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 June 30, 2023

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	**76-0294959**
(State or other jurisdiction of incorporation or organization)	**(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 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 July 28, 2023: 115,027,016.

KRONOS WORLDWIDE, INC. AND SUBSIDIARIES

INDEX

Items 3, 4 and 5 of Part II are omitted because there is no information to report.

KRONOS WORLDWIDE, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(In millions)

ASSETS	December 31, 2022	June 30, 2023 (unaudited)
Current assets:		
Cash and cash equivalents	$ 327.8	**$ 169.4**
Restricted cash	2.0	**1.7**
Accounts and other receivables, net	255.1	**308.0**
Inventories, net	608.7	**540.7**
Prepaid expenses and other	48.6	**35.9**
Total current assets	1,242.2	**1,055.7**
Other assets:		
Investment in TiO_2 manufacturing joint venture	112.9	**121.2**
Restricted cash	4.8	**5.0**
Marketable securities	3.2	**1.9**
Operating lease right-of-use assets	21.5	**21.6**
Deferred income taxes	52.0	**71.3**
Other	13.3	**12.8**
Total other assets	207.7	**233.8**
Property and equipment:		
Land	41.9	**41.9**
Buildings	214.7	**221.5**
Equipment	1,093.2	**1,109.6**
Mining properties	119.6	**114.9**
Construction in progress	76.5	**85.5**
	1,545.9	**1,573.4**
Less accumulated depreciation and amortization	1,061.4	**1,084.1**
Net property and equipment	484.5	**489.3**
Total assets	$ 1,934.4	**$ 1,778.8**

KRONOS WORLDWIDE, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS (CONTINUED)

(In millions)

LIABILITIES AND STOCKHOLDERS' EQUITY	**December 31, 2022**	**June 30, 2023**
		(unaudited)
Current liabilities:		
Current maturities of long-term debt	$ 1.1	**$ .7**
Accounts payable and accrued liabilities	312.3	**253.1**
Income taxes	13.3	**6.8**
Total current liabilities	326.7	**260.6**
Noncurrent liabilities:		
Long-term debt	424.1	**432.4**
Accrued pension costs	128.6	**126.9**
Payable to affiliate - income taxes	33.5	**18.6**
Operating lease liabilities	17.4	**17.1**
Deferred income taxes	26.4	**25.9**
Other	20.5	**20.8**
Total noncurrent liabilities	650.5	**641.7**
Stockholders' equity:		
Common stock	1.2	**1.2**
Additional paid-in capital	1,394.3	**1,390.2**
Retained deficit	(105.4)	**(172.6)**
Accumulated other comprehensive loss	(331.5)	**(342.3)**
Treasury stock, at cost	(1.4)	**-**
Total stockholders' equity	957.2	**876.5**
Total liabilities and stockholders' equity	$ 1,934.4	**$ 1,778.8**

Commitments and contingencies (Notes 10 and 12)

See accompanying notes to Condensed Consolidated Financial Statements.

KRONOS WORLDWIDE, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In millions, except per share data)

	Three months ended June 30,		Six months ended June 30,	
	2022	2023	2022	2023
		(unaudited)		
Net sales	$ 565.3	**$ 443.2**	$ 1,128.2	**$ 869.5**
Cost of sales	444.8	**399.1**	858.4	**794.6**
Gross margin	120.5	**44.1**	269.8	**74.9**
Selling, general and administrative expense	63.2	**50.1**	124.6	**103.3**
Other operating income (expense):				
Currency transactions, net	11.9	**3.1**	10.4	**8.5**
Other operating expense, net	(4.0)	**(3.8)**	(7.1)	**(5.1)**
Income (loss) from operations	65.2	**(6.7)**	148.5	**(25.0)**
Other income (expense):				
Interest and dividend income	.6	**1.5**	.7	**3.5**
Marketable equity securities	2.3	**(.6)**	2.4	**(1.3)**
Other components of net periodic pension and OPEB cost	(3.1)	**(2.2)**	(6.3)	**(3.1)**
Interest expense	(4.3)	**(4.3)**	(8.8)	**(8.5)**
Income (loss) before income taxes	60.7	**(12.3)**	136.5	**(34.4)**
Income tax expense (benefit)	14.8	**(4.1)**	33.1	**(11.0)**
Net income (loss)	$ 45.9	**$ (8.2)**	$ 103.4	**$ (23.4)**
Net income (loss) per basic and diluted share	$ .40	**$ (.07)**	$ .90	**$ (.20)**
Weighted average shares used in the calculation of net income (loss) per share	115.5	**115.1**	115.5	**115.2**

See accompanying notes to Condensed Consolidated Financial Statements.

KRONOS WORLDWIDE, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In millions)

	Three months ended June 30,		Six months ended June 30,	
	2022	2023	2022	2023
		(unaudited)		
Net income (loss)	$ 45.9	**$ (8.2)**	$ 103.4	**$ (23.4)**
Other comprehensive income (loss), net of tax:				
Currency translation	(36.3)	**(5.7)**	(29.7)	**(12.7)**
Defined benefit pension plans	2.3	**1.5**	4.7	**2.0**
Other postretirement benefit plans	-	**-**	(.1)	**(.1)**
Total other comprehensive loss, net	(34.0)	**(4.2)**	(25.1)	**(10.8)**
Comprehensive income (loss)	$ 11.9	**$ (12.4)**	$ 78.3	**$ (34.2)**

See accompanying notes to Condensed Consolidated Financial Statements.

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

Three months ended June 30, 2022 and 2023 (unaudited)

	Common stock	Additional paid-in capital	Retained deficit	Accumulated other comprehensive loss	Treasury stock	Total
Balance at March 31, 2022	$ 1.2	$ 1,395.2	$ (86.5)	$ (395.2)	$ (1.1)	$ 913.6
Net income	-	-	45.9	-	-	45.9
Other comprehensive loss, net of tax	-	-	-	(34.0)	-	(34.0)
Issuance of common stock	-	.1	-	-	-	.1
Dividends paid - $.19 per share	-	-	(22.0)	-	-	(22.0)
Treasury stock retired	-	(1.1)	-	-	1.1	-
Balance at June 30, 2022	$ 1.2	$ 1,394.2	$ (62.6)	$ (429.2)	$ -	$ 903.6
Balance at March 31, 2023	$ 1.2	$ 1,393.0	$ (142.5)	$ (338.1)	$ (1.5)	$ 912.1
Net loss	-	-	**(8.2)**	-	-	**(8.2)**
Other comprehensive loss, net of tax	-	-	-	**(4.2)**	-	**(4.2)**
Issuance of common stock	-	**.1**	-	-	-	**.1**
Dividends paid - $.19 per share	-	-	**(21.9)**	-	-	**(21.9)**
Treasury stock acquired	-	-	-	-	**(1.4)**	**(1.4)**
Treasury stock retired	-	**(2.9)**	-	-	**2.9**	-
Balance at June 30, 2023	**$ 1.2**	**$ 1,390.2**	**$ (172.6)**	**$ (342.3)**	**$ -**	**$ 876.5**

Six months ended June 30, 2022 and 2023 (unaudited)

	Common stock	Additional paid-in capital	Retained deficit	Accumulated other comprehensive loss	Treasury stock	Total
Balance at December 31, 2021	$ 1.2	$ 1,395.4	$ (122.1)	$ (404.1)	$ (.2)	$ 870.2
Net income	-	-	103.4	-	-	103.4
Other comprehensive loss, net of tax	-	-	-	(25.1)	-	(25.1)
Issuance of common stock	-	.1	-	-	-	.1
Dividends paid - $.38 per share	-	-	(43.9)	-	-	(43.9)
Treasury stock acquired	-	-	-	-	(1.1)	(1.1)
Treasury stock retired	-	(1.3)	-	-	1.3	-
Balance at June 30, 2022	$ 1.2	$ 1,394.2	$ (62.6)	$ (429.2)	$ -	$ 903.6
Balance at December 31, 2022	$ 1.2	$ 1,394.3	$ (105.4)	$ (331.5)	$ (1.4)	$ 957.2
Net loss	-	-	**(23.4)**	-	-	**(23.4)**
Other comprehensive loss, net of tax	-	-	-	**(10.8)**	-	**(10.8)**
Issuance of common stock	-	**.1**	-	-	-	**.1**
Dividends paid - $.38 per share	-	-	**(43.8)**	-	-	**(43.8)**
Treasury stock acquired	-	-	-	-	**(2.8)**	**(2.8)**
Treasury stock retired	-	**(4.2)**	-	-	**4.2**	-
Balance at June 30, 2023	**$ 1.2**	**$ 1,390.2**	**$ (172.6)**	**$ (342.3)**	**$ -**	**$ 876.5**

See accompanying notes to Condensed Consolidated Financial Statements.

KRONOS WORLDWIDE, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)

	Six months ended June 30, 2022	Six months ended June 30, 2023
	(unaudited)	
Cash flows from operating activities:		
Net income (loss)	$ 103.4	$ (23.4)
Depreciation	26.0	24.5
Amortization of operating lease right-of-use assets	2.4	2.3
Deferred income taxes	3.3	(19.5)
Benefit plan expense greater (less) than cash funding	3.9	(3.1)
Marketable equity securities	(2.4)	1.3
Contributions to TiO_2 manufacturing joint venture, net	(4.1)	(8.3)
Other, net	2.4	1.5
Change in assets and liabilities:		
Accounts and other receivables, net	(58.6)	(60.8)
Inventories, net	(30.3)	71.2
Prepaid expenses	(.4)	13.1
Accounts payable and accrued liabilities	(14.2)	(63.1)
Income taxes	3.5	1.8
Accounts with affiliates	13.7	(14.5)
Other, net	.7	.4
Net cash provided by (used in) operating activities	49.3	(76.6)
Cash flows from investing activities:		
Capital expenditures	(30.5)	(33.9)
Other	.1	-
Net cash used in investing activities	(30.4)	(33.9)
Cash flows from financing activities:		
Payments on long-term debt	(.3)	(.4)
Dividends paid	(43.9)	(43.8)
Treasury stock acquired	(1.1)	(2.9)
Net cash used in financing activities	(45.3)	(47.1)
Cash, cash equivalents and restricted cash - net change from:		
Operating, investing and financing activities	(26.4)	(157.6)
Effect of currency exchange rate changes on cash	(8.7)	(.9)
Balance at beginning of period	412.6	334.6
Balance at end of period	$ 377.5	$ 176.1
Supplemental disclosures:		
Cash paid for:		
Interest, net of amount capitalized	$ 8.3	$ 7.7
Income taxes	25.3	16.5
Accrual for capital expenditures	2.5	2.5

See accompanying notes to Condensed Consolidated Financial Statements.

KRONOS WORLDWIDE, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2023

(unaudited)

Note 1 - Organization and basis of presentation:

Organization - At June 30, 2023, 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 31% of our common stock. Valhi owned approximately 83% of NL's outstanding common stock and a wholly-owned subsidiary of Contran Corporation held approximately 91% 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 June 30, 2023, 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, 2022 that we filed with the Securities and Exchange Commission (SEC) on March 8, 2023 (2022 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, 2022 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, 2022) 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 June 30, 2023 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 2022 Consolidated Financial Statements contained in our 2022 Annual Report.

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, 2022	June 30, 2023
	(In millions)	
Trade receivables	$ 220.3	**$ 286.0**
Recoverable VAT and other receivables	28.5	**24.6**
Receivables from affiliates, other	2.7	**.6**
Refundable income taxes	7.1	**.5**
Allowance for doubtful accounts	(3.5)	**(3.7)**
Total	$ 255.1	**$ 308.0**

Note 3 - Inventories, net:

	December 31, 2022	June 30, 2023
	(In millions)	
Raw materials	$ 145.3	**$ 157.9**
Work in process	32.0	**34.4**
Finished products	349.9	**262.2**
Supplies	81.5	**86.2**
Total	$ 608.7	**$ 540.7**

Note 4 - Marketable securities:

Our marketable securities consist of investments in the publicly-traded shares of our related party, Valhi. 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. Unrealized gains or losses on equity securities are recognized in Other income (expense) - Marketable equity securities on our Condensed Consolidated Statements of Operations.

Marketable security	Fair value measurement level	Market value	Cost basis	Unrealized loss
			(In millions)	
December 31, 2022:				
Valhi common stock	1	$ 3.2	$ 3.2	$ -
June 30, 2023:				
Valhi common stock	1	**$ 1.9**	**$ 3.2**	**$ (1.3)**

At December 31, 2022 and June 30, 2023, we held approximately 144,000 shares of Valhi's common stock. At December 31, 2022 and June 30, 2023, the per share quoted market price of Valhi's common stock was $22.00 and $12.85, respectively.

The Valhi common stock we own is subject to the restrictions on resale pursuant to certain provisions of the Securities and Exchange Commission (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 - Long-term debt:

	December 31, 2022	June 30, 2023
	(In millions)	
Kronos International, Inc. 3.75% Senior Notes	$ 424.1	**$ 432.4**
Other	1.1	**.7**
Total debt	425.2	**433.1**
Less current maturities	1.1	**.7**
Total long-term debt	$ 424.1	**$ 432.4**

Senior Secured Notes - At June 30, 2023, 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 $2.0 million.

Revolving credit facility - During the first six months of 2023, we had no borrowings or repayments under our $225 million global revolving credit facility and at June 30, 2023, the full $225 million was available for borrowing.

Other - We are in compliance with all of our debt covenants at June 30, 2023.

Note 6 - Accounts payable and accrued liabilities:

	December 31, 2022	June 30, 2023
	(In millions)	
Accounts payable	$ 177.2	**$ 134.7**
Accrued sales discounts and rebates	25.6	**13.1**
Employee benefits	22.9	**23.5**
Payables to affiliates:		
LPC	17.1	**19.0**
NL Industries, Inc.	-	**.6**
Income taxes payable to Valhi	5.8	**10.8**
Operating lease liabilities	3.8	**4.1**
Other	59.9	**47.3**
Total	$ 312.3	**$ 253.1**

Note 7 - Other noncurrent liabilities:

	December 31, 2022	June 30, 2023
	(In millions)	
Accrued postretirement benefits	$ 5.9	**$ 6.1**
Employee benefits	4.8	**4.9**
Other	9.8	**9.8**
Total	$ 20.5	**$ 20.8**

Note 8 - 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 June 30,		Six months ended June 30,	
	2022	2023	2022	2023
	(In millions)			
Net sales - point of origin:				
United States	$ 323.7	**$ 233.4**	$ 650.1	**$ 489.2**
Germany	272.0	**193.6**	548.5	**379.6**
Canada	111.6	**83.9**	208.0	**174.8**
Belgium	87.5	**45.5**	180.3	**114.3**
Norway	68.0	**75.3**	146.4	**147.2**
Eliminations	(297.5)	**(188.5)**	(605.1)	**(435.6)**
Total	$ 565.3	**$ 443.2**	$ 1,128.2	**$ 869.5**
Net sales - point of destination:				
Europe	$ 264.6	**$ 199.0**	$ 534.1	**$ 400.1**
North America	196.0	**153.0**	375.9	**301.6**
Other	104.7	**91.2**	218.2	**167.8**
Total	$ 565.3	**$ 443.2**	$ 1,128.2	**$ 869.5**

Note 9 - Employee benefit plans:

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

	Three months ended June 30,		Six months ended June 30,	
	2022	2023	2022	2023
		(In millions)		
Net periodic pension cost (income):				
Service cost	$ 2.9	**$ 1.5**	$ 5.9	**$ 3.1**
Interest cost	2.7	**5.1**	5.6	**10.2**
Expected return on plan assets	(3.0)	**(4.8)**	(6.1)	**(9.6)**
Recognized actuarial losses	3.4	**.6**	6.8	**1.2**
Settlements	-	**1.3**	-	**1.3**
Total	$ 6.0	**$ 3.7**	$ 12.2	**$ 6.2**

In the second quarter of 2023, we completed a termination and buy-out of our UK pension plan resulting in a $1.3 million settlement loss. We expect our 2023 contributions for our pension plans to be approximately $17 million.

Note 10 - Income taxes:

	Three months ended June 30,		Six months ended June 30,	
	2022	2023	2022	2023
		(In millions)		
Expected tax expense (benefit), at U.S. federal statutory income tax rate of 21%	$ 12.7	**$ (2.6)**	$ 28.6	**$ (7.2)**
Non-U.S. tax rates	1.2	**(2.4)**	3.2	**(2.6)**
Incremental net tax benefit on earnings and losses of U.S. and non-U.S. companies	(.1)	**(1.2)**	(.5)	**(1.2)**
Valuation allowance, net	(.6)	**.6**	(.7)	**.8**
Global intangible low-tax income, net	.8	**.6**	1.7	**.1**
Adjustment to the reserve for uncertain tax positions, net	.3	**.6**	(.5)	**(.6)**
Adjustment of prior year taxes, net	-	**-**	-	**(.4)**
Nondeductible expenses	.3	**.6**	.6	**.4**
Other, net	.2	**(.3)**	.7	**(.3)**
Income tax expense (benefit)	$ 14.8	**$ (4.1)**	$ 33.1	**$ (11.0)**
Comprehensive provision for income taxes allocable to:				
Net income (loss)	$ 14.8	**$ (4.1)**	$ 33.1	**$ (11.0)**
Other comprehensive income - pension plans	1.0	**.5**	2.1	**.6**
Total	$ 15.8	**$ (3.6)**	$ 35.2	**$ (10.4)**

The amount shown in the preceding 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 benefit on earnings and losses of U.S. and non-U.S. companies includes, as applicable, (i) deferred income taxes (or deferred income tax benefits) associated with the current-year earnings of all of our non-U.S. subsidiaries and (ii) current U.S. income taxes (or current income tax benefit), including U.S. personal holding company tax, as applicable, 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, to the extent the current-year income (losses) of such subsidiary is subject to U.S. income tax under the U.S. dual-resident provisions of the Internal Revenue Code.

During the first six months of 2023, we recognized a non-cash deferred income tax benefit of $1.0 million relating to a decrease in our unrecognized tax benefits due to the expiration of certain statutes of limitations. We recognized a similar non-cash deferred income tax benefit of $1.1 million in the first six months of 2022, also due to the expiration of certain statutes of limitations.

Tax authorities may in the future examine certain of our U.S. and non-U.S. tax returns and may propose tax deficiencies, including penalties and interest. 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 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 not change materially during the next twelve months.

Note 11 - Stockholders' equity:

Changes in accumulated other comprehensive loss are presented in the table below. See Note 9 for discussion of our defined benefit pension plans.

	Three months ended June 30,		Six months ended June 30,	
	2022	2023	2022	2023
		(In millions)		
Accumulated other comprehensive loss, net of tax:				
Currency translation:				
Balance at beginning of period	$ (233.8)	**$ (276.2)**	$ (240.4)	**$ (269.2)**
Other comprehensive loss	(36.3)	**(5.7)**	(29.7)	**(12.7)**
Balance at end of period	$ (270.1)	**$ (281.9)**	$ (270.1)	**$ (281.9)**
Defined benefit pension plans:				
Balance at beginning of period	$ (160.9)	**$ (62.6)**	$ (163.3)	**$ (63.1)**
Other comprehensive income - amortization of prior service cost and net losses included in net periodic pension cost	2.3	**.6**	4.7	**1.1**
Settlement loss	-	**.9**	-	**.9**
Balance at end of period	$ (158.6)	**$ (61.1)**	$ (158.6)	**$ (61.1)**
OPEB plans:				
Balance at beginning of period	$ (.5)	**$ .7**	$ (.4)	**$ .8**
Other comprehensive loss - amortization of prior service credit and net losses included in net periodic OPEB cost	-	**-**	(.1)	**(.1)**
Balance at end of period	$ (.5)	**$ .7**	$ (.5)	**$ .7**
Total accumulated other comprehensive loss:				
Balance at beginning of period	$ (395.2)	**$ (338.1)**	$ (404.1)	**$ (331.5)**
Other comprehensive loss	(34.0)	**(4.2)**	(25.1)	**(10.8)**
Balance at end of period	$ (429.2)	**$ (342.3)**	$ (429.2)	**$ (342.3)**

Our board of directors has previously 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.

During the first six months of 2022, we acquired 73,881 shares of our common stock for an aggregate purchase price of $1.1 million and these shares were cancelled in the second quarter of 2022. During the fourth quarter of 2022, we acquired 143,897 shares of common stock for an aggregate purchase price of $1.4 million. During the first and second quarters of 2023, we acquired 159,796 and 154,018 shares of our common stock, respectively, for an aggregate purchase price of $2.8 million. Also during the first and second quarters of 2023 we cancelled 133,897 and 323,814 shares previously held as treasury stock, respectively. At June 30, 2023, 1,017,518 shares are available for repurchase under this stock repurchase program.

Note 12 - 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 statements, results of operations or liquidity.

Note 13 - 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, 2022		June 30, 2023	
	Carrying amount	Fair value	Carrying amount	Fair value
	(In millions)			
Cash, cash equivalents and restricted cash	$ 334.6	$ 334.6	**$ 176.1**	**$ 176.1**
Long-term debt - Fixed rate Senior Notes	424.1	374.2	**432.4**	**397.3**

At June 30, 2023, the estimated market price of our Senior Notes was €915 per €1,000 principal amount. The fair value of our Senior Notes was based on quoted market prices; however, these quoted market prices represented Level 2 inputs because the markets in which the Senior Notes trade were 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 6.

Note 14 - Other operating income (expense), net:

On August 24, 2020, LPC temporarily halted production due to Hurricane Laura. Although storm damage to core processing facilities was not extensive, a variety of factors, including loss of utilities and limited access and availability of employees and raw materials, prevented the resumption of operations until September 25, 2020. The majority of our losses from property damage and our share of LPC's lost production and other costs resulting from the disruption of operations, were covered by insurance. We recognized a gain of $1.7 million and $.5 million related to our business interruption claim in the first and second quarters of 2023, respectively. These gains are included in other operating expense, net on our Condensed Consolidated Statement of Operations.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

Business overview

We are a leading global producer and marketer of value-added titanium dioxide pigments (TiO_2). TiO_2 is used for a variety of manufacturing applications, including paints, plastics, paper and other industrial and specialty products. For the six months ended June 30, 2023, 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_2 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_2 will grow by 2% to 3% per year, 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_2 in any interim or annual period may not change in the same proportion as the change in GDP, in part due to relative changes in the TiO_2 inventory levels of our customers. We believe our customers' inventory levels are influenced in part by their expectation for future changes in TiO_2 selling prices as well as their expectation for future availability of product. Although certain of our TiO_2 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_2 selling prices,
- TiO_2 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, the Norwegian krone and the Canadian dollar and the euro relative to the Norwegian krone).

Our key performance indicators are our TiO_2 average selling prices, our level of TiO_2 sales and production volumes and the cost of titanium-containing feedstock purchased from third parties. TiO_2 selling prices generally follow industry trends and selling prices will increase or decrease generally as a result of competitive market pressures.

Executive summary

We reported a net loss of $8.2 million, or $.07 per share, in the second quarter of 2023 compared to net income of $45.9 million, or $.40 per share, in the second quarter of 2022. For the first six months of 2023, we reported a net loss of $23.4 million, or $.20 per share, compared to net income of $103.4 million, or $.90 per share, in the first six months of 2022. Net income decreased in the 2023 periods as compared to the same periods in 2022 primarily due to lower income from operations as a result of the combination of lower sales volumes and higher production costs (including raw material and energy costs). Our results of operations for both the first and second quarters of 2023 were significantly impacted by reduced demand for our products occurring in all major markets and unabsorbed fixed production and other costs due to reduced production volumes. Comparability of our results was also impacted by the effects of changes in currency exchange rates.

Our net loss in the first six months of 2023 includes the recognition of a pre-tax insurance settlement gain of $2.2 million ($1.7 million, or $.01 per share, net of income tax expense) related to a business interruption insurance claim arising from Hurricane Laura in 2020 and a $1.3 million settlement loss related to the termination and buy-out of our UK pension plan ($.9 million, or $0.1 per share, net of income tax expense).

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 and include, 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 cyclicality 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 and energy costs or reduce demand or perceived demand for our TiO_2 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)
- Operating interruptions (including, but not limited to, labor disputes, leaks, natural disasters, fires, explosions, unscheduled or unplanned downtime, transportation interruptions, cyber-attacks, certain regional and world events or economic conditions 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 and between the euro and the Norwegian krone), or possible disruptions to our business resulting from uncertainties associated with the euro or other currencies
- Our ability to renew or refinance credit facilities
- Increases in interest rates
- 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 or other regulations (such as those seeking to limit or classify TiO_2 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 statements whether as a result of changes in information, future events or otherwise.

Results of operations

Current industry conditions

We started 2023 with average TiO_2 selling prices 16% higher than at the beginning of 2022 but our average TiO_2 selling prices declined 5% during the first six months of 2023. Despite this decline, our average TiO_2 selling prices in the first six months of 2023 were 1% higher than the average prices during the first six months of 2022. Overall sales volumes declined in the first six months of 2023 compared to the first six months of 2022 due to reduced demand in all major markets.

We curtailed production in the third and fourth quarters of 2022 at certain of our European facilities due to decreased demand and increased production costs. Thus far during 2023 we have continued operating our production facilities at reduced rates to align production with customer demand. As a result, we operated our production facilities at 70% of practical capacity utilization in the first six months of 2023 compared to 98% of practical capacity utilization in the first six months of 2022.

The following table shows our capacity utilization rates during 2022 and 2023.

	Production Capacity Utilization Rates	
	2022	**2023**
First Quarter	100%	76%
Second Quarter	95%	64%

Due to significant increases in production costs (primarily energy, feedstock and unabsorbed fixed costs due to reduced operating rates), our cost of sales per metric ton of TiO_2 sold in the second quarter and first half of 2023 was significantly higher as compared to the comparable periods in 2022 (excluding the effect of changes in currency exchange rates).

Quarter ended June 30, 2023 compared to the quarter ended June 30, 2022

	Three months ended June 30,			
	2022		2023	
	(Dollars in millions)			
Net sales	$ 565.3	100 %	**$ 443.2**	**100 %**
Cost of sales	444.8	79	**399.1**	**90**
Gross margin	120.5	21	**44.1**	**10**
Selling, general and administrative expense	63.2	11	**50.1**	**11**
Other operating income (expense):				
Currency transactions, net	11.9	2	**3.1**	**1**
Other operating expense, net	(4.0)	(1)	**(3.8)**	**(1)**
Income (loss) from operations	$ 65.2	11 %	**$ (6.7)**	**(1)%**
				% Change
TiO_2 operating statistics:				
Sales volumes*	142		**104**	**(26)%**
Production volumes*	132		**89**	**(33)%**
Percentage change in net sales:				
TiO_2 sales volumes				**(26)%**
TiO_2 product pricing				**(2)**
Product mix/other				**6**
Changes in currency exchange rates				**-**
Total				**(22)%**

* Thousands of metric tons

Net sales - Net sales in the second quarter of 2023 decreased 22%, or $122.1 million, compared to the second quarter of 2022 primarily due to a 26% decrease in sales volumes (which decreased net sales by approximately $147 million) and a 2% decrease in average TiO_2 selling prices (which decreased net sales by approximately $11 million). Changes in product mix positively contributed to net sales, primarily due to modest growth in our complementary businesses which somewhat offset declines in TiO_2 sales volumes. Changes in currency exchange rates had a nominal effect on net sales in the second quarter of 2023 as compared to the second quarter of 2022. TiO_2 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 26% in the second quarter of 2023 as compared to the second quarter of 2022 due to lower overall demand across all major markets. The lower overall demand we began experiencing in the second half of 2022 has continued during the second quarter of 2023.

Cost of sales and gross margin - Cost of sales decreased $45.7 million, or 10%, in the second quarter of 2023 compared to the second quarter of 2022 due to the net effects of a 26% decrease in sales volumes, a 33% decrease in production volumes, higher production costs of approximately $18 million (primarily raw materials and energy) and $22 million of unabsorbed fixed production costs we recognized as a result of reduced production volumes at certain of our manufacturing facilities to align inventory levels to anticipated customer demand. Our cost of sales as a percentage of net sales increased to 90% in the second quarter of 2023 compared to 79% in the same period of 2022 primarily due to the unfavorable effects of higher production costs (primarily raw material, energy and unabsorbed fixed production costs due to lower production volumes).

Gross margin as a percentage of net sales decreased to 10% in the second quarter of 2023 compared to 21% in the second quarter of 2022. As discussed and quantified above, our gross margin as a percentage of net sales decreased primarily due to higher production costs, lower production and sales volumes and lower average TiO_2 selling prices.

Selling, general and administrative expense - Selling, general and administrative expense decreased $13.1 million, or 21%, in 2023 compared to 2022 primarily due to lower distribution costs related to lower overall sales volumes during the quarter. Selling, general and administrative expense as a percentage of net sales was comparable in the second quarters of 2023 and 2022 at approximately 11% of net sales.

Income (loss) from operations - We had a loss from operations of $6.7 million in the second quarter of 2023 compared to income from operations of $65.2 million in the second quarter of 2022 as a result of the factors impacting gross margin discussed above. We recognized a gain of $.5 million in the second quarter of 2023 related to cash received from the settlement of a business interruption insurance claim. See Note 14 to our Condensed Consolidated Financial Statements. We estimate changes in currency exchange rates decreased our loss from operations by approximately $2 million in the second quarter of 2023 as compared to the same period in 2022, as discussed in the Effects of currency exchange rates section below.

Other non-operating income (expense) - We recognized a loss of $.6 million on the change in market price of our marketable equity securities in the second quarter of 2023 compared to a gain of $2.3 million in the second quarter of 2022. See Note 4 to our Condensed Consolidated Financial Statements. Other components of net periodic pension and OPEB cost in the second quarter of 2023 decreased $.9 million compared to the second quarter of 2022 primarily due to the net effects of higher discount rates impacting interest cost, previously unrecognized actuarial losses and $1.3 million in settlement costs related to the termination and buy-out of our UK pension plan in the second quarter of 2023. See Note 9 to our Condensed Consolidated Financial Statements. Interest expense in the second quarter of 2023 was comparable to interest expense in the second quarter of 2022. See Note 5 to our Condensed Consolidated Financial Statements.

Income tax expense (benefit) - We recognized an income tax benefit of $4.1 million in the second quarter of 2023 compared to income tax expense of $14.8 million in the second quarter of 2022. The difference is primarily due to lower earnings in the second quarter of 2023 and the jurisdictional mix of such earnings. 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, excluding the effect of any increase or decrease in our deferred income tax asset valuation allowance or changes in our reserve for uncertain tax positions, to be higher than the U.S. federal statutory tax rate of 21% primarily because of our sizeable non-U.S. operations. See Note 10 to our Condensed Consolidated Financial Statements.

Six months ended June 30, 2023 compared to the six months ended June 30, 2022

	Six months ended June 30,			
	2022		**2023**	
	(Dollars in millions)			
Net sales	$ 1,128.2	100 %	**$ 869.5**	**100 %**
Cost of sales	858.4	76	**794.6**	**91**
Gross margin	269.8	24	**74.9**	**9**
Selling, general and administrative expense	124.6	11	**103.3**	**12**
Other operating income (expense):				
Currency transactions, net	10.4	1	**8.5**	**1**
Other operating expense, net	(7.1)	(1)	**(5.1)**	**(1)**
Income (loss) from operations	$ 148.5	13 %	**$ (25.0)**	**(3)%**
				% Change
TiO_2 operating statistics:				
Sales volumes*	286		**206**	**(28)%**
Production volumes*	270		**194**	**(28)%**
Percentage change in net sales:				
TiO_2 sales volumes				**(28)%**
TiO_2 product pricing				**1**
Product mix/other				**5**
Changes in currency exchange rates				**(1)**
Total				**(23)%**

* Thousands of metric tons

Net sales - Net sales in the first six months of 2023 decreased 23%, or $258.7 million, compared to the first six months of 2022 primarily due to the net effects of a 28% decrease in sales volumes (which decreased net sales by approximately $316 million) and a 1% increase in average TiO_2 selling prices (which increased net sales by approximately $11 million). Changes in product mix positively contributed to net sales, primarily due to modest growth in our complementary businesses which somewhat offset declines in TiO_2 sales volumes. In addition to the impact of sales volumes, we estimate that changes in currency exchange rates (primarily the euro) decreased our net sales by approximately $12 million in the first six months of 2023 as compared to the first six months of 2022. TiO_2 selling prices will increase or decrease generally as a result of competitive market pressures and changes in the relative level of supply and demand as well as changes in raw material and other manufacturing costs.

Our sales volumes decreased 28% in the first six months of 2023 as compared to the first six months of 2022 due to lower overall demand across all major markets. The lower overall demand we began experiencing in the second half of 2022 has continued during the first six months of 2023.

Cost of sales and gross margin - Cost of sales decreased $63.8 million, or 7%, in the first six months of 2023 compared to the first six months of 2022 due to the net effects of a 28% decrease in sales volumes, a 28% decrease in production volumes, higher production costs of approximately $100 million (primarily raw materials and energy) and $54 million of unabsorbed fixed production costs we recognized as a result of reduced production volumes at certain of our manufacturing facilities to align inventory levels to anticipated customer demand. Our cost of sales as a percentage of net sales increased to 91% in the first six months of 2023 compared to 76% in the same period of 2022 primarily due to the unfavorable effects of higher production costs (primarily raw material, energy and unabsorbed fixed production costs due to lower production volumes).

Gross margin as a percentage of net sales decreased to 9% in the first six months of 2023 compared to 24% in the first six months of 2022. As discussed and quantified above, our gross margin as a percentage of net sales decreased primarily due to the significant decrease in sales volumes in 2023.

Selling, general and administrative expense - Selling, general and administrative expense decreased $21.3 million, or 17%, in the first six months of 2023 compared to the same period in 2022 primarily due to lower distribution costs as a result of lower overall sales volumes. Selling, general and administrative expense as a percentage of net sales increased slightly in the first six months of 2023 compared to first six months of 2022.

Income (loss) from operations - We had a loss from operations of $25.0 million in the first six months of 2023 compared to income from operations of $148.5 million in the first six months of 2022 as a result of the factors impacting gross margin discussed above. We recognized a gain of $2.2 million in the first six months of 2023 related to cash received from the settlement of a business interruption insurance claim. See Note 14 to our Condensed Consolidated Financial Statements. We estimate that changes in currency exchange rates decreased our loss from operations by approximately $21 million in the first six months of 2023 as compared to the same period in 2022, as further 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 six months of 2023 and a gain of $2.4 million in the first six months of 2022. See Note 4 to our Condensed Consolidated Financial Statements. Other components of net periodic pension and OPEB cost in the first six months of 2023 decreased $3.2 million compared to the first six months of 2022 primarily due to the net effects of higher discount rates impacting interest cost, previously unrecognized actuarial losses and $1.3 million in settlement costs related to the termination and buy-out of our UK pension plan in the second quarter of 2023. See Note 9 to our Condensed Consolidated Financial Statements. Interest expense in the first six months of 2023 decreased $.3 million compared to the first six months of 2022 due to the effects of changes in currency exchange rates.

Income tax expense - We recognized an income tax benefit of $11.0 million in the first six months of 2023 compared to income tax expense of $33.1 million in the first six months of 2022. The difference is primarily due to lower earnings in 2023 and the jurisdictional mix of such earnings. 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 10 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 primarily 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, and (ii) changes in currency exchange rates during time periods when our non-U.S. operations are holding non-local currency (primarily U.S. dollars).

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

Impact of changes in currency exchange rates
Three months ended June 30, 2023 vs June 30, 2022

	Transaction gains recognized			Translation gains/(losses) - impact of rate changes	Total currency impact
	2022	**2023**	**Change**		**2023 vs 2022**
			(In millions)		
Impact on:					
Net sales	$ -	$ -	$ -	$ (1)	$ (1)
Income (loss) from operations	12	3	(9)	11	2

The $1 million decrease in net sales (translation losses) 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 2023 as compared to 2022. The strengthening of the U.S. dollar relative to the Canadian dollar and the Norwegian krone in 2023 did not have a significant effect on our net sales, as a substantial portion of the sales generated by our Canadian and Norwegian operations is denominated in the U.S. dollar.

The $2 million decrease in loss from operations was comprised of the following:

- Lower net currency transaction gains of approximately $9 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 $11 million from net currency translation gains primarily caused by a 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 2023 as compared to 2022.

Impact of changes in currency exchange rates
Six months ended June 30, 2023 vs June 30, 2022

	Transaction gains recognized			Translation gains/(losses) - impact of rate changes	Total currency impact 2023 vs 2022
	2022	2023	Change		
			(In millions)		
Impact on:					
Net sales	$ -	$ -	$ -	$ (12)	$ (12)
Income (loss) from operations	10	8	(2)	23	21

The $12 million decrease in net sales (translation losses) 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 2023 as compared to 2022. The strengthening of the U.S. dollar relative to the Canadian dollar and the Norwegian krone in 2023 did not have a significant effect on our net sales, as a substantial portion of the sales generated by our Canadian and Norwegian operations is denominated in the U.S. dollar.

The $21 million decrease in loss from operations was comprised of the following:

- Lower net currency transaction gains of approximately $2 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 $23 million from net currency translation gains primarily caused by a 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 2023 as compared to 2022. The effect of the strengthening of the U.S. dollar relative to the euro was nominal in 2023 as compared to 2022.

Outlook

As noted above, customer demand in all major markets remained sluggish throughout the second quarter of 2023 as many of our customers continue to be cautious in placing orders due to uncertain economic conditions exacerbated by ongoing downstream destocking. We are taking necessary actions to align our production and inventories to forecasted demand levels and to reduce costs in line with the lower production rates. These steps, along with the depletion of high-cost inventory created earlier in the cycle, have somewhat increased gross margins and improved operating cash flows in the second quarter.

Entering the second half of the year, we believe customer destocking has run its course and we are seeing pockets of strengthening demand, primarily in North America. However, we expect near term demand will remain below historical norms. While our selling prices have remained relatively stable throughout the first half of 2023, favorable pigment availability and minimal order lead times in the marketplace, along with low-cost imports from China, are leading to increased pricing pressure. Raw materials and certain other input costs have declined from the highs experienced since the second half of 2022 which, combined with internal cost reduction initiatives, should begin to positively impact margins late in the year as we expect higher cost inventories will continue to depress margins well into the third quarter. Overall, due to the weaker than expected demand recovery and higher production costs, including unabsorbed fixed costs, we expect to report lower operating results for the full year of 2023 as compared to 2022.

We will continue to monitor current and anticipated near-term customer demand levels and align our production and inventories accordingly. We believe the long-term outlook for our industry remains positive, and we are taking steps in the near term which are intended to preserve our competitive position and our future growth.

Our expectations for the TiO_2 industry and our operations are based on a number of factors outside our control. We have experienced global market disruptions including high energy and other input costs and future impacts on our operations will depend on, among other things, future energy and other input costs along with the effect economic conditions and geopolitical events have on our operations or our customers' and suppliers' operations, all of which remain uncertain and cannot be predicted.

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 used in operating activities was $76.6 million in the first six months of 2023 compared to cash provided by operating activities of $49.3 million in the first six months of 2022. This $125.9 million increase in the amount of cash used was primarily due to the net effect of the following:

- lower income from operations in 2023 of $173.5 million,
- lower amount of net cash used associated with relative changes in our inventories, receivables, payables and accruals in 2023 of $45.3 million,
- lower cash paid for taxes in 2023 of $8.8 million due to lower earnings and the relative timing of payments, and
- higher contributions to our TiO_2 manufacturing joint venture in 2023 of $4.2 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, 2022 to June 30, 2023 primarily due to relative changes in the timing of collections, and
- Our average days sales in inventory, or DSI, decreased from December 31, 2022 to June 30, 2023 primarily due to lower inventory volumes attributable to sales volumes exceeding production volumes in the first six months of 2023 compared to the fourth quarter of 2022 where our production volumes exceeded our sales volumes.

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

	December 31, 2021	June 30, 2022	December 31, 2022	June 30, 2023
DSO	65 days	62 days	64 days	62 days
DSI	59 days	45 days	103 days	59 days

Investing activities

Our capital expenditures of $33.9 million and $30.5 million in the first six months of 2023 and 2022, respectively, were primarily to maintain and improve the cost effectiveness of our manufacturing facilities.

Financing activities

During each of the first six months of 2022 and 2023, we paid quarterly dividends of $.19 per share to stockholders aggregating $43.9 million and $43.8 million, respectively.

In addition, during the first six months of 2023, we acquired 313,814 shares of our common stock in market transactions for an aggregate purchase price of $2.8 million as compared to $1.1 million of treasury stock purchases in the first six months of 2022.

Outstanding debt obligations

At June 30, 2023, our consolidated debt comprised:

- €400 million aggregate outstanding on our Kronos International, Inc. (KII) 3.75% Senior Secured Notes ($432.4 million carrying amount, net of unamortized debt issuance costs) due in September 2025 (Senior Secured Notes), and
- approximately $.7 million of other indebtedness.

We had no outstanding borrowings at June 30, 2023 on our $225 million global revolving credit facility (Global Revolver) and the full $225 million was available for borrowings thereunder. Our Senior Secured Notes and our Global Revolver 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 these types. 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, the 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, the 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. The terms of all of our debt instruments are discussed in Note 8 to our Consolidated Financial Statements included in our 2022 Annual Report. We are in compliance with all of our debt covenants at June 30, 2023. We believe we will be able to continue to comply with the financial covenants contained in our credit facility through its maturity.

Our assets consist primarily of investments in operating subsidiaries, and our ability to service our obligations, including the Senior Secured 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 Secured 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 Global Revolver is collateralized by, among other things, a first priority lien on the borrower's trade receivables and inventories. See Note 5 to our Condensed Consolidated Financial Statements.

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, (iii) provide for the payment of dividends and (iv) fund purchases of shares of our common stock under our stock repurchase program. 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_2 industry is cyclical, and changes in industry economic conditions significantly impact earnings and operating cash flows. Changes in TiO_2 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, our 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_2 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 June 30, 2023 we had aggregate cash, cash equivalents and restricted cash on hand of $176.1 million, of which $89.7 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. Our $225 million Global Revolver we entered into in April 2021, matures in April 2026 and currently the full $225 million is available for borrowing under this facility and we could borrow all available amounts without violating our existing debt covenants. See Note 5 to our Condensed Consolidated Financial Statements. Based upon our expectation for the TiO_2 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 June 30, 2024) and our long-term obligations (defined as the five-year period ending June 30, 2028, our time period for long-term budgeting). If actual developments differ from our expectations, our liquidity could be adversely affected.

Capital expenditures

We intend to invest approximately $43 million in capital expenditures primarily to maintain and improve our existing facilities during 2023, including $33.9 million in expenditures through June 30, 2023. It is possible we will delay planned capital projects based on market conditions including but not limited to expected demand, the general availability of materials, equipment and supplies necessary to complete such projects.

Stock repurchase program

At June 30, 2023, we have 1,017,518 shares available for repurchase under a stock repurchase program authorized by our board of directors.

Commitments and contingencies

See Notes 10 and 12 to our Condensed Consolidated Financial Statements for a description of certain income tax contingencies, certain legal proceedings and other commitments.

Recent accounting pronouncements

Not applicable

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 2022 Annual Report. There have been no changes in our critical accounting policies during the first six months of 2023.

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 2022 Annual Report. See also Part I, Item 7A. - “Quantitative and Qualitative Disclosure About Market Risk” in our 2022 Annual Report and Note 13 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 James M. Buch, our President and Chief Executive Officer and Tim C. Hafer, our Executive Vice President and Chief Financial Officer, has evaluated the design and effectiveness of our disclosure controls and procedures as of June 30, 2023. 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 June 30, 2023 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Part II. OTHER INFORMATION

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 2022 Annual Report.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table discloses certain information regarding the shares of our common stock we purchased during the second quarter of 2023 (we made no purchases in June 2023). All of these purchases were made under our stock repurchase program in open market transactions. See Note 11 to our Condensed Consolidated Financial Statements.

Period	Total number of shares purchased (1)	Average price paid per share	Total number of shares purchased as part of the publicly announced plan	Maximum number of shares that may yet be purchased under the publicly announced plan
April 2023	120,010	$9.13	120,010	1,051,526
May 2023	34,008	$8.77	34,008	1,017,518

(1) In December 2010, 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.

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: August 2, 2023

/s/ Tim C. Hafer
Tim C. Hafer
Executive Vice President and
Chief Financial Officer
(duly authorized officer)

Exhibit 31.1

CERTIFICATION

I, James M. Buch, 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: August 2, 2023

/s/ James M. Buch
James M. Buch
Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Tim C. Hafer, 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: August 2, 2023

/s/ Tim C. Hafer
Tim C. Hafer
Chief Financial Officer

Exhibit 32.1

**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 June 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the Report), I, James M. Buch, Chief Executive Officer of the Company, and I, Tim C. Hafer, 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/ James M. Buch
James M. Buch
Chief Executive Officer

/s/ Tim C. Hafer
Tim C. Hafer
Chief Financial Officer

August 2, 2023

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.