health as well as that of the company.

On August 24, 2020, the chloride-process TiO<sub>2</sub> facility operated by our 50%-owned joint venture, Louisiana Pigment Company (LPC), temporarily halted production due to Hurricane Laura. Although storm damage to core manufacturing facilities was not severe, a variety of factors, including loss of utilities, limited availability of employees to return to work and restrictions on the facility's access to raw materials, prevented the resumption of operations until September 25, 2020. LPC believes insurance (subject to applicable deductibles) will cover a majority of its losses, including those related to property damage and the disruption of its operations. The Kronos warehouse and slurry facilities located near LPC's facility were also temporarily closed due to the hurricane, but property damage to these facilities was not significant. Our third quarter income from operations includes immaterial costs related to Hurricane Laura, primarily costs to relocate inventory and modify shipping schedules in order to maintain service levels to our customers following the hurricane. We believe insurance (subject to applicable deductibles) will cover a majority of our losses from the hurricane, including property damage, business interruption losses related to our share of LPC's lost production and other costs resulting from the disruption of operations, but no insurance recoveries have yet been recognized as the allowable damage claim amounts are not presently determinable. On October 9, 2020 Hurricane Delta caused an additional temporary halt to production at the LPC facility. Damages resulting from Hurricane Delta were not as severe and production activities were resumed within five days from the time of initial shutdown prior to landfall of the hurricane. Similar to Hurricane Laura, losses determined to be incurred by LPC and us as a result of Hurricane Delta are expected to be recoverable from insurance (subject to applicable deductibles).

## **LIQUIDITY AND CAPITAL RESOURCES**

### **Consolidated cash flows**

#### ***Operating activities***

Trends in cash flows as a result of our operating activities (excluding the impact of significant asset dispositions and relative changes in assets and liabilities) are generally similar to trends in our earnings. In addition to the impact of the operating, investing and financing cash flows discussed below, changes in the amount of cash, cash equivalents and restricted cash we report from period to period can be impacted by changes in currency exchange rates, since a portion of our cash, cash equivalents and restricted cash is held by our non-U.S. subsidiaries.

Cash provided by operating activities was \$56.1 million in the first nine months of 2020 compared to \$123.8 million in the first nine months of 2019. This \$67.7 million decrease in the amount of cash provided was primarily due to the net effect of the following:

- lower income from operations in 2020 of \$32.8 million,
- higher amount of net cash used associated with relative changes in our inventories, receivables, payables and accruals in 2020 of \$59.4 million as compared to 2019,
- lower cash paid for taxes in 2020 of \$18.8 million due to decreased earnings in 2020, and
- higher contributions to our TiO<sub>2</sub> manufacturing joint venture in 2020 of \$4.7 million.



Changes in working capital were affected by accounts receivable and inventory changes. As shown below:

- Our average days sales outstanding, or DSO, decreased from December 31, 2019 to September 30, 2020 primarily due to relative changes in the timing of collections, and
- Our average days sales in inventory, or DSI, decreased from December 31, 2019 to September 30, 2020 primarily due to lower inventory volumes attributable to sales volumes outpacing production volumes in the third quarter of 2020, which was not the case in the fourth quarter of 2019.

For comparative purposes, we have also provided comparable prior year numbers below.

	December 31, 2018	September 30, 2019	December 31, 2019	September 30, 2020
DSO	76 days	71 days	71 days	67 days
DSI	113 days	57 days	83 days	66 days

#### ***Investing activities***

Our capital expenditures of \$38.3 million and \$34.2 million in the first nine months of 2020 and 2019, respectively, were primarily to maintain and improve the cost effectiveness of our manufacturing facilities.

During the first nine months of 2020, we had no loans or collections under our unsecured revolving demand promissory note with Valhi and during the first nine months of 2019, we loaned \$10.9 million and subsequently collected \$5.9 million under such facility.

In addition, during the first nine months of 2020, we received \$1.5 million from an insurance settlement related to a property damage claim.

#### ***Financing activities***

During the first nine months of 2020 and 2019, we paid quarterly dividends of \$.18 per share to stockholders aggregating \$62.4 million and \$62.5 million, respectively.

In addition, during the first nine months of 2020, we acquired 122,489 shares of our common stock in market transactions for an aggregate purchase price of \$1.0 million. During the first nine months of 2019, we acquired 264,992 shares of our common stock in market transactions for an aggregate purchase price of \$3.0 million.

#### ***Outstanding debt obligations***

At September 30, 2020, our consolidated debt comprised:

- €400 million aggregate outstanding on our Kronos International, Inc. (KII) 3.75% Senior Secured Notes (\$464.7 million carrying amount, net of unamortized debt issuance costs) due in September 2025, and
- approximately \$2.7 million of other indebtedness.

Our North American and European revolvers and our Senior Notes contain a number of covenants and restrictions which, among other things, restrict our ability to incur or guarantee additional debt, incur liens, pay dividends or make other restricted payments, or merge or consolidate with, or sell or transfer substantially all of our assets to, another entity, and contain other provisions and restrictive covenants customary in lending transactions of this type. Certain of our credit agreements contain provisions which could result in the acceleration of indebtedness prior to their stated maturity for reasons other than defaults for failure to comply with typical financial or payment covenants. For example, certain credit agreements allow the lender to accelerate the maturity of the indebtedness upon a change of control (as defined in the agreement) of the borrower. In addition, certain credit agreements could result in the acceleration of all or a portion of the indebtedness following a sale of assets outside the ordinary course of business. Our European revolving credit facility also requires the maintenance of certain financial ratios, and one of such requirements is based on the ratio of net debt to the last twelve months earnings before interest, income tax, depreciation and amortization expense (EBITDA) of the borrowers. The terms of all of our debt instruments (including revolving lines of credit for which we have no outstanding borrowings at September 30, 2020) are discussed in Note 8 to our Consolidated Financial Statements included in our 2019 Annual Report. We are in compliance with all of our debt covenants at September 30, 2020. We believe that we will be able to continue to comply with the financial covenants contained in our credit facilities through their maturity.

Our assets consist primarily of investments in operating subsidiaries, and our ability to service our obligations, including the Senior Notes, depends in part upon the distribution of earnings of our subsidiaries, whether in the form of dividends, advances or payments on account of intercompany obligations or otherwise. Our Senior Notes are collateralized by, among other things, a first priority lien on (i) 100% of the common stock or other ownership interests of each existing and future direct domestic subsidiary of KII and the guarantors, and (ii) 65% of the voting common stock or other ownership interests and 100% of the non-voting common stock or other ownership interests of each non-U.S. subsidiary that is directly owned by KII or any guarantor. Our North American revolving credit facility is collateralized by, among other things, a first priority lien on the borrower's trade receivables and inventories. Our European revolving credit facility is collateralized by, among other things, the accounts receivable and inventories of the borrowers plus a limited pledge of all the other assets of the Belgian borrower.

## **Future cash requirements**

### ***Liquidity***

Our primary source of liquidity on an ongoing basis is cash flows from operating activities which is generally used to (i) fund capital expenditures, (ii) repay any short-term indebtedness incurred for working capital purposes and (iii) provide for the payment of dividends. From time-to-time we will incur indebtedness, generally to (i) fund short-term working capital needs, (ii) refinance existing indebtedness or (iii) fund major capital expenditures or the acquisition of other assets outside the ordinary course of business. We will also from time-to-time sell assets outside the ordinary course of business and use the proceeds to (i) repay existing indebtedness, (ii) make investments in marketable and other securities, (iii) fund major capital expenditures or the acquisition of other assets outside the ordinary course of business or (iv) pay dividends.

The TiO<sub>2</sub> industry is cyclical, and changes in industry economic conditions significantly impact earnings and operating cash flows. Changes in TiO<sub>2</sub> pricing, production volumes and customer demand, among other things, could significantly affect our liquidity.

We routinely evaluate our liquidity requirements, alternative uses of capital, capital needs and availability of resources in view of, among other things, our dividend policy, our debt service and capital expenditure requirements and estimated future operating cash flows. As a result of this process, we have in the past and may in the future seek to reduce, refinance, repurchase or restructure indebtedness, raise additional capital, repurchase shares of our common stock, modify our dividend policy, restructure ownership interests, sell interests in our subsidiaries or other assets, or take a combination of these steps or other steps to manage our liquidity and capital resources. Such activities have in the past and may in the future involve related companies. In the normal course of our business, we may investigate, evaluate, discuss and engage in acquisition, joint venture, strategic relationship and other business combination opportunities in the TiO<sub>2</sub> industry. In the event of any future acquisition or joint venture opportunity, we may consider using then-available liquidity, issuing our equity securities or incurring additional indebtedness.

At September 30, 2020 we had aggregate cash, cash equivalents and restricted cash on hand of \$353.9 million, of which \$141.1 million was held by non-U.S. subsidiaries. Following implementation of a territorial tax system under the 2017 Tax Act, repatriation of any cash and cash equivalents held by our non-U.S. subsidiaries would not be expected to result in any material income tax liability as a result of such repatriation. At September 30, 2020, we had \$125.0 million available for additional borrowing under our North American revolving credit facility. Based on the terms of our European revolving credit facility (including the net debt to EBITDA financial test discussed above) and the borrowers' EBITDA over the last twelve months ended September 30, 2020, the full €90.0 million amount of the credit facility (\$105.6 million) was available for borrowing at September 30, 2020. We could borrow all available amounts under each of our credit facilities without violating our existing debt covenants. Based upon our expectation for the TiO<sub>2</sub> industry and anticipated demands on cash resources, we expect to have sufficient liquidity to meet our short-term obligations (defined as the twelve-month period ending September 30, 2021) and our long-term obligations (defined as the five-year period ending September 30, 2025, our time period for long-term budgeting). If actual developments differ from our expectations, our liquidity could be adversely affected.

### ***Capital expenditures***

We currently estimate we will invest approximately \$60 million in capital expenditures primarily to maintain and improve our existing facilities during 2020, including the \$38.3 million we have spent through September 30, 2020. It is possible we will delay planned capital projects based on market conditions.

### ***Stock repurchase program***

At September 30, 2020, we have 1,563,519 shares available for repurchase under a stock repurchase program authorized by our board of directors. See Note 12 to our Condensed Consolidated Financial Statements.

### **Off-balance sheet financing**

We do not have any off-balance sheet financing arrangements.

### **Commitments and contingencies**

See Notes 11 and 13 to our Condensed Consolidated Financial Statements for a description of certain income tax contingencies and legal proceedings.

### **Recent accounting pronouncements**

See Note 15 to our Condensed Consolidated Financial Statements.

### **Critical accounting policies**

For a discussion of our critical accounting policies, refer to Part I, Item 7 - "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our 2019 Annual Report. There have been no changes in our critical accounting policies during the first nine months of 2020.

## **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK**

### **General**

We are exposed to market risk, including currency exchange rates, interest rates, equity security and raw material prices. There have been no material changes in these market risks since we filed our 2019 Annual Report. See also Part I, Item 7A. - "Quantitative and Qualitative Disclosure About Market Risk" in our 2019 Annual Report and Note 14 to our Condensed Consolidated Financial Statements.

## **ITEM 4. CONTROLS AND PROCEDURES**

### **Evaluation of disclosure controls and procedures**

We maintain disclosure controls and procedures which, as defined in Exchange Act Rule 13a-15(e), means controls and other procedures that are designed to ensure that information required to be disclosed in the reports that we file or submit to the SEC under the Securities Exchange Act of 1934, as amended (the "Act"), is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information we are required to disclose in the reports we file or submit to the SEC under the Act is accumulated and communicated to our management, including our principal executive officer and our principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions to be made regarding required disclosure. Each of Robert D. Graham, our Vice Chairman of the Board, President and Chief Executive Officer and James W. Brown, our Executive Vice President and Chief Financial Officer, have evaluated the design and effectiveness of our disclosure controls and procedures as of September 30, 2020. Based upon their evaluation, these executive officers have concluded that our disclosure controls and procedures are effective as of the date of such evaluation.

### **Internal control over financial reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting which, as defined by Exchange Act Rule 13a-15(f) means a process designed by, or under the supervision of, our principal executive and principal financial officers, or persons performing similar functions, and effected by the board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles, and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets,
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors, and
- Provide reasonable assurance regarding prevention or timely detection of an unauthorized acquisition, use or disposition of our assets that could have a material effect on our Condensed Consolidated Financial Statements.

**Other**

As permitted by the SEC, our assessment of internal control over financial reporting excludes (i) internal control over financial reporting of our equity method investees and (ii) internal control over the preparation of any financial statement schedules which would be required by Article 12 of Regulation S-X. However, our assessment of internal control over financial reporting with respect to our equity method investees did include our controls over the recording of amounts related to our investment that are recorded in our Condensed Consolidated Financial Statements, including controls over the selection of accounting methods for our investments, the recognition of equity method earnings and losses and the determination, valuation and recording of our investment account balances.

**Changes in internal control over financial reporting**

There has been no change to our internal control over financial reporting during the quarter ended September 30, 2020 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## Part II. OTHER INFORMATION

### Item 1. Legal Proceedings

Refer to Note 13 to our Condensed Consolidated Financial Statements and our 2019 Annual Report for descriptions of certain legal proceedings.

### Item 1A. Risk Factors

For a discussion of the risk factors related to our businesses, refer to Part I, Item 1A, "Risk Factors," in our 2019 Annual Report. There have been no material changes to such risk factors during the nine months ended September 30, 2020.

### Item 6. Exhibits

- 31.1 [Certification](#)
- 31.2 [Certification](#)
- 32.1 [Certification](#)
- 101.INS Inline XBRL Instance - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
- 101.SCH Inline XBRL Taxonomy Extension Schema
- 101.CAL Inline XBRL Taxonomy Extension Calculation Linkbase
- 101.DEF Inline XBRL Taxonomy Extension Definition Linkbase
- 101.LAB Inline XBRL Taxonomy Extension Label Linkbase
- 101.PRE Inline XBRL Taxonomy Extension Presentation Linkbase
- 104 Cover page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

**SIGNATURES**

Pursuant to the requirements 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.

Kronos Worldwide, Inc.  
\_\_\_\_\_  
(Registrant)

Date: November 4, 2020

/s/ James W. Brown  
\_\_\_\_\_  
James W. Brown  
Executive Vice President and  
Chief Financial Officer  
(Principal Financial Officer)

Date: November 4, 2020

/s/ Tim C. Hafer  
\_\_\_\_\_  
Tim C. Hafer  
Senior Vice President and Controller  
(Principal Accounting Officer)

## CERTIFICATION

I, Robert D. Graham, certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of Kronos Worldwide, Inc.;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 4, 2020

/s/ Robert D. Graham  
\_\_\_\_\_  
Robert D. Graham  
Chief Executive Officer

## CERTIFICATION

I, James W. Brown, certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of Kronos Worldwide, Inc.;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 4, 2020

/s/ James W. Brown

James W. Brown

Chief Financial Officer



**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Kronos Worldwide, Inc. (the Company) on Form 10-Q for the quarter ended September 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Robert D. Graham, Chief Executive Officer of the Company, and I, James W. Brown, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Robert D. Graham  
Robert D. Graham  
Chief Executive Officer

/s/ James W. Brown  
James W. Brown  
Chief Financial Officer

November 4, 2020

Note: The certification the registrant furnishes in this exhibit is not deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that Section. Registration Statements or other documents filed with the Securities and Exchange Commission shall not incorporate this exhibit by reference, except as otherwise expressly stated in such filing.