

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**Form 10-Q**

(Mark One)

☒ **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 \_\_\_\_\_**

**1-35573**

**(Commission file number)**

**TRONOX HOLDINGS PLC**

(Exact Name of Registrant as Specified in its Charter) extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

**England and Wales**

(State or other jurisdiction of incorporation or organization)

**98-1467236**

**(I.R.S. Employer Identification No.)**

**263 Tresser Boulevard, Suite 1100  
Stamford, Connecticut 06901**

**Laporte Road, Stallingborough  
Grimsby, North East Lincolnshire, DN40 2PR  
United Kingdom**

**Registrant's telephone number, including area code: (203) 705-3800**

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

Title of each class

Name of each exchange on which registered

Ordinary Shares, par value \$0.01 per share

New York Stock Exchange

Trading Symbol: TROX

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically 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, a 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 Exchange Act). Yes ☐ No ☒

Indicate by check mark whether the Registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes ☒ No ☐

As of October 20, 2020, the Registrant had 143,557,479 ordinary shares outstanding.

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**Item 1. Financial Statements (Unaudited)**

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**TRONOX HOLDINGS PLC**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Unaudited)  
(Millions of U.S. dollars, except share and per share data)

|                                                                     | Three Months Ended September 30, |           | Nine Months Ended September 30, |           |
|---------------------------------------------------------------------|----------------------------------|-----------|---------------------------------|-----------|
|                                                                     | 2020                             | 2019      | 2020                            | 2019      |
| <b>Net sales</b>                                                    | \$ 675                           | \$ 768    | \$ 1,975                        | \$ 1,949  |
| Cost of goods sold                                                  | 536                              | 635       | 1,532                           | 1,614     |
| Contract loss                                                       | —                                | —         | —                               | 19        |
| <b>Gross profit</b>                                                 | 139                              | 133       | 443                             | 316       |
| Selling, general and administrative expenses                        | 89                               | 82        | 263                             | 252       |
| Restructuring                                                       | 1                                | 3         | 3                               | 13        |
| <b>Income from operations</b>                                       | 49                               | 48        | 177                             | 51        |
| Interest expense                                                    | (48)                             | (51)      | (140)                           | (154)     |
| Interest income                                                     | 1                                | 4         | 6                               | 16        |
| Loss on extinguishment of debt                                      | —                                | —         | —                               | (2)       |
| Other income (expense), net                                         | 7                                | (1)       | 19                              | 2         |
| <b>Income (loss) from continuing operations before income taxes</b> | 9                                | —         | 62                              | (87)      |
| Income tax benefit (provision)                                      | 893                              | (12)      | 876                             | (10)      |
| <b>Net income (loss) from continuing operations</b>                 | 902                              | (12)      | 938                             | (97)      |
| Net income from discontinued operations, net of tax                 | —                                | 6         | —                               | 5         |
| <b>Net income (loss)</b>                                            | 902                              | (6)       | 938                             | (92)      |
| Net income attributable to noncontrolling interest                  | 6                                | 7         | 14                              | 17        |
| <b>Net income (loss) attributable to Tronox Holdings plc</b>        | \$ 896                           | \$ (13)   | \$ 924                          | \$ (109)  |
| <b>Net income (loss) per share, basic:</b>                          |                                  |           |                                 |           |
| <b>Continuing operations</b>                                        | \$ 6.24                          | \$ (0.13) | \$ 6.45                         | \$ (0.82) |
| <b>Discontinued operations</b>                                      | \$ —                             | \$ 0.04   | \$ —                            | \$ 0.04   |
| <b>Net income (loss) per share, basic</b>                           | \$ 6.24                          | \$ (0.09) | \$ 6.45                         | \$ (0.78) |
| <b>Net income (loss) per share, diluted:</b>                        |                                  |           |                                 |           |
| <b>Continuing operations</b>                                        | \$ 6.18                          | \$ (0.13) | \$ 6.42                         | \$ (0.82) |
| <b>Discontinued operations</b>                                      | \$ —                             | \$ 0.04   | \$ —                            | \$ 0.04   |
| <b>Net income (loss) per share, diluted</b>                         | \$ 6.18                          | \$ (0.09) | \$ 6.42                         | \$ (0.78) |
| Weighted average shares outstanding, basic (in thousands)           | 143,579                          | 142,278   | 143,245                         | 139,158   |
| Weighted average shares outstanding, diluted (in thousands)         | 145,067                          | 142,278   | 143,969                         | 139,158   |

See accompanying notes to unaudited condensed consolidated financial statements.

**TRONOX HOLDINGS PLC**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**  
**(Unaudited)**  
**(Millions of U.S. dollars)**

|                                                                                                                                                                                                                                                                                                                                                     | <b>Three Months Ended<br/>September 30,</b> |                | <b>Nine Months Ended September<br/>30,</b> |                 |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------|----------------|--------------------------------------------|-----------------|
|                                                                                                                                                                                                                                                                                                                                                     | <b>2020</b>                                 | <b>2019</b>    | <b>2020</b>                                | <b>2019</b>     |
| <b>Net income (loss)</b>                                                                                                                                                                                                                                                                                                                            | \$ 902                                      | \$ (6)         | \$ 938                                     | \$ (92)         |
| <b>Other comprehensive income (loss):</b>                                                                                                                                                                                                                                                                                                           |                                             |                |                                            |                 |
| Foreign currency translation adjustments                                                                                                                                                                                                                                                                                                            | 43                                          | (79)           | (129)                                      | (57)            |
| Pension and postretirement plans:                                                                                                                                                                                                                                                                                                                   |                                             |                |                                            |                 |
| Actuarial losses, (net of taxes of less than \$1 million in both the three and nine months ended September 30, 2020 and nil in both the three months and nine months ended September 30, 2019)                                                                                                                                                      | —                                           | —              | (2)                                        | —               |
| Amortization of unrecognized actuarial losses, (net of taxes of less than \$1 million in both the three and nine months ended September 30, 2020 and less than \$1 million in both the three months and nine months ended September 30, 2019)                                                                                                       | 1                                           | —              | 3                                          | 1               |
| Total pension and postretirement gains (losses)                                                                                                                                                                                                                                                                                                     | 1                                           | —              | 1                                          | 1               |
| Realized (gains) losses on derivatives reclassified from accumulated other comprehensive loss to the Condensed Consolidated Statement of Operations                                                                                                                                                                                                 | (1)                                         | —              | 10                                         | —               |
| Unrealized (losses) gains on derivative financial instruments, (net of tax expense of \$2 million and less than \$1 million for the three months ended September 30, 2020 and 2019, respectively and net of tax benefit of \$5 million and less than \$1 million for the nine months ended September 30, 2020 and 2019, respectively) - See Note 14 | 18                                          | (5)            | (30)                                       | (28)            |
| <b>Other comprehensive income (loss)</b>                                                                                                                                                                                                                                                                                                            | <b>61</b>                                   | <b>(84)</b>    | <b>(148)</b>                               | <b>(84)</b>     |
| <b>Total comprehensive income (loss)</b>                                                                                                                                                                                                                                                                                                            | <b>963</b>                                  | <b>(90)</b>    | <b>790</b>                                 | <b>(176)</b>    |
| <b>Comprehensive income (loss) attributable to noncontrolling interest:</b>                                                                                                                                                                                                                                                                         |                                             |                |                                            |                 |
| Net income                                                                                                                                                                                                                                                                                                                                          | 6                                           | 7              | 14                                         | 17              |
| Foreign currency translation adjustments                                                                                                                                                                                                                                                                                                            | 5                                           | (14)           | (42)                                       | 1               |
| Comprehensive income (loss) attributable to noncontrolling interest                                                                                                                                                                                                                                                                                 | 11                                          | (7)            | (28)                                       | 18              |
| <b>Comprehensive income (loss) attributable to Tronox Holdings plc</b>                                                                                                                                                                                                                                                                              | <b>\$ 952</b>                               | <b>\$ (83)</b> | <b>\$ 818</b>                              | <b>\$ (194)</b> |

See accompanying notes to unaudited condensed consolidated financial statements.

**TRONOX HOLDINGS PLC**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(Unaudited)  
(Millions of U.S. dollars, except share and per share data)

|                                                                                                                                                                                            | September 30, 2020 | December 31, 2019 |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|-------------------|
| <b>ASSETS</b>                                                                                                                                                                              |                    |                   |
| <b>Current Assets</b>                                                                                                                                                                      |                    |                   |
| Cash and cash equivalents                                                                                                                                                                  | \$ 722             | \$ 302            |
| Restricted cash                                                                                                                                                                            | 27                 | 9                 |
| Accounts receivable (net of allowance for credit losses of \$4 million and \$5 million as of September 30, 2020 and December 31, 2019, respectively)                                       | 484                | 482               |
| Inventories, net                                                                                                                                                                           | 1,176              | 1,131             |
| Prepaid and other assets                                                                                                                                                                   | 174                | 143               |
| Income taxes receivable                                                                                                                                                                    | 3                  | 6                 |
| <b>Total current assets</b>                                                                                                                                                                | <b>2,586</b>       | <b>2,073</b>      |
| <b>Noncurrent Assets</b>                                                                                                                                                                   |                    |                   |
| Property, plant and equipment, net                                                                                                                                                         | 1,651              | 1,762             |
| Mineral leaseholds, net                                                                                                                                                                    | 776                | 852               |
| Intangible assets, net                                                                                                                                                                     | 203                | 208               |
| Lease right of use assets, net                                                                                                                                                             | 86                 | 101               |
| Deferred tax assets                                                                                                                                                                        | 997                | 110               |
| Other long-term assets                                                                                                                                                                     | 177                | 162               |
| <b>Total assets</b>                                                                                                                                                                        | <b>\$ 6,476</b>    | <b>\$ 5,268</b>   |
| <b>LIABILITIES AND EQUITY</b>                                                                                                                                                              |                    |                   |
| <b>Current Liabilities</b>                                                                                                                                                                 |                    |                   |
| Accounts payable                                                                                                                                                                           | \$ 306             | \$ 342            |
| Accrued liabilities                                                                                                                                                                        | 364                | 283               |
| Short-term lease liabilities                                                                                                                                                               | 38                 | 38                |
| Short-term debt                                                                                                                                                                            | 6                  | —                 |
| Long-term debt due within one year                                                                                                                                                         | 48                 | 38                |
| Income taxes payable                                                                                                                                                                       | 2                  | 1                 |
| <b>Total current liabilities</b>                                                                                                                                                           | <b>764</b>         | <b>702</b>        |
| <b>Noncurrent Liabilities</b>                                                                                                                                                              |                    |                   |
| Long-term debt, net                                                                                                                                                                        | 3,424              | 2,988             |
| Pension and postretirement healthcare benefits                                                                                                                                             | 138                | 160               |
| Asset retirement obligations                                                                                                                                                               | 152                | 142               |
| Environmental liabilities                                                                                                                                                                  | 70                 | 65                |
| Long-term lease liabilities                                                                                                                                                                | 46                 | 62                |
| Deferred tax liabilities                                                                                                                                                                   | 152                | 184               |
| Other long-term liabilities                                                                                                                                                                | 42                 | 49                |
| <b>Total liabilities</b>                                                                                                                                                                   | <b>4,788</b>       | <b>4,352</b>      |
| <b>Commitments and Contingencies - Note 17</b>                                                                                                                                             |                    |                   |
|                                                                                                                                                                                            | —                  | —                 |
| <b>Shareholders' Equity</b>                                                                                                                                                                |                    |                   |
| Tronox Holdings plc ordinary shares, par value \$0.01 — 143,530,571 shares issued and outstanding at September 30, 2020 and 141,900,459 shares issued and outstanding at December 31, 2019 | 1                  | 1                 |
| Capital in excess of par value                                                                                                                                                             | 1,862              | 1,846             |
| Retained earnings (accumulated deficit)                                                                                                                                                    | 400                | (493)             |
| Accumulated other comprehensive loss                                                                                                                                                       | (712)              | (606)             |
| <b>Total Tronox Holdings plc shareholders' equity</b>                                                                                                                                      | <b>1,551</b>       | <b>748</b>        |
| Noncontrolling interest                                                                                                                                                                    | 137                | 168               |
| <b>Total equity</b>                                                                                                                                                                        | <b>1,688</b>       | <b>916</b>        |
| <b>Total liabilities and equity</b>                                                                                                                                                        | <b>\$ 6,476</b>    | <b>\$ 5,268</b>   |

See accompanying notes to unaudited condensed consolidated financial statements.

**TRONOX HOLDINGS PLC**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)  
(Millions of U.S. dollars)

|                                                                                                                                            | Nine Months Ended September 30, |         |
|--------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|---------|
|                                                                                                                                            | 2020                            | 2019    |
| <b>Cash Flows from Operating Activities:</b>                                                                                               |                                 |         |
| Net income (loss)                                                                                                                          | \$ 938                          | \$ (92) |
| Net income from discontinued operations, net of tax                                                                                        | —                               | 5       |
| Net income (loss) from continuing operations                                                                                               | \$ 938                          | \$ (97) |
| Adjustments to reconcile net income (loss) from continuing operations to net cash provided by operating activities, continuing operations: |                                 |         |
| Depreciation, depletion and amortization                                                                                                   | 219                             | 205     |
| Reversal of U.S. valuation allowance                                                                                                       | (895)                           | —       |
| Deferred income taxes - other                                                                                                              | 9                               | (7)     |
| Share-based compensation expense                                                                                                           | 19                              | 24      |
| Amortization of deferred debt issuance costs and discount on debt                                                                          | 7                               | 6       |
| Loss on extinguishment of debt                                                                                                             | —                               | 2       |
| Contract loss                                                                                                                              | —                               | 19      |
| Acquired inventory step-up recognized in earnings                                                                                          | —                               | 95      |
| Other non-cash items affecting net (loss) income from continuing operations                                                                | 44                              | 20      |
| Changes in assets and liabilities:                                                                                                         |                                 |         |
| (Increase) decrease in accounts receivable, net of allowance for credit losses                                                             | (13)                            | (34)    |
| (Increase) decrease in inventories, net                                                                                                    | (100)                           | 14      |
| (Increase) decrease in prepaid and other assets                                                                                            | (38)                            | 2       |
| Increase in accounts payable and accrued liabilities                                                                                       | 18                              | 6       |
| Net changes in income tax payables and receivables                                                                                         | —                               | (5)     |
| Changes in other non-current assets and liabilities                                                                                        | (52)                            | (13)    |
| Cash provided by operating activities - continuing operations                                                                              | 156                             | 237     |
| <b>Cash Flows from Investing Activities:</b>                                                                                               |                                 |         |
| Capital expenditures                                                                                                                       | (129)                           | (140)   |
| Cristal Acquisition                                                                                                                        | —                               | (1,675) |
| Proceeds from sale of Ashtabula                                                                                                            | —                               | 708     |
| Insurance proceeds                                                                                                                         | 1                               | 10      |
| Loans                                                                                                                                      | (24)                            | (25)    |
| Proceeds from sale of assets                                                                                                               | 1                               | 2       |
| Cash used in investing activities - continuing operations                                                                                  | (151)                           | (1,120) |
| <b>Cash Flows from Financing Activities:</b>                                                                                               |                                 |         |
| Repayments of short-term debt                                                                                                              | (7)                             | —       |
| Repayments of long-term debt                                                                                                               | (23)                            | (272)   |
| Proceeds from long-term debt                                                                                                               | 500                             | 222     |
| Repurchase of common stock                                                                                                                 | —                               | (288)   |
| Proceeds from short-term debt                                                                                                              | 13                              | —       |
| Acquisition of noncontrolling interest                                                                                                     | —                               | (148)   |
| Debt issuance costs                                                                                                                        | (10)                            | (4)     |
| Dividends paid                                                                                                                             | (30)                            | (21)    |
| Restricted stock and performance-based shares settled in cash for withholding taxes                                                        | (3)                             | (6)     |
| Cash provided by (used in) financing activities - continuing operations                                                                    | 440                             | (517)   |
| <b>Discontinued Operations:</b>                                                                                                            |                                 |         |
| Cash used in operating activities                                                                                                          | —                               | 29      |
| Cash used in investing activities                                                                                                          | —                               | (1)     |
| <b>Net cash flows used by discontinued operations</b>                                                                                      | —                               | 28      |
| <b>Effects of exchange rate changes on cash and cash equivalents and restricted cash</b>                                                   | (7)                             | (8)     |
| <b>Net increase (decrease) in cash, cash equivalents and restricted cash</b>                                                               | 438                             | (1,380) |
| <b>Cash, cash equivalents and restricted cash at beginning of period</b>                                                                   | 311                             | 1,696   |
| <b>Cash, cash equivalents and restricted cash at end of period</b>                                                                         | \$ 749                          | \$ 316  |

Supplemental cash flow information:

|                    |       |        |
|--------------------|-------|--------|
| Interest paid, net | \$ 94 | \$ 127 |
| Income taxes paid  | \$ 9  | \$ 20  |

See accompanying notes to unaudited condensed consolidated financial statements.



**TRONOX HOLDINGS PLC**  
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
(Unaudited)  
(Millions of U.S. dollars, except for shares)

For the three and nine months ended September 30, 2020

|                                                              | Tronox Holdings plc<br>Ordinary Shares (in thousands) | Tronox Holdings plc<br>Ordinary Shares (Amount) | Capital in Excess of par Value | (Accumulated Deficit) / Retained Earnings | Accumulated Other Comprehensive Loss | Total Tronox Holdings plc Shareholders' Equity | Non-controlling Interest | Total Equity |
|--------------------------------------------------------------|-------------------------------------------------------|-------------------------------------------------|--------------------------------|-------------------------------------------|--------------------------------------|------------------------------------------------|--------------------------|--------------|
| <b>Balance at December 31, 2019</b>                          | 141,900                                               | \$ 1                                            | \$ 1,846                       | \$ (493)                                  | \$ (606)                             | \$ 748                                         | \$ 168                   | \$ 916       |
| Net income                                                   | —                                                     | —                                               | —                              | 32                                        | —                                    | 32                                             | 8                        | 40           |
| Other comprehensive (loss) income                            | —                                                     | —                                               | —                              | —                                         | (223)                                | (223)                                          | (47)                     | (270)        |
| Share-based compensation                                     | 1,779                                                 | —                                               | 9                              | —                                         | —                                    | 9                                              | —                        | 9            |
| Shares cancelled                                             | (313)                                                 | —                                               | (3)                            | —                                         | —                                    | (3)                                            | —                        | (3)          |
| Measurement period adjustment related to Cristal acquisition | —                                                     | —                                               | —                              | —                                         | —                                    | —                                              | (3)                      | (3)          |
| Ordinary share dividends (\$0.07 per share)                  | —                                                     | —                                               | —                              | (10)                                      | —                                    | (10)                                           | —                        | (10)         |
| <b>Balance at March 31, 2020</b>                             | 143,366                                               | \$ 1                                            | \$ 1,852                       | \$ (471)                                  | \$ (829)                             | \$ 553                                         | \$ 126                   | \$ 679       |
| Net loss                                                     | —                                                     | —                                               | —                              | (4)                                       | —                                    | (4)                                            | —                        | (4)          |
| Other comprehensive (loss) income                            | —                                                     | —                                               | —                              | —                                         | 61                                   | 61                                             | —                        | 61           |
| Share-based compensation                                     | 199                                                   | —                                               | 2                              | —                                         | —                                    | 2                                              | —                        | 2            |
| Shares cancelled                                             | (42)                                                  | —                                               | —                              | —                                         | —                                    | —                                              | —                        | —            |
| Ordinary share dividends (\$0.07 per share)                  | —                                                     | —                                               | —                              | (10)                                      | —                                    | (10)                                           | —                        | (10)         |
| <b>Balance at June 30, 2020</b>                              | 143,523                                               | \$ 1                                            | \$ 1,854                       | \$ (485)                                  | \$ (768)                             | \$ 602                                         | \$ 126                   | \$ 728       |
| Net (loss) income                                            | —                                                     | —                                               | —                              | 896                                       | —                                    | 896                                            | 6                        | 902          |
| Other comprehensive (loss) income                            | —                                                     | —                                               | —                              | —                                         | 56                                   | 56                                             | 5                        | 61           |
| Share-based compensation                                     | 16                                                    | —                                               | 8                              | —                                         | —                                    | 8                                              | —                        | 8            |
| Shares cancelled                                             | (8)                                                   | —                                               | —                              | —                                         | —                                    | —                                              | —                        | —            |
| Ordinary share dividends (\$0.07 per share)                  | —                                                     | —                                               | —                              | (11)                                      | —                                    | (11)                                           | —                        | (11)         |
| <b>Balance at September 30, 2020</b>                         | 143,531                                               | \$ 1                                            | \$ 1,862                       | \$ 400                                    | \$ (712)                             | \$ 1,551                                       | \$ 137                   | \$ 1,688     |

See accompanying notes to unaudited condensed consolidated financial statements.

**TRONOX HOLDINGS PLC**  
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (Continued)**  
**(Unaudited)**  
**(Millions of U.S. dollars, except for shares)**

For the three and nine months ended September 30, 2019

|                                              | Tronox Holdings plc<br>Ordinary<br>Shares (in<br>thousands) | Tronox Holdings plc<br>Ordinary<br>Shares | Capital in<br>Excess<br>of par<br>Value | (Accumulated<br>Deficit) | Accumulated<br>Other<br>Comprehensive<br>Loss | Total<br>Tronox Holdings plc<br>Shareholders' Equity | Non-<br>controlling<br>Interest | Total<br>Equity |
|----------------------------------------------|-------------------------------------------------------------|-------------------------------------------|-----------------------------------------|--------------------------|-----------------------------------------------|------------------------------------------------------|---------------------------------|-----------------|
| <b>Balance at December 31, 2018</b>          | 122,934                                                     | \$ 1                                      | \$ 1,579                                | \$ (357)                 | \$ (540)                                      | \$ 683                                               | \$ 179                          | \$ 862          |
| Net (loss) income                            | —                                                           | —                                         | —                                       | (34)                     | —                                             | (34)                                                 | 4                               | (30)            |
| Other comprehensive income (loss)            | —                                                           | —                                         | —                                       | —                        | (11)                                          | (11)                                                 | 11                              | —               |
| Share-based compensation                     | 3,306                                                       | —                                         | 8                                       | —                        | —                                             | 8                                                    | —                               | 8               |
| Shares cancelled                             | (502)                                                       | —                                         | (6)                                     | —                        | —                                             | (6)                                                  | —                               | (6)             |
| Acquisition of noncontrolling interest       | —                                                           | —                                         | 3                                       | —                        | (61)                                          | (58)                                                 | (90)                            | (148)           |
| Ordinary share dividends (\$0.045 per share) | —                                                           | —                                         | —                                       | (6)                      | —                                             | (6)                                                  | —                               | (6)             |
| <b>Balance at March 31, 2019</b>             | 125,738                                                     | \$ 1                                      | \$ 1,584                                | \$ (397)                 | \$ (612)                                      | \$ 576                                               | \$ 104                          | \$ 680          |
| Net (loss) income                            | —                                                           | —                                         | —                                       | (62)                     | —                                             | (62)                                                 | 6                               | (56)            |
| Other comprehensive income (loss)            | —                                                           | —                                         | —                                       | —                        | (4)                                           | (4)                                                  | 4                               | —               |
| Share-based compensation                     | 20                                                          | —                                         | 7                                       | —                        | —                                             | 7                                                    | —                               | 7               |
| Shares cancelled                             | (4)                                                         | —                                         | —                                       | —                        | —                                             | —                                                    | —                               | —               |
| Shares issued for acquisition                | 37,580                                                      | —                                         | 526                                     | —                        | —                                             | 526                                                  | —                               | 526             |
| Shares repurchased and cancelled             | (18,957)                                                    | —                                         | (257)                                   | —                        | —                                             | (257)                                                | —                               | (257)           |
| Cristal acquisition                          | —                                                           | —                                         | —                                       | —                        | —                                             | —                                                    | 36                              | 36              |
| Ordinary share dividends (\$0.045 per share) | —                                                           | —                                         | —                                       | (7)                      | —                                             | (7)                                                  | —                               | (7)             |
| <b>Balance at June 30, 2019</b>              | 144,377                                                     | \$ 1                                      | \$ 1,860                                | \$ (466)                 | \$ (616)                                      | \$ 779                                               | \$ 150                          | \$ 929          |
| Net (loss) income                            | —                                                           | —                                         | —                                       | (13)                     | —                                             | (13)                                                 | 7                               | (6)             |
| Other comprehensive income (loss)            | —                                                           | —                                         | —                                       | —                        | (70)                                          | (70)                                                 | (14)                            | (84)            |
| Share-based compensation                     | 10                                                          | —                                         | 9                                       | —                        | —                                             | 9                                                    | —                               | 9               |
| Shares cancelled                             | (3)                                                         | —                                         | —                                       | —                        | —                                             | —                                                    | —                               | —               |
| Shares repurchased and cancelled             | (2,496)                                                     | —                                         | (31)                                    | —                        | —                                             | (31)                                                 | —                               | (31)            |
| Cristal acquisition                          | —                                                           | —                                         | —                                       | —                        | —                                             | —                                                    | 14                              | 14              |
| Ordinary share dividends (\$0.045 per share) | —                                                           | —                                         | —                                       | (7)                      | —                                             | (7)                                                  | —                               | (7)             |
| <b>Balance at September 30, 2019</b>         | 141,888                                                     | \$ 1                                      | \$ 1,838                                | \$ (486)                 | \$ (686)                                      | \$ 667                                               | \$ 157                          | \$ 824          |

See accompanying notes to unaudited condensed consolidated financial statements.

**TRONOX HOLDINGS PLC**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

(Millions of U.S. dollars, except share, per share and metric tons data or unless otherwise noted)

**1. The Company**

Tronox Holdings plc (referred to herein as "Tronox", "we", "us", or "our") operates titanium-bearing mineral sand mines and smelter operations in Australia, South Africa and Brazil to produce feedstock materials that can be processed into TiO<sub>2</sub> for pigment, high purity titanium chemicals, including titanium tetrachloride, and Ultrafine© titanium dioxide used in certain specialty applications. It is our long-term strategic goal to be vertically integrated and consume all of our feedstock materials in our own nine TiO<sub>2</sub> pigment facilities which we operate in the United States, Australia, Brazil, UK, France, the Netherlands, China and the Kingdom of Saudi Arabia ("KSA"). We believe that vertical integration is the best way to achieve our ultimate goal of delivering low cost, high-quality pigment to our coatings and other TiO<sub>2</sub> customers throughout the world. The mining, beneficiation and smelting of titanium bearing mineral sands creates meaningful quantities of zircon, which we also supply to customers around the world.

We are a public limited company registered under the laws of England and Wales. Tronox was formerly listed on the New York Stock Exchange as Tronox Limited, a company registered under the laws of Western Australia. However, in March 2019, we re-domiciled to the United Kingdom, and as a result of the re-domiciling, Tronox Limited became a wholly-owned subsidiary of Tronox Holdings plc. Another significant corporate milestone occurred on April 10, 2019 when we completed the acquisition from National Industrialization Company ("Tasnee") of the TiO<sub>2</sub> business of The National Titanium Dioxide Company Limited ("Cristal") (the "Cristal Transaction"). The Cristal Transaction doubled our size and expanded the number of TiO<sub>2</sub> pigment facilities we operate from three to nine and gave us control of several new mines, particularly in Australia. In order to obtain regulatory approval for the Cristal Transaction, we were required to divest Cristal's North American TiO<sub>2</sub> business, which was sold in May 2019. See Note 2 for further details on the Cristal Transaction.

*Basis of Presentation*

The accompanying condensed consolidated financial statements are unaudited and have been prepared pursuant to the rules and regulations of the U.S. Securities and Exchange Commission regarding interim financial reporting. Accordingly, they do not include all the information and footnotes required by accounting principles generally accepted in the United States of America ("U.S. GAAP") for complete financial statements and should be read in conjunction with the audited consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2019.

The acquisition of Cristal has impacted the comparability of our financial statements. As the Cristal Transaction was completed on April 10, 2019, in accordance with ASC 805, the nine month period ended September 30, 2019 includes the results of the Cristal business since the date of the acquisition, while both the three month periods ended September 30, 2020 and September 30, 2019 and the nine month period ended September 30, 2020 include the results of the combined business.

In management's opinion, the accompanying unaudited condensed consolidated financial statements reflect all adjustments, which are of a normal recurring nature, considered necessary for a fair statement of its financial position as of September 30, 2020, and its results of operations for the three and nine months ended September 30, 2020 and 2019. Our unaudited condensed consolidated financial statements include the accounts of all majority-owned subsidiary companies. All intercompany balances and transactions have been eliminated in consolidation.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. It is at least reasonably possible that the effect on the financial statements of a change in estimate due to one or more future confirming events could have a material effect on the financial statements, including any potential impacts on the economy as a result of the Covid-19 pandemic which could impact revenue growth and collectibility of trade receivables.

### *Recently Adopted Accounting Pronouncements*

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement* (“Topic 820”): *Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*. The standard modifies the disclosure requirements in Topic 820, Fair Value Measurement, by: removing certain disclosure requirements related to the fair value hierarchy; modifying existing disclosure requirements related to measurement uncertainty; and adding new disclosure requirements, such as disclosing the changes in unrealized gains and losses for the period included in other comprehensive income for recurring Level 3 fair value measurements held at the end of the reporting period and disclosing the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements. This standard is effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2019, with early adoption permitted. We adopted this standard on January 1, 2020 and it did not have a material impact on the Company's consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses* (Topic 326), as amended. The standard introduces a new accounting model for expected credit losses on financial instruments, including trade receivables, based on estimates of current expected credit losses (CECL). This standard became effective on January 1, 2020, and had an immaterial impact on the Company's consolidated financial statements as our historical bad debt expense has not been material.

### *Recently Issued Accounting Pronouncements*

During the quarter ended March 31, 2020, the FASB issued ASU 2020-04, *Reference Rate Reform* (Topic 848): *Facilitation of the Effects of Reference Rate Reform Financial Reporting*. This amendment is elective in nature. Amongst other aspects, this standard provides for practical expedients and exceptions to current accounting standards that reference a rate which is expected to be dissolved (e.g. London Interbank Offered Rate “LIBOR”) as it relates to hedge accounting, contract modifications and other transactions that reference this rate, subject to meeting certain criteria. The standard is effective for all entities as of March 12, 2020 through December 31, 2022. The company is currently evaluating the impact of the standard.

## **2. Acquisitions and Related Divestitures**

### *TTI Acquisition*

In May 2020, the Company announced that it had signed a definitive agreement to acquire the Tizir Titanium and Iron (“TTI”) business from Eramet S.A. for approximately \$300 million in cash, plus 3% per annum which accrues for the period from January 1, 2020 until the transaction closes. TTI is a titanium smelter located in Tyssedal, Norway which upgrades ilmenite to produce high-grade titanium slag and high-purity pig iron with an annual capacity of approximately 230,000 tons and 90,000 tons, respectively.

Pursuant to the definitive agreement, we are required to pay to Eramet S.A. a termination fee of \$18 million if the agreement is terminated as a result of a failure to satisfy certain regulatory approvals prior to May 13, 2021 (the “Initial Long Stop Date”) or if all conditions to closing have been satisfied by such date, but we fail to comply with our completion obligations. The definitive agreement further provides that the Initial Long Stop Date may be extended by us until August 13, 2021 and then November 13, 2021 (each a “Long Stop Date Extension”), and that the termination payment shall be increased by \$1 million following each Long Stop Date Extension, provided that the amount of such termination payment shall not exceed \$20 million. During the second quarter of 2020, upon signing of the definitive agreement to acquire TTI, we placed \$18 million into an escrow account with a third-party financial institution. At September 30, 2020, the amount is reflected within “Restricted cash” on the unaudited Condensed Consolidated Balance Sheet.

The closing of the transaction, which we anticipate to occur before the Initial Long Stop Date, is subject to certain consents and customary closing conditions, including regulatory approvals.

### *Cristal Acquisition and related divestitures*

On April 10, 2019, we completed the acquisition of the TiO<sub>2</sub> business of Cristal for \$1.675 billion of cash, plus 37,580,000 ordinary shares. The total acquisition price, including the value of the ordinary shares at \$14 per share on the closing date of the Cristal Transaction, was approximately \$2.2 billion. With the acquisition of our shares, an affiliate of Cristal became our largest shareholder. At September 30, 2020, Cristal International Holdings B.V. (formerly known as Cristal Inorganic Chemical Netherlands Cooperatief W.A.), a wholly-owned subsidiary of The National Titanium Dioxide Company Limited, continues to own 37,580,000 shares of Tronox, or a 26% ownership interest. The National Titanium Dioxide Company Limited is 79% owned by Tasnee.

In order to obtain regulatory approval for the Cristal Transaction, the FTC required us to divest Cristal's North American TiO<sub>2</sub> business, which we sold to INEOS on May 1, 2019, for cash proceeds, net of transaction costs, of \$701 million, inclusive of an amount for a working capital adjustment.

In conjunction with the Cristal Transaction, we entered into a transition services agreement with Tasnee and certain of its affiliates under which we and the Tasnee entities will provide certain transition services to one another. See Note 21 for further details of the transition services agreement. In conjunction with the divestiture of Cristal's North American TiO<sub>2</sub> business to INEOS, we entered into a two-year transition services agreement with INEOS. Under the terms of the transition services agreement, INEOS agreed to provide services to Tronox for manufacturing, technology and innovation, information technology, finance, warehousing and human resources. Similarly, Tronox agreed to provide services to INEOS for information technology, finance, product stewardship, warehousing and human resources.

In addition, in order to obtain regulatory approval by the European Commission, we divested the 8120 paper laminate grade, supplied from our Botlek facility in the Netherlands, to Venator Materials PLC (“Venator”). The divestiture was completed on April 26, 2019. Under the terms of the divestiture, we will supply the 8120 grade product to Venator under a supply agreement for an initial term of 2 years, and extendable up to 3 years, to allow for the transfer of the manufacturing of the 8120 grade to Venator. Total cash consideration is 8 million Euros, of which 1 million Euros was paid at the closing and 3.5 million Euros (or approximately \$3.9 million) was received during the second quarter of 2020. The remaining 3.5 million Euros (or approximately \$4.1 million at September 30, 2020 exchange rate) will be paid in the second quarter of 2021. We recorded a charge of \$19 million during the second quarter of 2019, in “Contract loss” in the Consolidated Statements of Operations, reflecting both the proceeds on sale and the estimated losses we expect to incur under the supply agreement with Venator.

We funded the cash portion of the Cristal Transaction through existing cash, borrowings from our Wells Fargo Revolver, and restricted cash which had been borrowed under the Blocked Term Loan (as defined elsewhere herein) and which became available to us for the purpose of consummating the Cristal Transaction.

### ***Allocation of the Purchase Price***

For the Cristal Transaction, we have applied the acquisition method of accounting in accordance with ASC 805, "Business Combinations", with respect to the identifiable assets and liabilities of Cristal, which have been measured at estimated fair value as of the date of the business combination.

The aggregate purchase price noted above was allocated to the identifiable assets acquired and liabilities assumed based upon their estimated fair values at the acquisition date, primarily using Level 2 and Level 3 inputs (see Note 15 for an explanation of Level 2 and Level 3 inputs). These fair value estimates represent management's best estimate of future cash flows (including sales, cost of sales, income taxes, etc.), discount rates, competitive trends, market comparables and other factors. Inputs used were generally determined from historical data supplemented by current and anticipated market conditions and growth rates.

During the first quarter of 2020, we finalized the purchase price allocation which resulted in increasing environmental liabilities by \$8 million, increasing property, plant and equipment by \$13 million, decreasing noncontrolling interest by \$3 million, decreasing deferred taxes by \$6 million, increasing liabilities held for sale by \$5 million and decreasing inventory by \$4 million, as well as other minor adjustments. The adjustments to the unaudited Condensed Consolidated Statement of Operations that would have been recognized in the second quarter of 2019 if the measurement period adjustments had been completed as of the acquisition date would have increased the net loss by approximately \$1 million.

The final purchase price consideration and estimated fair value of Cristal's net assets acquired on April 10, 2019 are shown below. The assets and liabilities of Cristal's North American TiO<sub>2</sub> business, that was subsequently divested on May 1, 2019, are shown as held for sale in the fair value of assets acquired and liabilities assumed.

|                                                                           | <b>Fair Value</b> |
|---------------------------------------------------------------------------|-------------------|
| <b>Purchase Price Consideration:</b>                                      |                   |
| Tronox Holdings plc shares issued                                         | 37,580,000        |
| Tronox Holdings plc closing price per share on April 10, 2019             | \$ 14.00          |
| Total fair value of Tronox Holdings plc shares issued at acquisition date | \$ 526            |
| Cash consideration paid                                                   | \$ 1,675          |
| <b>Total purchase price</b>                                               | <b>\$ 2,201</b>   |
|                                                                           |                   |
|                                                                           | <b>Fair Value</b> |
| <b>Fair Value of Assets Acquired:</b>                                     |                   |
| Accounts receivable                                                       | \$ 251            |
| Inventory                                                                 | 689               |
| Deferred tax assets                                                       | 51                |
| Prepaid and other assets                                                  | 81                |
| Property, plant and equipment                                             | 759               |
| Mineral leaseholds                                                        | 95                |
| Intangible assets                                                         | 64                |
| Lease right of use assets                                                 | 40                |
| Other long-term assets                                                    | 43                |
| Assets held for sale                                                      | 850               |
| <b>Total assets acquired</b>                                              | <b>\$ 2,923</b>   |
| <b>Less: Liabilities Assumed</b>                                          |                   |
| Accounts payable                                                          | \$ 102            |
| Accrued liabilities                                                       | 137               |
| Short-term lease liabilities                                              | 13                |
| Deferred tax liabilities                                                  | 2                 |
| Pension and postretirement healthcare benefits                            | 76                |
| Environmental liabilities                                                 | 72                |
| Asset retirement obligations                                              | 75                |
| Long-term debt                                                            | 22                |
| Long-term lease liabilities                                               | 24                |
| Other long-term liabilities                                               | 20                |
| Liabilities held for sale                                                 | 131               |
| <b>Total liabilities assumed</b>                                          | <b>\$ 674</b>     |
| <b>Less noncontrolling interest</b>                                       | <b>48</b>         |
| <b>Purchase price</b>                                                     | <b>\$ 2,201</b>   |

### ***Summary of Significant Fair Value Methods***

The methods used to determine the fair value of significant identifiable assets and liabilities included in the allocation of purchase price are included in Note 3 to the consolidated financial statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2019.

**Supplemental Pro forma financial information**

The following unaudited pro forma information gives effect to the Cristal Transaction as if it had occurred on January 1, 2018. The unaudited pro forma financial information reflects certain adjustments related to the acquisition, such as:

- (1) conforming the accounting policies of Cristal to those applied by Tronox;
- (2) conversion to U.S. GAAP from IFRS for Cristal;
- (3) the elimination of transactions between Tronox and Cristal;
- (4) recording certain incremental expenses resulting from purchase accounting adjustments, such as inventory step-up amortization, depreciation, depletion and amortization expense in connection with fair value adjustments to property, plant and equipment, mineral leases and intangible assets;
- (5) recording the contract loss on the sale of the 8120 product line as a charge in the first quarter of 2018;
- (6) recording all transaction costs incurred in the first quarter of 2018;
- (7) recording the effect on interest expense related to borrowings in connection with the Cristal Transaction; and
- (8) recording the related tax effects and the impacts to EPS for the shares issued in conjunction with the transaction.

The unaudited pro forma financial information should not be relied upon as being indicative of the historical results that would have been obtained if the Cristal Transaction had actually occurred on that date, nor the results of operations in the future.

In accordance with ASC 805, the supplemental pro forma results of operations for the three and nine months ended September 30, 2019, which were updated subsequently to reflect final purchase price allocation adjustments, are as follows:

|                                                                           | <b>Three Months Ended<br/>September 30,<br/>2019</b> | <b>Nine Months Ended<br/>September 30,<br/>2019</b> |
|---------------------------------------------------------------------------|------------------------------------------------------|-----------------------------------------------------|
| Net sales                                                                 | \$ 768                                               | \$ 2,315                                            |
| Net income from continuing operations attributable to Tronox Holdings plc | \$ 19                                                | \$ 22                                               |

### 3. Restructuring Initiatives

In April 2019, we announced the completion of the Cristal Transaction. During the second quarter of 2019, as a result of the acquisition, we outlined a broad based synergy savings program that is expected to reduce costs, simplify processes and focus the organization's structure and resources on key growth initiatives. During the three and nine months ended September 30, 2020, we recorded costs of \$1 million and \$3 million, respectively, in our unaudited Condensed Consolidated Statement of Operations. For both the three and nine months ended September 30, 2019, we recorded costs of \$3 million and \$13 million, respectively, in our unaudited Condensed Consolidated Statement of Operations. The costs consisted primarily of charges for employee related costs, including severance.

The liability balance for restructuring as of September 30, 2020, is as follows:

|                                    | <b>Employee-Related Costs</b> |
|------------------------------------|-------------------------------|
| <b>Balance, December 31, 2019</b>  | <b>\$ 10</b>                  |
| First Quarter 2020 charges         | 2                             |
| Cash payments                      | (4)                           |
| Foreign exchange and other         | 1                             |
| <b>Balance, March 31, 2020</b>     | <b>\$ 9</b>                   |
| Second Quarter 2020 charges        | —                             |
| Cash payments                      | (5)                           |
| Foreign exchange and other         | —                             |
| <b>Balance, June 30, 2020</b>      | <b>\$ 4</b>                   |
| Third Quarter 2020 charges         | \$ 1                          |
| Cash payments                      | \$ (2)                        |
| Foreign exchange and other         | \$ —                          |
| <b>Balance, September 30, 2020</b> | <b>\$ 3</b>                   |

### 4. Revenue

We recognize revenue at a point in time when the customer obtains control of the promised products. For most transactions this occurs when products are shipped from our manufacturing facilities or at a later point when control of the products transfers to the customer at a specified destination or time.

Contract assets represent our rights to consideration in exchange for products that have transferred to a customer when the right is conditional on situations other than the passage of time. For products that we have transferred to our customers, our rights to the consideration are typically unconditional and only the passage of time is required before payments become due. These unconditional rights are recorded as accounts receivable. As of September 30, 2020, and December 31, 2019, we did not have material contract asset balances.

Contract liabilities represent our obligations to transfer products to a customer for which we have received consideration from the customer. Infrequently we may receive advance payment from our customers that is accounted for as deferred revenue. Deferred revenue is earned when control of the product transfers to the customer, which is typically within a short period of time from when we received the advanced payment. Contract liability balances as of September 30, 2020 and December 31, 2019 were approximately \$3 million and \$1 million, respectively. Contract liability balances were reported as "Accounts payable" in the unaudited Condensed Consolidated Balance Sheets. All contract liabilities as of December 31, 2019 were recognized as revenue in "Net sales" in the unaudited Condensed Consolidated Statements of Operations during the first quarter of 2020.

#### *Disaggregation of Revenue*

We operate under one operating and reportable segment, TiO<sub>2</sub>. We disaggregate our revenue from contracts with customers by product type and geographic area. We believe this level of disaggregation appropriately depicts how the nature, amount,

timing and uncertainty of our revenue and cash flows are affected by economic factors and reflects how our business is managed.

Net sales to external customers by geographic areas where our customers are located were as follows:

|                                | Three Months Ended<br>September 30, |               | Nine Months Ended<br>September 30, |                 |
|--------------------------------|-------------------------------------|---------------|------------------------------------|-----------------|
|                                | 2020                                | 2019          | 2020                               | 2019            |
| North America                  | \$ 189                              | \$ 203        | \$ 521                             | \$ 521          |
| South and Central America      | 51                                  | 52            | 113                                | 113             |
| Europe, Middle-East and Africa | 244                                 | 266           | 736                                | 712             |
| Asia Pacific                   | 191                                 | 247           | 605                                | 603             |
| Total net sales                | <u>\$ 675</u>                       | <u>\$ 768</u> | <u>\$ 1,975</u>                    | <u>\$ 1,949</u> |

Net sales from external customers for each similar type of product were as follows:

|                              | Three Months Ended<br>September 30, |               | Nine Months Ended<br>September 30, |                 |
|------------------------------|-------------------------------------|---------------|------------------------------------|-----------------|
|                              | 2020                                | 2019          | 2020                               | 2019            |
| TiO <sub>2</sub>             | \$ 543                              | \$ 603        | \$ 1,589                           | \$ 1,505        |
| Zircon                       | 56                                  | 68            | 189                                | 220             |
| Feedstock and other products | 76                                  | 97            | 197                                | 224             |
| Total net sales              | <u>\$ 675</u>                       | <u>\$ 768</u> | <u>\$ 1,975</u>                    | <u>\$ 1,949</u> |

Feedstock and other products mainly include rutile prime, ilmenite, chloride ("CP") slag, pig iron and other mining products.

During the nine months ended September 30, 2020 and 2019, our ten largest third-party TiO<sub>2</sub> customers represented 33% and 32%, respectively, of our consolidated net sales. During the nine months ended September 30, 2020 and 2019, no single customer accounted for 10% of our consolidated net sales.

## 5. Discontinued Operations

As discussed in Note 2, the Company divested Cristal's North American TiO<sub>2</sub> business to INEOS on May 1, 2019, for cash proceeds, net of transaction costs, of \$701 million, inclusive of an amount for a working capital adjustment. The operating results of Cristal's North American TiO<sub>2</sub> business from the acquisition date to the date of divestiture are included in a single caption entitled "Net income (loss) from discontinued operations, net of tax" in our unaudited Condensed Consolidated Statements of Operations.

The following table presents a summary of operations of Cristal's North American TiO<sub>2</sub> business and Cristal Metals line items constituting the "Income from discontinued operations, net of tax" in our unaudited Condensed Consolidated Statements of Operations:

|                                                   | Three Months Ended September<br>30, 2019 | Nine Months Ended<br>September 30, 2019 |
|---------------------------------------------------|------------------------------------------|-----------------------------------------|
| Net sales                                         | \$ —                                     | \$ 41                                   |
| Cost of goods sold                                | —                                        | 29                                      |
| Gross profit                                      | —                                        | 12                                      |
| Selling, general and administrative expense       | (2)                                      | (5)                                     |
| Income (loss) before income taxes                 | (2)                                      | 7                                       |
| Income tax benefit (provision)                    | 8                                        | (2)                                     |
| Net loss from discontinued operations, net of tax | <u>\$ 6</u>                              | <u>\$ 5</u>                             |



During the three months ended September 30, 2019, the Company determined that it had incorrectly calculated the tax effects of a transaction related to the Cristal Transaction within the Company's net loss from discontinued operations, net of tax on the Company's unaudited condensed consolidated statement of operations for both the three and six months ended June 30, 2019. During the three months ended September 30, 2019, the Company corrected the tax impact by recording a credit of approximately \$7 million in "Net income from discontinued operations, net of tax" on the unaudited Condensed Consolidated Statement of Operations. Management evaluated the materiality of the out of period adjustment from a quantitative and qualitative perspective and concluded that this adjustment was not material to the Company's presentation and disclosures, and has no material impact on the Company's financial position, results of continuing operations and cash flows. After taking into effect this adjustment, for the three months ended June 30, 2019, net income from discontinued operations, net of tax would have been \$7 million or \$0.05 per share. For the six months ended June 30, 2019, "Net income from discontinued operations, net of tax" would have been \$7 million or \$0.05 per share.

## 6. Income Taxes

Our operations are conducted through various subsidiaries in a number of countries throughout the world. We have provided for income taxes based upon the tax laws and rates in the countries in which operations are conducted and income is earned.

Income (loss) from continuing operations before income taxes is comprised of the following:

|                                                              | Three Months Ended<br>September 30, |         | Nine Months Ended<br>September 30, |         |
|--------------------------------------------------------------|-------------------------------------|---------|------------------------------------|---------|
|                                                              | 2020                                | 2019    | 2020                               | 2019    |
| Income tax (provision) benefit                               | \$ 893                              | \$ (12) | \$ 876                             | \$ (10) |
| Income (loss) from continuing operations before income taxes | \$ 9                                | \$ —    | \$ 62                              | \$ (87) |
| Effective tax rate                                           | (9,922)%                            | N/A     | (1,413)%                           | (11)%   |

Tronox Holdings plc, a U.K. public limited company, became the public parent during the three months ended March 31, 2019. Prior to the three months ended March 31, 2019, Tronox Limited was the public parent, registered under the laws of the State of Western Australia but managed and controlled in the U.K. The statutory tax rate in the U.K. at both September 30, 2020 and 2019 was 19%. The large negative effective tax rates for both the three and nine months ended September 30, 2020 are caused by the release of a \$895 million valuation allowance in the U.S. All periods in 2020 and 2019 are additionally influenced by a variety of factors, primarily income and losses in jurisdictions with full valuation allowances, disallowable expenditures, restructuring impacts, and our jurisdictional mix of income at tax rates different than the U.K. statutory rate.

At each reporting date, we perform an analysis to determine the likelihood of realizing our deferred tax assets and whether a valuation allowance is required or sufficient evidence exists to support the reversal of all or a portion of a valuation allowance. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income (including the reversals of deferred tax liabilities) during the periods in which those deferred tax assets will become deductible. Our analysis takes into consideration all available positive and negative evidence, including prior operating results, the nature and reason for any losses, our forecast of future taxable income, utilization of tax planning strategies, and the dates on which any deferred tax assets are expected to expire. These assumptions and estimates require a significant amount of judgment and are made based on current and projected circumstances and conditions.

During the three months ended September 30, 2020, we determined sufficient positive evidence existed to reverse a portion of the valuation allowance attributable to the deferred tax assets associated with our operations in the U.S. This reversal resulted in a non-cash deferred tax benefit of \$895 million. Our analysis considered all positive and negative evidence, including (i) three years of cumulative income for our U.S. subsidiaries, (ii) our continuing and improved profitability over the last twelve months in this jurisdiction, (iii) estimates of continued profitability based on updates to our latest forecasts, (iv) changes in the factors that drove losses in the past, primarily interest expenses incurred in the U.S, and (v) risk that certain deferred tax assets may be subject to limitation under IRC Section 382. Based on this analysis, we concluded that it was more likely than not that our U.S. subsidiaries will be able to utilize all of their deferred tax assets with an indefinite life. A portion of the U.S. deferred tax assets are attributable to net operating losses (NOLs) incurred in prior years which are subject to expiration in future years. Our analysis did not support that these limited-life NOLs would be utilized before their expiration, and it is against these deferred tax assets in the U.S. that the Company continues to carry a valuation allowance with a current estimated value of \$1,067 million.

We continue to maintain full valuation allowances related to the total net deferred tax assets in Australia, Belgium, Brazil, and Switzerland, as we cannot objectively assert that these deferred tax assets are more likely than not to be realized. It is reasonably possible that a portion of these valuation allowances could be reversed within the next year due to increased profitability levels. Until these valuation allowances are eliminated, future provisions for income taxes for these jurisdictions will include no tax benefits with respect to losses incurred and tax expense only to the extent of current tax payments. Additionally, we have valuation allowances against specific tax assets in the Netherlands, South Africa, the U.K., and the U.S.

We currently have no uncertain tax positions recorded; however, we continue to evaluate the companies acquired in the Cristal Transaction, and it is reasonably possible that this could change in the next 12 months.

The Company was advised that the Australian Taxation Office has commenced a tax audit for certain fiscal periods prior to the closing of the Cristal Transaction and extending through 2019. The ultimate outcome of such an audit is not presently known. Cristal is obligated to indemnify us for pre-closing tax liabilities on any assessment associated with this audit.

We believe that we have made adequate provision for income taxes that may be payable with respect to years open for examination; however, the ultimate outcome is not presently known and, accordingly, adjustments to our provisions may be necessary and/or reclassifications of noncurrent tax liabilities to current may occur in the future.

## 7. Income (Loss) Per Share

The computation of basic and diluted loss per share for the periods indicated is as follows:

|                                                                                                | Three Months Ended<br>September 30, |                  | Nine Months Ended<br>September 30, |                  |
|------------------------------------------------------------------------------------------------|-------------------------------------|------------------|------------------------------------|------------------|
|                                                                                                | 2020                                | 2019             | 2020                               | 2019             |
| <b>Numerator - Basic and Diluted:</b>                                                          |                                     |                  |                                    |                  |
| Net income (loss) from continuing operations                                                   | \$ 902                              | \$ (12)          | \$ 938                             | \$ (97)          |
| Less: Net income attributable to noncontrolling interest                                       | 6                                   | 7                | 14                                 | 17               |
| Undistributed net income (loss) from continuing operations attributable to Tronox Holdings plc | 896                                 | (19)             | 924                                | (114)            |
| Net loss from discontinued operations                                                          | —                                   | 6                | —                                  | 5                |
| Net income (loss) available to ordinary shares                                                 | <u>\$ 896</u>                       | <u>\$ (13)</u>   | <u>\$ 924</u>                      | <u>\$ (109)</u>  |
| <b>Denominator - Basic and Diluted:</b>                                                        |                                     |                  |                                    |                  |
| Weighted-average ordinary shares, basic (in thousands)                                         | <u>143,579</u>                      | <u>142,278</u>   | <u>143,245</u>                     | <u>139,158</u>   |
| Weighted-average ordinary shares, diluted (in thousands)                                       | <u>145,067</u>                      | <u>142,278</u>   | <u>143,969</u>                     | <u>139,158</u>   |
| Basic net income (loss) from continuing operations per ordinary share                          | \$ 6.24                             | \$ (0.13)        | \$ 6.45                            | \$ (0.82)        |
| Basic net income from discontinued operations per ordinary share                               | —                                   | 0.04             | —                                  | 0.04             |
| Basic net income (loss) operations per ordinary share                                          | <u>\$ 6.24</u>                      | <u>\$ (0.09)</u> | <u>\$ 6.45</u>                     | <u>\$ (0.78)</u> |
| Diluted net income (loss) from continuing operations per ordinary share                        | \$ 6.18                             | \$ (0.13)        | \$ 6.42                            | \$ (0.82)        |
| Diluted net income from discontinued operations per ordinary share                             | —                                   | 0.04             | —                                  | 0.04             |
| Diluted net income (loss) operations per ordinary share                                        | <u>\$ 6.18</u>                      | <u>\$ (0.09)</u> | <u>\$ 6.42</u>                     | <u>\$ (0.78)</u> |

Net income (loss) per ordinary share amounts were calculated from exact, not rounded net income (loss) and share information. Anti-dilutive shares not recognized in the diluted net income (loss) per share calculation for the three and nine months ended September 30, 2020 and 2019 were as follows:

|                        | Shares                           |           |                                 |           |
|------------------------|----------------------------------|-----------|---------------------------------|-----------|
|                        | Three Months Ended September 30, |           | Nine Months Ended September 30, |           |
|                        | 2020                             | 2019      | 2020                            | 2019      |
| Options                | 1,205,020                        | 1,263,682 | 1,205,020                       | 1,263,682 |
| Restricted share units | 5,653,136                        | 5,603,055 | 6,419,593                       | 5,603,055 |

## 8. Inventories, Net

Inventories, net consisted of the following:

|                             | September 30,<br>2020 | December 31,<br>2019 |
|-----------------------------|-----------------------|----------------------|
| Raw materials               | \$ 188                | \$ 205               |
| Work-in-process             | 106                   | 129                  |
| Finished goods, net         | 672                   | 573                  |
| Materials and supplies, net | 210                   | 224                  |
| Inventories, net – current  | <u>\$ 1,176</u>       | <u>\$ 1,131</u>      |

Materials and supplies, net consists of processing chemicals, maintenance supplies and spare parts, which will be consumed directly and indirectly in the production of our products.

At September 30, 2020 and December 31, 2019, inventory obsolescence reserves primarily for materials and supplies were \$42 million and \$39 million, respectively. Reserves for lower of cost or market and net realizable value were \$34 million and \$25 million at September 30, 2020 and December 31, 2019, respectively.

## 9. Property, Plant and Equipment, Net

Property, plant and equipment, net of accumulated depreciation, consisted of the following:

|                                    | September 30,<br>2020 | December 31,<br>2019 |
|------------------------------------|-----------------------|----------------------|
| Land and land improvements         | \$ 181                | \$ 191               |
| Buildings                          | 342                   | 340                  |
| Machinery and equipment            | 2,004                 | 2,028                |
| Construction-in-progress           | 174                   | 156                  |
| Other                              | 66                    | 54                   |
| Subtotal                           | 2,767                 | 2,769                |
| Less: accumulated depreciation     | (1,116)               | (1,007)              |
| Property, plant and equipment, net | <u>\$ 1,651</u>       | <u>\$ 1,762</u>      |

Substantially all of the property, plant and equipment, net is pledged as collateral for our debt. See Note 13.

The table below summarizes depreciation expense related to property, plant and equipment for the periods presented, recorded in the specific line items in our unaudited Condensed Consolidated Statements of Operations:

|                                              | Three Months Ended<br>September 30, |              | Nine Months Ended<br>September 30, |               |
|----------------------------------------------|-------------------------------------|--------------|------------------------------------|---------------|
|                                              | 2020                                | 2019         | 2020                               | 2019          |
| Cost of goods sold                           | \$ 56                               | \$ 43        | \$ 167                             | \$ 133        |
| Selling, general and administrative expenses | 1                                   | 1            | 3                                  | 3             |
| Total                                        | <u>\$ 57</u>                        | <u>\$ 44</u> | <u>\$ 170</u>                      | <u>\$ 136</u> |

## 10. Mineral Leaseholds, Net

Mineral leaseholds, net of accumulated depletion, consisted of the following:

|                             | September 30,<br>2020 | December 31,<br>2019 |
|-----------------------------|-----------------------|----------------------|
| Mineral leaseholds          | \$ 1,314              | \$ 1,352             |
| Less: accumulated depletion | (538)                 | (500)                |
| Mineral leaseholds, net     | <u>\$ 776</u>         | <u>\$ 852</u>        |

The decline in mineral leaseholds, net from December 31, 2019 to September 30, 2020 is primarily a result of the impact of foreign currency translation due to the devaluation of the South African Rand. Depletion expense relating to mineral leaseholds recorded in "Cost of goods sold" in the unaudited Condensed Consolidated Statements of Operations was \$11 million and \$21 million during the three months ended September 30, 2020 and 2019, respectively. Depletion expense relating to mineral leaseholds recorded in "Cost of goods sold" in the unaudited Condensed Consolidated Statements of Operations was \$25 million and \$46 million during the nine months ended September 30, 2020 and 2019, respectively.

## 11. Intangible Assets, Net

Intangible assets, net of accumulated amortization, consisted of the following:

|                             | September 30, 2020 |                          |                     | December 31, 2019 |                          |                     |
|-----------------------------|--------------------|--------------------------|---------------------|-------------------|--------------------------|---------------------|
|                             | Gross Cost         | Accumulated Amortization | Net Carrying Amount | Gross Cost        | Accumulated Amortization | Net Carrying Amount |
| Customer relationships      | \$ 291             | \$ (188)                 | \$ 103              | \$ 291            | \$ (173)                 | \$ 118              |
| TiO <sub>2</sub> technology | 95                 | (23)                     | 72                  | 92                | (17)                     | 75                  |
| Internal-use software       | 66                 | (38)                     | 28                  | 49                | (34)                     | 15                  |
| Intangible assets, net      | <u>\$ 452</u>      | <u>\$ (249)</u>          | <u>\$ 203</u>       | <u>\$ 432</u>     | <u>\$ (224)</u>          | <u>\$ 208</u>       |

As of September 30, 2020, internal-use software included approximately \$14 million of capitalized software costs which are not being amortized as the software is not ready for its intended use.

The table below summarizes amortization expense related to intangible assets for the periods presented, recorded in the specific line items in our unaudited Condensed Consolidated Statements of Operations:

|                                              | Three Months Ended September 30, |             | Nine Months Ended September 30, |              |
|----------------------------------------------|----------------------------------|-------------|---------------------------------|--------------|
|                                              | 2020                             | 2019        | 2020                            | 2019         |
| Cost of goods sold                           | \$ —                             | \$ —        | \$ 1                            | \$ 1         |
| Selling, general and administrative expenses | 8                                | 9           | 23                              | 22           |
| Total                                        | <u>\$ 8</u>                      | <u>\$ 9</u> | <u>\$ 24</u>                    | <u>\$ 23</u> |

Estimated future amortization expense related to intangible assets is \$8 million for the remainder of 2020, \$32 million for 2021, \$30 million for 2022, \$28 million for 2023, \$27 million for 2024 and \$78 million thereafter.

## 12. Balance Sheet and Cash Flow Supplemental Information

Accrued liabilities consisted of the following:

|                                     | September 30, 2020 | December 31, 2019 |
|-------------------------------------|--------------------|-------------------|
| Employee-related costs and benefits | \$ 122             | \$ 103            |
| Related party payables              | 9                  | 7                 |
| Interest                            | 46                 | 16                |
| Sales rebates                       | 38                 | 39                |
| Restructuring                       | 3                  | 10                |
| Taxes other than income taxes       | 19                 | 6                 |
| Asset retirement obligations        | 7                  | 16                |
| Interest rate swaps                 | 61                 | 22                |
| Currency contracts                  | 3                  | —                 |
| Professional fees and other         | 56                 | 60                |
| Liabilities held for sale           | —                  | 4                 |
| Accrued liabilities                 | <u>\$ 364</u>      | <u>\$ 283</u>     |

Additional supplemental cash flow information for the nine months ended September 30, 2020 and 2019 and as of September 30, 2020 and December 31, 2019 is as follows:

|                                                                | Nine Months Ended September 30, |                   |
|----------------------------------------------------------------|---------------------------------|-------------------|
| Supplemental non cash information:                             | 2020                            | 2019              |
| Investing activities- shares issued in the Cristal acquisition | \$ —                            | \$ 526            |
| Financing activities- debt assumed in the Cristal acquisition  | \$ —                            | \$ 22             |
|                                                                |                                 |                   |
|                                                                | September 30, 2020              | December 31, 2019 |
| Capital expenditures acquired but not yet paid                 | <u>\$ 26</u>                    | <u>\$ 23</u>      |

### 13. Debt

#### Long-Term Debt

Long-term debt, net of an unamortized discount and debt issuance costs, consisted of the following:

|                                                                | Original<br>Principal | Annual<br>Interest Rate | Maturity<br>Date | September 30, 2020 | December 31, 2019 |
|----------------------------------------------------------------|-----------------------|-------------------------|------------------|--------------------|-------------------|
| Term Loan Facility, net of unamortized discount <sup>(1)</sup> | \$ 2,150              | Variable                | 9/22/2024        | \$ 1,806           | \$ 1,805          |
| Senior Notes due 2025                                          | 450                   | 5.75 %                  | 10/1/2025        | 450                | 450               |
| Senior Notes due 2026                                          | 615                   | 6.50 %                  | 4/15/2026        | 615                | 615               |
| 6.5% Senior Secured Notes due 2025 <sup>(3)</sup>              | 500                   | 6.50 %                  | 5/1/2025         | 500                | —                 |
| Standard Bank Term Loan Facility <sup>(1)(2)</sup>             | 222                   | Variable                | 3/25/2024        | 109                | 158               |
| Tikon Loan                                                     | N/A                   | Variable                | 5/23/2021        | 16                 | 16                |
| Australian Government Loan, net of unamortized discount        | N/A                   | N/A                     | 12/31/2036       | 1                  | 1                 |
| Finance leases                                                 |                       |                         |                  | 13                 | 15                |
| Long-term debt                                                 |                       |                         |                  | 3,510              | 3,060             |
| Less: Long-term debt due within one year                       |                       |                         |                  | (48)               | (38)              |
| Debt issuance costs                                            |                       |                         |                  | (38)               | (34)              |
| Long-term debt, net                                            |                       |                         |                  | \$ 3,424           | \$ 2,988          |

(1) Average effective interest rate on the Term Loan Facility of 4.5% and 5.6% during the nine months ended September 30, 2020 and 2019, respectively. Average effective interest rate on the Standard Bank Term Loan Facility of 8.2% and 10.0% during the nine months ended September 30, 2020 and 2019, respectively.

(2) The Standard Bank Term Loan Facility contains financial covenants relating to certain ratio tests.

(3) On May 1, 2020, Tronox Incorporated, a wholly-owned indirect subsidiary of the Company, issued 6.5% senior secured notes due 2025 for an aggregate principal amount of \$500 million (the "6.5% Senior Secured Notes due 2025"), which were issued under an indenture dated May 1, 2020. A portion of the proceeds of this debt offering was utilized to repay the \$200 million of the Company's outstanding borrowings under its Wells Fargo, Standard Bank, and Emirates revolvers which was originally borrowed during the first quarter of 2020.

(4) The Term Loan Facility consists of (i) a U.S. dollar term facility in an aggregate principal amount of \$1.5 billion (the "Term Loans") with our subsidiary, Tronox Finance LLC ("Tronox Finance") as the borrower and (ii) a U.S. dollar term facility in an aggregate principal amount of \$650 million (the "Blocked Term Loan") with our unrestricted subsidiary, Tronox Blocked Borrower LLC (the "Blocked Borrower") as the borrower, which Blocked Term Loan was funded into a blocked account. Upon consummation of the Cristal Transaction on April 10, 2019, the Blocked Borrower merged with and into Tronox Finance, and the Blocked Term Loan became available to Tronox Finance.

### Short-Term Debt

Short-term debt and available facilities consisted of the following:

|                                       | Annual Interest<br>Rate | Maturity Date | September 30, 2020 | December 31, 2019 |
|---------------------------------------|-------------------------|---------------|--------------------|-------------------|
| Wells Fargo Revolver <sup>(1)</sup>   | Variable                | 9/22/2022     | \$ —               | \$ —              |
| Standard Bank Revolver <sup>(2)</sup> | Variable                | 3/25/2022     | —                  | —                 |
| Emirates Revolver <sup>(3)</sup>      | Variable                | 3/31/2021     | —                  | —                 |
| SABB Credit Facility <sup>(3)</sup>   | Variable                | 12/13/2020    | 6                  | —                 |
| Short-term debt <sup>(4)</sup>        |                         |               | \$ 6               | \$ —              |

(1) In March 2019, the Wells Fargo Revolver was amended, which amongst other things, modified certain components of the borrowing base in order to increase the potential availability of credit. We also voluntarily reduced the revolving credit lines under the Wells Fargo Revolver from \$550 million to \$350 million. As a result of this modification, we accelerated the recognition of a portion of the deferred financing costs related to the Wells Fargo Revolver and during the nine months ended September 30, 2019, recorded a charge of \$2 million in “Loss on extinguishment of debt” within the unaudited Condensed Consolidated Statement of Operations. No charges were recorded during the three months ended September 30, 2019. At September 30, 2020, there were \$30 million of issued and undrawn letters of credit under the Wells Fargo Revolver.

The Wells Fargo Revolver contains a springing financial covenant that requires the Company and its restricted subsidiaries to maintain a consolidated fixed charge coverage ratio of at least 1.0:1.0 during certain test periods based on borrowing availability under the Wells Fargo Revolver or following the occurrence of specified events of default.

(2) In connection with the Standard Bank Credit Facility (“Standard Bank Revolver”) entered into on March 25, 2019, the ABSA Revolving Credit Facility (“ABSA Revolver”) was terminated on March 26, 2019. As a result of the termination, we accelerated the recognition of the remaining deferred financing costs related to the ABSA Revolver during the nine months ended September 30, 2019 and recorded less than \$1 million in “Loss on extinguishment of debt” within the unaudited Condensed Consolidated Statement of Operations. No charges were recorded during the three months ended September 30, 2019.

(3) In March 2020, the Company entered into an amendment to, amongst other things, extend the maturity date of the Emirates Revolver from March 31, 2020 to March 31, 2021. In October 2020, the Company extended the maturity date of the SABB Credit Facility from November 30, 2020 to December 13, 2020.

(4) In March 2020, under an abundance of caution given the uncertainty associated with the Covid-19 pandemic, the Company drew down \$200 million of borrowings under its Wells Fargo, Standard Bank, and Emirates revolvers in order to increase liquidity and preserve financial flexibility which was repaid in May 2020 with a portion of the proceeds of the 6.5% Senior Secured Notes due 2025. Additionally, during the nine months ended September 30, 2020, our KSA subsidiary drew down \$13 million on its SABB Credit Facility for local working capital purposes. During the three months ended September 30, 2020, the Company repaid \$7 million on the SABB Credit Facility. As a result, at September 30, 2020, the short-term debt balance was \$6 million based on the September 30, 2020 exchange rate. There were no comparable amounts outstanding as of December 31, 2019.

### Debt Covenants

At September 30, 2020, we are in compliance with all financial covenants in our debt facilities.

## 14. Derivative Financial Instruments

*Derivatives recorded on the Condensed Consolidated Balance Sheet:*



The following table is a summary of the fair value of derivatives outstanding at September 30, 2020 and December 31, 2019:

|                                                       | Fair Value         |                     |                   |                     |
|-------------------------------------------------------|--------------------|---------------------|-------------------|---------------------|
|                                                       | September 30, 2020 |                     | December 31, 2019 |                     |
|                                                       | Assets(a)          | Accrued Liabilities | Assets(a)         | Accrued Liabilities |
| <b>Derivatives Designated as Cash Flow Hedges</b>     |                    |                     |                   |                     |
| Currency Contracts                                    | \$ 44              | \$ 2                | \$ 30             | \$ —                |
| Interest Rate Swaps                                   | \$ —               | \$ 61               | \$ —              | \$ 22               |
| Total Hedges                                          | \$ 44              | \$ 63               | \$ 30             | \$ 22               |
| <b>Derivatives Not Designated as Cash Flow Hedges</b> |                    |                     |                   |                     |
| Currency Contracts                                    | \$ 2               | \$ 1                | \$ 7              | \$ —                |
| Total Derivatives                                     | \$ 46              | \$ 64               | \$ 37             | \$ 22               |

(a) At September 30, 2020, current assets of \$36 million are recorded in prepaid and other current assets and long-term assets of \$10 million are recorded in other long-term assets. At December 31, 2019, current assets of \$34 million were recorded in prepaid and other current assets and long-term assets of \$3 million are recorded in other long-term assets.

*Derivatives' Impact on the Condensed Consolidated Statement of Operations:*

The following table summarizes the impact of the Company's derivatives on the unaudited Condensed Consolidated Statement of Operations:

|                                                          | Amount of Pre-Tax Gain (Loss) Recognized in Earnings |                    |                             | Amount of Pre-Tax Gain (Loss) Recognized in Earnings |                    |                             |
|----------------------------------------------------------|------------------------------------------------------|--------------------|-----------------------------|------------------------------------------------------|--------------------|-----------------------------|
|                                                          | Revenue                                              | Cost of Goods Sold | Other Income (Expense), net | Revenue                                              | Cost of Goods Sold | Other Income (Expense), net |
|                                                          | Three Months Ended September 30, 2020                |                    |                             | Three Months Ended September 30, 2019                |                    |                             |
| <b>Derivatives Not Designated as Hedging Instruments</b> |                                                      |                    |                             |                                                      |                    |                             |
| Currency Contracts                                       | \$ —                                                 | \$ —               | \$ 4                        | \$ —                                                 | \$ —               | \$ (1)                      |
| <b>Derivatives Designated as Hedging Instruments</b>     |                                                      |                    |                             |                                                      |                    |                             |
| Currency Contracts                                       | \$ (3)                                               | \$ 4               | \$ —                        | \$ —                                                 | \$ —               | \$ —                        |
| Total Derivatives                                        | \$ (3)                                               | \$ 4               | \$ 4                        | \$ —                                                 | \$ —               | \$ (1)                      |

|                                                   | Amount of Pre-Tax Gain (Loss) Recognized in Earnings |                    |                             | Amount of Pre-Tax Gain (Loss) Recognized in Earnings |                    |                             |
|---------------------------------------------------|------------------------------------------------------|--------------------|-----------------------------|------------------------------------------------------|--------------------|-----------------------------|
|                                                   | Revenue                                              | Cost of Goods Sold | Other Income (Expense), net | Revenue                                              | Cost of Goods Sold | Other Income (Expense), net |
|                                                   | Nine Months Ended September 30, 2020                 |                    |                             | Nine Months Ended September 30, 2019                 |                    |                             |
| Derivatives Not Designated as Hedging Instruments |                                                      |                    |                             |                                                      |                    |                             |
| Currency Contracts                                | \$ —                                                 | \$ —               | \$ (4)                      | \$ —                                                 | \$ —               | \$ 5                        |
| Derivatives Designated as Hedging Instruments     |                                                      |                    |                             |                                                      |                    |                             |
| Currency Contracts                                | \$ (9)                                               | \$ (1)             | \$ —                        | \$ —                                                 | \$ —               | \$ —                        |
| Total Derivatives                                 | \$ (9)                                               | \$ (1)             | \$ (4)                      | \$ —                                                 | \$ —               | \$ 5                        |

### Interest Rate Risk

During the second quarter of 2019, we entered into interest-rate swap agreements with an aggregate notional value of \$750 million, representing a portion of our Term Loan Facility, which effectively converts the variable rate to a fixed rate for that portion of the loan. The agreements expire in September 2024. The Company's objectives in using the interest-rate swap agreements are to add stability to interest expense and to manage its exposure to interest rate movements. These interest rate swaps have been designated as cash flow hedges and involve the receipt of variable amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount.

Fair value gains or losses on these cash flow hedges are recorded in other comprehensive (loss) income and are subsequently reclassified into interest expense in the same periods during which the hedged transactions affect earnings. At September 30, 2020 and December 31, 2019, the net unrealized loss of \$61 million and \$22 million, respectively, was recorded in "Accumulated other comprehensive loss" on the unaudited Condensed Consolidated Balance Sheet. For the three and nine months ended September 30, 2020, the amounts recorded in interest expense related to the interest-rate swap agreements were \$4 million and \$6 million, respectively. For the three and nine months ended September 30, 2019, the net amounts recorded in interest expense related to the interest-rate swap agreements were both less than \$1 million of interest income and interest expense, respectively.

### Foreign Currency Risk

During the third quarter of 2019 and the first quarter of 2020, we entered into foreign currency contracts used to hedge forecasted third party non-functional currency sales for our South African subsidiaries and forecasted non-functional currency cost of goods sold for our Australian subsidiaries. These foreign currency contracts are designated as cash flow hedges. Changes to the fair value of these foreign currency contracts are recorded as a component of other comprehensive (loss) income, if these contracts remain highly effective, and are recognized in net sales or costs of goods sold in the period in which the forecasted transaction affects earnings or are recognized in other income (expense) when the transactions are no longer probable of occurring.

As of September 30, 2020, we had notional amounts of (i) 635 million South African Rand (or approximately \$38 million at September 30, 2020 exchange rate) that expire between December 30, 2020 and February 25, 2021 to reduce the exposure of our South African subsidiaries' third party sales to fluctuations in currency rates, and (ii) \$410 million Australian dollars (or approximately \$294 million at September 30, 2020 exchange rate) that expire between December 30, 2020 and December 30, 2021 to reduce the exposure of our Australian subsidiaries' cost of sales to fluctuations in currency rates. At September 30, 2020 and December 31, 2019, there was an unrealized net gain of \$42 million and an unrealized net gain of \$30 million, respectively, recorded in "Accumulated other comprehensive loss" on the unaudited Condensed Consolidated Balance Sheet, of which \$32 million is expected to be recognized in earnings over the next twelve months.

We enter into foreign currency contracts for the South African Rand and Australian Dollar to reduce exposure of our subsidiaries' balance sheet accounts not denominated in our subsidiaries' functional currency to fluctuations in foreign currency exchange rates. Historically, we have used a combination of zero-cost collars or forward contracts to reduce the exposure. For accounting purposes, these foreign currency contracts are not considered hedges. The change in fair value associated with these contracts is recorded in "Other expense, net" within the unaudited Condensed Consolidated Statement of Operations and partially offsets the change in value of third party and intercompany-related receivables not denominated in the functional currency of the subsidiary. At September 30, 2020, there was (i) 546 million South African Rand (or approximately \$33 million at September 30, 2020 exchange rate) and (ii) \$67 million Australian dollars (or approximately \$48 million at September 30, 2020) of notional amount outstanding foreign currency contracts. At December 31, 2019, there was (i) 712 million South African Rand (or approximately \$43 million at September 30, 2020 exchange rate) and (ii) \$89 million Australian dollars (or approximately \$64 million at September 30, 2020 exchange rate) of notional amounts outstanding foreign currency contracts.

## 15. Fair Value

Accounting standards define fair value as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. The accounting standards also have established a fair value hierarchy, which prioritizes the inputs to valuation techniques used in measuring fair value into three broad levels as follows:

Level 1 -Quoted prices in active markets for identical assets or liabilities

Level 2 -Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly

Level 3 -Unobservable inputs based on the Company's own assumptions

Our debt is recorded at historical amounts. The following table presents the fair value of our debt and derivative contracts at both September 30, 2020 and December 31, 2019:

|                                    | September 30,<br>2020 | December 31,<br>2019 |
|------------------------------------|-----------------------|----------------------|
| Term Loan Facility                 | \$ 1,788              | \$ 1,820             |
| Standard Bank Term Loan Facility   | 109                   | 158                  |
| Senior Notes due 2025              | 445                   | 459                  |
| Senior Notes due 2026              | 616                   | 636                  |
| 6.5% Senior Secured Notes due 2025 | 523                   | —                    |
| Tikon Loan                         | 16                    | 16                   |
| Australian Government Loan         | 1                     | 1                    |
| Interest rate swaps                | 61                    | 22                   |
| Foreign currency contracts, net    | 43                    | 37                   |

We determined the fair value of the Term Loan Facility, the Senior Notes due 2025, the Senior Notes due 2026 and 6.5% Senior Secured Notes due 2025 using quoted market prices, which under the fair value hierarchy is a Level 1 input. We determined the fair value of the Standard Bank Term Loan Facility and Tikon Loan utilizing transactions in the listed markets for identical or similar liabilities, which under the fair value hierarchy is a Level 2 input. The fair value of the Australian Government Loan is based on the contracted amount which is a Level 2 input.

We determined the fair value of the foreign currency contracts and the interest rate swaps using inputs other than quoted prices in active markets that are observable either directly or indirectly. The fair value hierarchy for the foreign currency contracts and interest rate swaps is a Level 2 input.

The carrying value of cash and cash equivalents, restricted cash, accounts receivable, accounts payable, accrued liabilities and short-term debt approximate fair value due to the short-term nature of these items.

See Note 2, “Acquisitions and Related Divestitures”, for the assets and liabilities measured on a non-recurring basis at fair value associated with our acquisition.

## 16. Asset Retirement Obligations

Asset retirement obligations consist primarily of rehabilitation and restoration costs, landfill capping costs, decommissioning costs, and closure and post-closure costs. Activities related to asset retirement obligations were as follows:

|                                                | Three Months Ended<br>September 30, |               | Nine Months Ended<br>September 30, |               |
|------------------------------------------------|-------------------------------------|---------------|------------------------------------|---------------|
|                                                | 2020                                | 2019          | 2020                               | 2019          |
| Beginning balance                              | \$ 155                              | \$ 174        | \$ 158                             | \$ 74         |
| Additions                                      | 1                                   | —             | 1                                  | 3             |
| Accretion expense                              | 4                                   | 3             | 9                                  | 7             |
| Remeasurement/translation                      | 4                                   | (7)           | (5)                                | (7)           |
| Other, including change in estimates           | —                                   | (1)           | —                                  | 2             |
| Settlements/payments                           | (5)                                 | (1)           | (8)                                | (2)           |
| Transferred with the divestiture of Ashtabula  | —                                   | —             | —                                  | (3)           |
| Transferred in with the acquisition of Cristal | —                                   | (6)           | —                                  | 88            |
| Other acquisition and divestiture related      | —                                   | —             | 4                                  | —             |
| Balance, September 30,                         | <u>\$ 159</u>                       | <u>\$ 162</u> | <u>\$ 159</u>                      | <u>\$ 162</u> |

|                                                               | September 30, 2020 | December 31, 2019 |
|---------------------------------------------------------------|--------------------|-------------------|
| Current portion included in “Accrued liabilities”             | \$ 7               | \$ 16             |
| Noncurrent portion included in “Asset retirement obligations” | 152                | 142               |
| Asset retirement obligations                                  | <u>\$ 159</u>      | <u>\$ 158</u>     |

## 17. Commitments and Contingencies

**Purchase and Capital Commitments** — Includes obligations for purchase requirements of process chemicals, supplies, utilities and services entered into in the ordinary course of business. At September 30, 2020, purchase commitments were \$73 million for 2020, \$98 million for 2021, \$73 million for 2022, \$57 million for 2023, \$52 million for 2024, and \$179 million thereafter.

**Letters of Credit**—At September 30, 2020, we had outstanding letters of credit and bank guarantees of \$73 million, of which \$32 million were letters of credit and \$41 million were bank guarantees. Amounts for performance bonds were not material.

**Environmental Matters**— It is our policy to record appropriate liabilities for environmental matters when remedial efforts are probable and the costs can be reasonably estimated. Such liabilities are based on our best estimate of the undiscounted future costs required to complete the remedial work. The recorded liabilities are adjusted periodically as remediation efforts progress or as additional technical, regulatory or legal information becomes available. Given the uncertainties regarding the status of laws, regulations, enforcement policies, the impact of other potentially responsible parties, technology and information related to individual sites, we do not believe it is possible to develop an estimate of the range of reasonably possible environmental loss in excess of our recorded liabilities. We expect to fund expenditures for these matters from operating cash flows. The timing of cash expenditures depends principally on the timing of remedial investigations and feasibility studies, regulatory approval of cleanup projects, remedial techniques to be utilized and agreements with other parties. Included in these environmental matters are the following:

**Hawkins Point Plant.** Residual waste mud, known as Batch Attack Mud, and a spent sulfuric waste stream were deposited in an onsite repository (the “Batch Attack Lagoon”) at a former TiO<sub>2</sub> manufacturing site, Hawkins Point Plant in Baltimore, Maryland, operated by Cristal USA, Inc. from 1954 until 2011. We assumed responsibility for remediation of the Hawkins Point Plant when we acquired the TiO<sub>2</sub> business of Cristal in April 2019. In 1984, a predecessor of Cristal and the Maryland Department of the Environment (“MDE”) entered into a consent decree (the “Consent Decree”) to address the Batch Attack Lagoon. The Consent Decree required that Cristal close the Batch Attack Lagoon when the Hawkins Point Plant ceased operations. In addition, we are investigating whether hazardous substances are migrating from the Batch Attack Lagoon. A provision of \$60 million has been made in our financial statements for the Hawkins Point Plant consistent with the accounting policy described above. We are in discussions with the MDE regarding a new consent decree to address both the Batch Attack Lagoon as well as other environmental contamination issues associated with the Hawkins Point Plant.

**Other Matters**— We are subject to a number of other lawsuits, investigations and disputes (some of which involve substantial amounts claimed) arising out of the conduct of our business, including matters relating to commercial transactions, prior acquisitions and divestitures, including our acquisition of Cristal, employee benefit plans, intellectual property, and environmental, health and safety matters. We recognize a liability for any contingency that is probable of occurrence and reasonably estimable. We continually assess the likelihood of adverse judgments of outcomes in these matters, as well as potential ranges of possible losses (taking into consideration any insurance recoveries), based on a careful analysis of each matter with the assistance of outside legal counsel and, if applicable, other experts. Included in these other matters is the following:

**Venator Materials plc v. Tronox Limited.** In May 2019, Venator Materials plc (“Venator”) filed an action in the Superior Court of the State of Delaware alleging among other things that we owed Venator a \$75 million “Break Fee” pursuant to the terms of a preliminary agreement dated July 14, 2018 (the “Exclusivity Agreement”). The Exclusivity Agreement required, among other things, Tronox and Venator to use their respective best efforts to negotiate a definitive agreement to sell the entirety of the National Titanium Dioxide Company Limited’s (“Cristal’s”) North American operations to Venator if a divestiture of all or a substantial part of these operations were required to secure the approval of the Federal Trade Commission for us to complete our acquisition of Cristal’s TiO<sub>2</sub> business. In June 2019, we denied Venator’s claims and counterclaimed against Venator seeking to recover \$400 million in damages from Venator that we suffered as a result of Venator’s breaches of the Exclusivity Agreement. Specifically, we alleged, among other things, that Venator’s failure to use best efforts constituted a material breach of the Exclusivity Agreement and directly resulted in and caused us to sell Cristal’s North American operations to an alternative buyer for \$701 million, \$400 million less than the price Venator had agreed to in the Exclusivity Agreement. Though we believe that our interpretation of the Exclusivity Agreement is correct, there can be no assurance that we will prevail in litigation.

# 18. Accumulated Other Comprehensive Loss Attributable to Tronox Holdings plc

The tables below present changes in accumulated other comprehensive loss by component for the three months ended September 30, 2020 and 2019.

|                                                                  | Cumulative<br>Translation<br>Adjustment | Pension<br>Liability<br>Adjustment | Unrealized<br>Gains<br>(Losses) on<br>Hedges | Total           |
|------------------------------------------------------------------|-----------------------------------------|------------------------------------|----------------------------------------------|-----------------|
| Balance, June 30, 2020                                           | \$ (628)                                | \$ (104)                           | \$ (36)                                      | \$ (768)        |
| Other comprehensive income (loss)                                | 38                                      | —                                  | 18                                           | 56              |
| Amounts reclassified from accumulated other comprehensive income | —                                       | 1                                  | (1)                                          | —               |
| Balance, September 30, 2020                                      | <u>\$ (590)</u>                         | <u>\$ (103)</u>                    | <u>\$ (19)</u>                               | <u>\$ (712)</u> |

|                                                                  | Cumulative<br>Translation<br>Adjustment | Pension<br>Liability<br>Adjustment | Unrealized<br>Gains<br>(Losses) on<br>Hedges | Total           |
|------------------------------------------------------------------|-----------------------------------------|------------------------------------|----------------------------------------------|-----------------|
| Balance, June 30, 2019                                           | \$ (499)                                | \$ (94)                            | \$ (23)                                      | \$ (616)        |
| Other comprehensive income (loss)                                | (65)                                    | —                                  | (5)                                          | (70)            |
| Amounts reclassified from accumulated other comprehensive income | —                                       | —                                  | —                                            | —               |
| Balance, September 30, 2019                                      | <u>\$ (564)</u>                         | <u>\$ (94)</u>                     | <u>\$ (28)</u>                               | <u>\$ (686)</u> |

The tables below present changes in accumulated other comprehensive income (loss) by component for the nine months ended September 30, 2020 and 2019.

|                                                                  | Cumulative<br>Translation<br>Adjustment | Pension<br>Liability<br>Adjustment | Unrealized<br>Gains<br>(Losses) on<br>Hedges | Total           |
|------------------------------------------------------------------|-----------------------------------------|------------------------------------|----------------------------------------------|-----------------|
| Balance, January 1, 2020                                         | \$ (503)                                | \$ (104)                           | \$ 1                                         | \$ (606)        |
| Other comprehensive loss                                         | (87)                                    | (2)                                | (30)                                         | (119)           |
| Amounts reclassified from accumulated other comprehensive income | —                                       | 3                                  | 10                                           | 13              |
| Balance, September 30, 2020                                      | <u>\$ (590)</u>                         | <u>\$ (103)</u>                    | <u>\$ (19)</u>                               | <u>\$ (712)</u> |

|                                                                  | Cumulative<br>Translation<br>Adjustment | Pension<br>Liability<br>Adjustment | Unrealized<br>Gains<br>(Losses) on<br>Hedges | Total           |
|------------------------------------------------------------------|-----------------------------------------|------------------------------------|----------------------------------------------|-----------------|
| Balance, January 1, 2019                                         | \$ (445)                                | \$ (95)                            | \$ —                                         | \$ (540)        |
| Other comprehensive income (loss)                                | (58)                                    | —                                  | (28)                                         | (86)            |
| Amounts reclassified from accumulated other comprehensive income | —                                       | 1                                  | —                                            | 1               |
| Acquisition of noncontrolling interest                           | (61)                                    | —                                  | —                                            | (61)            |
| Balance, September 30, 2019                                      | <u>\$ (564)</u>                         | <u>\$ (94)</u>                     | <u>\$ (28)</u>                               | <u>\$ (686)</u> |

## 19. Share-Based Compensation

### *Tronox Holdings plc Amended and Restated Management Equity Incentive Plan*

On March 27, 2019, in connection with the re-domicile transaction, Tronox Holdings plc assumed the management equity incentive plan previously adopted by Tronox Limited, which plan was renamed the Tronox Holdings plc Amended and Restated Management Equity Incentive Plan ("MEIP"). The amendments to the plan were made to provide, among other things, for the appropriate substitution of Tronox Holdings in place of Tronox Limited and to ensure the compliance with the laws of England and Wales law in place of Australian law. The MEIP permits the grant of awards that are comprised of incentive options, nonqualified options, share appreciation rights, restricted shares, restricted share units, performance awards, and other share-based awards, cash payments, and other forms as the compensation committee of the Board of Directors (the "Board") in its discretion deems appropriate, including any combination of the above. Subject to further adjustment, as of December 31, 2019, the maximum number of shares which may be subject to awards (inclusive of incentive options) is 20,781,225 ordinary shares. The maximum number of shares which may be subject to awards under our MEIP was increased by 8,000,000 on the affirmative vote of our shareholders on June 24, 2020.

#### *Restricted Share Units ("RSUs")*

**2020 Grant** - During the nine months ended September 30, 2020, the Company granted both time-based and performance-based awards to certain members of management and to members of the Board. A total of 1,603,208 of time-based awards were granted to management which will vest ratably over a three-year period ending March 5, 2023. A total of 183,374 of time-based awards were granted to members of the Board of which 21,654 vested in June 2020 and 161,720 will vest in May 2021. A total of 1,512,788 of performance-based awards were granted, of which 756,394 of the awards vest based on a relative Total Shareholder Return ("TSR") calculation and 756,394 of the awards vest based on certain performance metrics of the Company. The non-TSR performance-based awards vest on March 5, 2023 based on the achievement against the target average company performance of three separate performance periods, commencing on January 1 of each 2020, 2021, and 2022 and ending on December 31 of each 2020, 2021 and 2022, for which, for each performance period, the performance metric is an average annual operating return on net assets (ORONA). Similar to the Company's historical TSR awards granted in prior years, the TSR awards vest based on the Company's three-year TSR versus the peer group performance levels. Given these terms, the TSR metric is considered a market condition for which we used a Monte Carlo simulation to determine the weighted average grant date fair value of \$10.01. The following weighted average assumptions were utilized to value the TSR grants:

|                                | 2020    |
|--------------------------------|---------|
| Dividend yield                 | 2.13 %  |
| Expected historical volatility | 58.30 % |
| Risk free interest rate        | 1.42 %  |
| Expected life (in years)       | 3       |

The unrecognized compensation cost associated with all unvested awards at September 30, 2020 was \$39 million, adjusted for estimated forfeitures, which is expected to be recognized over a weighted-average period of approximately 1.8 years.

During the three and nine months ended September 30, 2020, we recorded \$8 million and \$19 million of stock compensation expense, respectively. The stock compensation expense for the nine months ended September 30, 2020 is inclusive of a \$6 million credit for the reversal of expense due to the 2018 performance grants. During the three and nine months ended September 30, 2019, we recorded \$9 million and \$24 million of stock compensation expense respectively.

There were no options exercised during the three and nine month periods ended September 30, 2020.

## 20. Pension and Other Postretirement Healthcare Benefits

The components of net periodic cost associated with our U.S. and foreign pension plans recognized in the unaudited Condensed Consolidated Statements of Operations were as follows:

|                                                             | Pensions                         |             | Pensions                        |             |
|-------------------------------------------------------------|----------------------------------|-------------|---------------------------------|-------------|
|                                                             | Three Months Ended September 30, |             | Nine Months Ended September 30, |             |
|                                                             | 2020                             | 2019        | 2020                            | 2019        |
| Net periodic cost:                                          |                                  |             |                                 |             |
| Service cost                                                | \$ 1                             | \$ 1        | \$ 4                            | \$ 2        |
| Interest cost                                               | 4                                | 6           | 13                              | 15          |
| Expected return on plan assets                              | (5)                              | (6)         | (17)                            | (16)        |
| Net amortization of actuarial loss and prior service credit | 1                                | —           | 3                               | 1           |
| Total net periodic cost                                     | <u>\$ 1</u>                      | <u>\$ 1</u> | <u>\$ 3</u>                     | <u>\$ 2</u> |

The components of net periodic cost associated with our other postretirement healthcare plans were less than \$1 million for each of the three months ended September 30, 2020 and 2019. The components of net periodic cost associated with our post retirement healthcare plans were \$1 million for each of the nine months ended September 30, 2020 and 2019.

During the nine months ended September 30, 2020, the Company made contributions to its pension plans of approximately \$22 million. The Company expects to make an additional \$3 million to \$5 million of pension contributions for the remainder of 2020.

During the three months ended September 30, 2020, we received approximately \$5 million as a final settlement of our Australian defined benefit plan which was recorded against the pension plan asset within "Other long-term assets" on the Condensed Consolidated Balance Sheet.

For the both the three months and nine months ended September 30, 2020 and 2019, we contributed \$1 million and \$3 million, respectively, to the Netherlands Multiemployer Plan, which was primarily recognized in "Cost of goods sold" in the unaudited Condensed Consolidated Statement of Operations.

## 21. Related Parties

### Exxaro

On November 26, 2018, we, certain of our subsidiaries and Exxaro entered into the Completion Agreement. The Completion Agreement provides for the orderly sale of Exxaro's remaining ownership interest in us, subject to market conditions, helped to facilitate the re-domicile transaction, as well as addressed several legacy issues related to our 2012 acquisition of Exxaro's mineral sands business.



Pursuant to the terms of the Completion Agreement, on May 9, 2019, Exxaro exercised their right under the agreement to sell 14 million shares to us for an aggregate purchase price of approximately \$200 million or \$14.319 per share, plus fees of approximately \$1 million. The share price was based upon a 5% discount to the 10 day volume weighted average price as of the day that Exxaro exercised their sale notice to us. Upon repurchase of the shares by the Company, the shares were cancelled. As a result of the sale of the 14 million shares on May 9, 2019, we recorded a liability of \$4 million which was included in "Accrued liabilities" in our Consolidated Balance Sheets as of December 31, 2019 and was subsequently paid in January 2020.

Futhermore, pursuant to the Completion Agreement, the parties agreed to accelerate our purchase of Exxaro's 26% membership interest in Tronox Sands LLP, a U.K. limited liability partnership ("Tronox Sands"). On February 15, 2019, we completed the redemption of Exxaro's ownership interest in Tronox Sands for consideration of approximately ZAR 2.06 billion (or approximately \$148 million in cash), which represented Exxaro's indirect share of the loan accounts in our South African subsidiaries.

At September 30, 2020, Exxaro continues to own approximately 14.7 million shares of Tronox, or a 10.3% ownership interest, as well as their 26% ownership interest in our South African operating subsidiaries.

At the present time, we are unable to reasonably determine when and if Exxaro will sell its remaining shares in the foreseeable future.

#### *Tasnee/Cristal*

On April 10, 2019, we announced the completion of the acquisition of the TiO<sub>2</sub> business of Cristal for \$1.675 billion of cash, subject to a working capital and noncurrent liability adjustment, plus 37,580,000 ordinary shares. At September 30, 2020, Cristal International Holdings B.V. (formerly known as Cristal Inorganic Chemical Netherlands Cooperatief W.A.), a wholly-owned subsidiary of Tasnee, continues to own 37,580,000 shares of Tronox, or a 26% ownership interest. In February 2020, Tronox and Cristal resolved the working capital and noncurrent liability adjustment by agreeing that no payment was required by either party.

On May 9, 2018, we entered into an Option Agreement with AMIC which is owned equally by Tasnee and Cristal. Under the terms of the Option Agreement, AMIC granted us an option (the "Option") to acquire 90% of a special purpose vehicle (the "SPV"), to which AMIC's ownership in a titanium slag smelter facility (the "Slagger") in The Jazan City for Primary and Downstream Industries in KSA will be contributed together with \$322 million of AMIC indebtedness (the "AMIC Debt"). The Option may be exercised if the Slagger achieves certain production criteria related to sustained quality and tonnage of slag produced (the "Option Criteria"). Likewise, AMIC may require us to acquire the Slagger on the same terms if the Option Criteria are satisfied. Furthermore, pursuant to the Option Agreement and during its term, we agreed to lend AMIC and, upon the creation of the SPV, the SPV up to \$125 million for capital expenditures and operational expenses intended to facilitate the start-up of the Slagger (the "Tronox Loans"). Such funds may be drawn down by AMIC and the SPV, as the case may be, on a quarterly basis as needed based on a budget reflecting the anticipated needs of the Slagger start-up. For the three and nine months ended September 30, 2020, we have loaned an additional \$12 million and \$24 million respectively for capital expenditures and operational expenses to facilitate the startup of the Slagger. We have recorded \$113 million of total principal loan payments and related interest of \$5 million within "Other long-term assets" on the unaudited Condensed Consolidated Balance Sheet at September 30, 2020. The Option did not have a significant impact on the financial statements as of or for the periods ended September 30, 2020. Subsequent to the period ended September 30, 2020, on October 8, 2020, we loaned AMIC an additional amount of approximately \$12 million which brought the total amount that we have lent under the Tronox Loans equal to the \$125 million maximum amount that we agreed to lend.

On May 13, 2020, we amended the Option Agreement (the "First Amendment") with AMIC to address circumstances in which the Option Criteria cannot be satisfied. Pursuant to the First Amendment, Tronox has the right to acquire the SPV in exchange for its forgiveness of the Tronox Loan, up to \$125 million of principal amount and any interest accrued thereon of the Tronox Loans plus or minus 90% of the SPV's net working capital. The First Amendment did not have a significant impact on our financial statements as of or for the period ended September 30, 2020.

Additionally, on May 13, 2020, we amended a Technical Services Agreement that we had entered with AMIC on March 15, 2018, to add project management support services. Under this arrangement, AMIC and its consultants are still responsible for engineering and construction of the Slagger while we provide technical advice and project management services including supervision and management of third party consultants intended to satisfy the Option Criteria. As compensation for these services, Tronox receives a monthly management fee of approximately \$1 million, which is recorded in "Other income (expense), net" within the unaudited Condensed Consolidated Statement of Operations and in "Prepaid and other assets" on the unaudited Condensed Consolidated Balance Sheet. The monthly management fee is subject to certain success incentives if and when the Slagger achieves the Option Criteria. Tronox recorded approximately \$2 million and \$3 million in "Other Income" for both the three and nine months ended September 30, 2020, respectively, in the unaudited Condensed Consolidated Statement of Operations. At September 30, 2020, Tronox had a receivable due from AMIC related to management fee of \$1 million that is recorded within "Prepaid and other assets".

In conjunction with closing of the Cristal Transaction on April 10, 2019, we entered into a transition services agreement with Tasnee, Cristal and AMIC. Under the terms of the transition services agreement, Tasnee and its affiliates will provide services to Tronox related to information technology support and infrastructure, logistics, safety, health and environmental, treasury and tax. Similarly, Tronox will provide services to Tasnee and its affiliates for information technology support and infrastructure, finance and accounting, tax, treasury, human resources, logistics, research and development and business development.

As part of the transition services agreement, Tronox recorded a net reduction of \$1 million in "Selling, general and administrative expenses" for both the three and nine months ended September 30, 2020, respectively, in the unaudited Condensed Consolidated Statement of Operations. The net reduction of selling, general and administrative expenses associated with the transition services agreement generally represents a recovery of the related costs. At September 30, 2020, Tronox had a receivable due from Tasnee of \$13 million and a payable due to Tasnee of \$3 million that are recorded within "Prepaid and other assets" and "Accrued liabilities", respectively, on the unaudited Condensed Consolidated Balance Sheet. The balance in prepaid and other assets relate primarily to amounts arising from transition service agreements, stamp duty taxes paid on behalf of Tasnee and pre-acquisition activities. Balances in accrued liabilities relate to pre-acquisition activity and those balances are expected to be settled in the near term.

On December 29, 2019, we entered into an agreement with Cristal to acquire certain assets co-located at our Yanbu facility which produces metal grade  $\text{TiCl}_4$  ("MGT"). Consideration for the acquisition is the assumption by Tronox of a \$36 million note payable to Cristal. The MGT is used at a titanium "sponge" plant facility, 65% of the ownership interests of which are held by Advanced Metal Industries Cluster and Toho Titanium Metal Co. Ltd ("ATTM"), a joint venture between AMIC and Toho Titanium Company Ltd. ATTM uses the  $\text{TiCl}_4$ , which we supply by pipeline, for the production of titanium sponge, a precursor material used in the production of titanium metal. We currently operate the MGT asset for AMIC under an interim arrangement and expect this transaction to close in 2020.

As a result of the transactions we have entered into related to the MGT assets, during the three and nine months ended September 30, 2020, Tronox recorded \$1 million and \$4 million for purchase of chlorine gas from ATTM and such amounts are recorded in "Cost of goods sold" on the unaudited Condensed Consolidated Statement of Operations. The amount due to ATTM as of September 30, 2020 for the purchase of chlorine gas was \$6 million and is recorded within "Accrued liabilities" on the unaudited Condensed Consolidated Balance Sheet. In addition, during the three and nine months ended September 30, 2020, Tronox recorded \$7 million and \$19 million, respectively, for MGT sales made to AMIC and such amounts were recorded in "Net sales" on the unaudited Condensed Consolidated Statement of Operations. At September 30, 2020, Tronox had a receivable from AMIC of \$6 million from MGT sales that is recorded within "Prepaid and other assets" on the unaudited Condensed Consolidated Balance Sheet.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

*The following discussion should be read in conjunction with Tronox Holdings plc's unaudited condensed consolidated financial statements and the related notes included elsewhere in this Quarterly Report on Form 10-Q, as well as Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended December 31, 2019. This discussion and other sections in this Quarterly Report on Form 10-Q contain forward-looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995, that involve risks and uncertainties, and actual results could differ materially from those discussed in the forward-looking statements as a result of numerous factors. Forward-looking statements provide current expectations of future events based on certain assumptions and include any statement that does not directly relate to any historical or current fact. Forward-looking statements also can be identified by words such as "future," "anticipates," "believes," "estimates," "expects," "intends," "plans," "predicts," "will," "would," "could," "can," "may," and similar terms.*

*This Management's Discussion and Analysis of Financial Condition and Results of Operations contains certain financial measures, in particular the presentation of earnings before interest, taxes, depreciation and amortization ("EBITDA") and Adjusted EBITDA, which are not presented in accordance with accounting principles generally accepted in the United States ("U.S. GAAP"). We are presenting these non-U.S. GAAP financial measures because we believe they provide us and readers of this Form 10-Q with additional insight into our operational performance relative to earlier periods and relative to our competitors. We do not intend for these non-U.S. GAAP financial measures to be a substitute for any U.S. GAAP financial information. Readers of these statements should use these non-U.S. GAAP financial measures only in conjunction with the comparable U.S. GAAP financial measures. A reconciliation of net income (loss) to EBITDA and Adjusted EBITDA is also provided herein.*

### Overview

Tronox Holdings plc (referred to herein as "Tronox", "we", "us", or "our") operates titanium-bearing mineral sand mines and smelter operations in Australia, South Africa and Brazil to produce feedstock materials that can be processed into TiO<sub>2</sub> for pigment, high purity titanium chemicals, including titanium tetrachloride, and Ultrafine© titanium dioxide used in certain specialty applications. It is our long-term strategic goal to be vertically integrated and consume all of our feedstock materials in our own nine TiO<sub>2</sub> pigment facilities which we operate in the United States, Australia, Brazil, UK, France, the Netherlands, China and the Kingdom of Saudi Arabia ("KSA"). We believe that vertical integration is the best way to achieve our ultimate goal of delivering low cost, high-quality pigment to our coatings and other TiO<sub>2</sub> customers throughout the world. The mining, beneficiation and smelting of titanium bearing mineral sands creates meaningful quantities of zircon, which we also supply to customers around the world.

We are a public limited company registered under the laws of England and Wales. Tronox was formerly listed on the New York Stock Exchange as Tronox Limited, a company registered under the laws of Western Australia. However, in March 2019, we re-domiciled to the United Kingdom, and as a result of the re-domiciling, Tronox Limited became a wholly-owned subsidiary of Tronox Holdings plc. Another significant corporate milestone occurred on April 10, 2019 when we completed the acquisition from National Industrialization Company ("Tasnee") of the TiO<sub>2</sub> business of The National Titanium Dioxide Company Limited ("Cristal") (the "Cristal Transaction"). The Cristal Transaction doubled our size and expanded the number of TiO<sub>2</sub> pigment facilities we operate from three to nine and gave us control of several new mines, particularly in Australia. In order to obtain regulatory approval for the Cristal Transaction, we were required to divest Cristal's North American TiO<sub>2</sub> business, which was sold in May 2019. See Note 2 for further details on the Cristal Transaction.

### Tronox Synergy Savings Program

The Cristal Transaction created significant opportunities for us to realize operating and cost-saving synergies. When the Cristal Transaction closed, we announced our goal of achieving approximately \$220 million in synergies by 2022. These synergies are expected to be realized from the following areas:

- operational enhancements through, among other things, technology exchange, optimization of feedstock cost at pigment plants and performance improvements at the Yanbu plant in Saudi Arabia;
- feedstock initiatives including, among other things, maximizing synthetic rutile and slag output and better utilizing our diverse types of feedstock in our TiO<sub>2</sub> plants and other initiatives that more efficiently integrate our global feedstock chain;

- supply chain savings from, among other things, volume purchasing discounts for a range of raw materials and services, including shipping and freight, and rationalizing the production of our broad portfolio of TiO<sub>2</sub> grades; and
- reductions in selling, general and administrative expenses primarily from employee-related costs and indirect spend consolidation.

In connection with realizing the synergies discussed above, during the year ended December 31, 2019 and including the nine months ended September 30, 2020, we incurred restructuring costs of \$25 million for employee related costs, including severance. See Note 3 of notes to unaudited condensed consolidated financial statements for further information on restructuring.

During the nine months ended September 30, 2020, we have delivered total synergies of \$183 million, of which \$134 million have been reflected in our EBITDA and \$49 million are cash and other synergies not reflected in EBITDA. We are raising our synergy target for 2020 to \$235 million, of which \$185 million will be reflected in our EBITDA.

## **Business Environment**

The following discussion includes trends and factors that may affect future operating results:

Throughout the current Covid-19 pandemic, our operations have been designated as essential to support the continued manufacturing of products such as food and medical packaging, medical equipment, pharmaceuticals, and personal protective gear.

The Covid-19 pandemic has impacted, and will continue to impact, our industry and business. Our third quarter revenue increased 17% sequentially driven primarily by higher TiO<sub>2</sub> volumes. Average TiO<sub>2</sub> selling prices remained flat on a sequential basis. TiO<sub>2</sub> sales volumes benefited from volume growth in all regions sequentially, led by a significant recovery in South and Central America. Compared to the third quarter of 2019, sales volumes were higher in Latin America, level in North America, and slightly lower in Europe, while volumes lagged in Asia Pacific, largely due to India. Sequentially, zircon volumes and average selling prices decreased 15% and 2%, respectively, owing to shipment timing and product mix. Feedstock and other products sales increased 75% sequentially, primarily due to increased CP slag sales as mandated by the FTC consent order and higher pig iron volumes.

Gross profit increased sequentially from the second quarter to the third quarter 2020 due to the favorable impacts of TiO<sub>2</sub> sales volumes, and recovery from the reopening of our South African operations after the mandatory shut-down of our mining operations and slow-down of our smelters in South Africa during the 21 day country wide lockdown in the second quarter due to the Covid-19 pandemic. In addition, gross profit benefited from favorable cost structures at our Australian mining operations and favorable impacts of foreign currency partially offset by unfavorable impacts due to idle facility and lower of cost or market charges associated with operating our pigment plants at lower production volumes.

As of September 30, 2020, our total available liquidity was \$1.1 billion, including \$722 million in cash and cash equivalents and \$376 million available under revolving credit agreements including \$253 million available under our Asset Backed Lending ("ABL") facility. Our total debt was \$3.5 billion and net debt to trailing-twelve month Adjusted EBITDA pro forma for the Cristal transaction was 4.5x. There are no upcoming maturities on the Company's term loan or bonds until 2024. The Company also has no financial covenants on its term loan or bonds and only one springing financial covenant on its ABL facility, which we do not expect to be triggered based on our current scenario planning.

## **Pro Forma Income Statement Information**

The acquisition of the TiO<sub>2</sub> business of Cristal on April 10, 2019 impacts the comparability of the reported results for 2020 compared to 2019. Since Tronox and Cristal have combined their respective businesses effective with the merger date of April 10, 2019, the three and nine months ended September 30, 2020 reflect the results of the combined business, while the three and nine months ended September 30, 2019 reflect the results of the combined business from April 10, 2019. To assist with a discussion of the 2020 and 2019 results on a comparable basis, certain supplemental unaudited pro forma income statement information is provided on a consolidated basis and is referred to as "pro forma information".

The pro forma information has been prepared on a basis consistent with Article 11 of Regulation S-X, assuming the merger and merger-related divestitures of Cristal's North American TiO<sub>2</sub> business and the 8120 paper laminate grade had been

consummated on January 1, 2018. In preparing this pro forma information, the historical financial information has been adjusted to give effect to pro forma adjustments that are (i) directly attributable to the business combination and other transactions presented herein, such as the merger-related divestitures, (ii) factually supportable, and (iii) expected to have a continuing impact on the combined entity's consolidated results. The pro forma information is based on management's assumptions and is presented for illustrative purposes and does not purport to represent what the results of operations would actually have been if the business combination and merger-related divestitures had occurred as of the dates indicated or what the results would be for any future periods. Also, the pro forma information does not include the impact of any revenue, cost or other operating synergies in the periods prior to the acquisition that may result from the business combination or any related restructuring costs.

## Condensed Consolidated Results of Operations from Continuing Operations

Three Months Ended September 30, 2020 compared to the Three Months Ended September 30, 2019

|                                                                     | Reported Amounts                 |                |                | Pro Forma Amounts (1)            |               |                |
|---------------------------------------------------------------------|----------------------------------|----------------|----------------|----------------------------------|---------------|----------------|
|                                                                     | Three Months Ended September 30, |                |                | Three Months Ended September 30, |               |                |
|                                                                     | 2020                             | 2019           | Variance       | 2020                             | 2019          | Variance       |
| <b>Net sales</b>                                                    | \$ 675                           | \$ 768         | \$ (93)        | \$ 675                           | \$ 768        | \$ (93)        |
| Cost of goods sold                                                  | 536                              | 635            | (99)           | 536                              | 595           | (59)           |
| Contract loss                                                       | —                                | —              | —              | —                                | —             | —              |
| <b>Gross profit</b>                                                 | 139                              | 133            | 6              | 139                              | 173           | (34)           |
| <b>Gross Margin</b>                                                 | 21 %                             | 17 %           | 4 pts          | 21 %                             | 23 %          | (2) pts        |
| Selling, general and administrative expenses                        | 89                               | 82             | 7              | 89                               | 82            | 7              |
| Restructuring                                                       | 1                                | 3              | (2)            | 1                                | 3             | (2)            |
| <b>Income from operations</b>                                       | 49                               | 48             | 1              | 49                               | 88            | (39)           |
| Interest expense                                                    | (48)                             | (51)           | (3)            | (48)                             | (51)          | (3)            |
| Interest income                                                     | 1                                | 4              | (3)            | 1                                | 4             | (3)            |
| Loss on extinguishment of debt                                      | —                                | —              | —              | —                                | —             | —              |
| Other income (expense), net                                         | 7                                | (1)            | 8              | 7                                | (1)           | 8              |
| <b>Income (loss) from continuing operations before income taxes</b> | 9                                | —              | 9              | 9                                | 40            | (31)           |
| Income tax benefit (provision)                                      | 893                              | (12)           | (905)          | 893                              | (14)          | (907)          |
| <b>Net income (loss) from continuing operations</b>                 | <u>\$ 902</u>                    | <u>\$ (12)</u> | <u>\$ 914</u>  | <u>\$ 902</u>                    | <u>\$ 26</u>  | <u>\$ 876</u>  |
| <b>Effective tax rate</b>                                           | <u>(9,922)%</u>                  | <u>N/A</u>     |                | <u>(9,922)%</u>                  | <u>35 %</u>   |                |
| <b>EBITDA <sup>(2)</sup></b>                                        | <u>\$ 132</u>                    | <u>\$ 121</u>  | <u>\$ 11</u>   | <u>\$ 132</u>                    | <u>\$ 161</u> | <u>\$ (29)</u> |
| <b>Adjusted EBITDA <sup>(2)</sup></b>                               | <u>\$ 148</u>                    | <u>\$ 184</u>  | <u>\$ (36)</u> | <u>\$ 148</u>                    | <u>\$ 184</u> | <u>\$ (36)</u> |
| <b>Adjusted EBITDA as% of Net Sales</b>                             | <u>22 %</u>                      | <u>24 %</u>    | <u>(2) pts</u> | <u>22 %</u>                      | <u>24 %</u>   | <u>(2) pts</u> |

(1) The pro forma amounts have been prepared on a basis consistent with Article 11 of Regulation S-X. See "Supplemental Pro Forma Information" section of the MD&A for further detail.

(2) EBITDA and Adjusted EBITDA are Non-U.S. GAAP financial measures. Please refer to the "Non-U.S. GAAP Financial Measures" section of this Management's Discussion and Analysis of Financial Condition and Results of

Operations for a discussion of these measures and a reconciliation of these measures to Net income (loss) from operations.

On both a reported basis and pro forma basis, net sales of \$675 million for the three months ended September 30, 2020 decreased by 12%, compared to \$768 million, for the same period in 2019. The decrease is primarily due to lower TiO<sub>2</sub> and Zircon sales volumes as a result of the Covid-19 pandemic as well as lower Zircon average selling prices.

Net sales by type of product for the three months ended September 30, 2020 and 2019 were as follows:

The table below presents both reported and proforma revenue by product:

|                              | Three Months Ended<br>September 30, |               | Variance       | Percentage    |
|------------------------------|-------------------------------------|---------------|----------------|---------------|
|                              | 2020                                | 2019          |                |               |
| TiO <sub>2</sub>             | \$ 543                              | \$ 603        | \$ (60)        | (10) %        |
| Zircon                       | 56                                  | 68            | (12)           | (18) %        |
| Feedstock and other products | 76                                  | 97            | (21)           | (22) %        |
| Total net sales              | <u>\$ 675</u>                       | <u>\$ 768</u> | <u>\$ (93)</u> | <u>(12) %</u> |

On both a reported and pro forma basis, for the three months ended September 30, 2020, TiO<sub>2</sub> revenue was lower by 10% or \$60 million compared to the prior year quarter primarily due to \$50 million decrease in sales volumes as a result of the Covid-19 pandemic and a decrease of \$17 million in average selling prices of TiO<sub>2</sub>. Foreign currency positively impacted TiO<sub>2</sub> revenue by \$7 million due to the strengthening of the Euro. Zircon revenue decreased \$12 million primarily due to a 11% reduction in average selling prices and a 7% reduction in sales volumes as a result of the Covid-19 pandemic. Feedstock and other products revenues was \$21 million lower from the year-ago quarter primarily driven by lower volumes of CP slag and pig iron.

On a reported basis, our gross profit of \$139 million was 21% of net sales compared to 17% of net sales in the year-ago quarter. The increase in gross margin is primarily due to:

- the favorable impact of 6 points due to the value of the inventory of Cristal being stepped up to fair value on the acquisition date in the prior year period, which resulted in the recognition of higher expense in the prior year period;
- the favorable impact of 4 points due to the synergies realized from the Cristal transaction;
- the favorable impact of 3 points due to changes in foreign exchange rates, primarily as a result of the Euro, South African Rand and Brazilian Real;
- the favorable impact of 3 points due to favorable cost structures at our Hamilton and Botlek pigment plants;
- the unfavorable impact of 6 points due to increased cost structures and idle facility charges;
- the unfavorable impact of 3 points due to deferred margin recognized in the third quarter of 2019 which did not recur during the current quarter;
- the unfavorable impact of 3 points primarily caused by a decrease in Zircon selling prices; and
- the unfavorable impact of 1 point due to sales volume and product mix.

On a pro forma basis, our gross margin of \$139 million was 21% of net sales compared to 23% of net sales in the year-ago quarter. Quarter over quarter, the main drivers of gross margin are as follows:

- the unfavorable impact of 5 points due to increased cost structures and idle facility charges;
- the unfavorable impact of 3 points primarily caused by a decrease in Zircon selling prices;
- the unfavorable impact of 3 points due to deferred margin recognized in the third quarter of 2019 which did not recur during the current quarter;
- the unfavorable impact of 1 point due to sales volume and product mix;
- the favorable impact of 4 points due to the synergies realized from the Cristal transaction;
- the favorable impact of 3 points due to favorable cost structures at our Hamilton and Botlek pigment plants; and
- the favorable impact of 3 points due to changes in foreign exchange rates, primarily the South African Rand and Australian Dollar.

On both a reported and pro forma basis, selling, general and administrative expenses increased by \$7 million or 9% during the three months ended September 30, 2020 compared to the same period of the prior year. The increase is mainly due to higher employee costs of \$14 million and higher professional costs of \$3 million partially offset by the following: i) lower travel and entertainment expenses of \$4 million as a result of the Covid-19 pandemic, ii) \$3 million of lower integration costs, iii) lower agent commissions of \$2 million, and iv) lower research and development expenses of \$1 million.

On both a reported and pro forma basis, we recorded restructuring expenses of \$1 million for employee-related costs associated with headcount reductions during the three months ended September 30, 2020 as compared to \$3 million in the comparable prior year period. See Note 3 of notes to unaudited condensed consolidated financial statements.

On a reported basis, income from operations for the three months ended September 30, 2020 was \$49 million compared to \$48 million in the prior year period. The increase of \$1 million was primarily due to the higher gross margin as discussed above. On a pro forma basis, income from operations for the three months ended September 30, 2020 decreased \$39 million to \$49 million from \$88 million in the prior year period primarily due to lower gross margin as discussed above.

On a reported basis, Adjusted EBITDA as a percentage of net sales was 22% for the three months ended September 30, 2020 as compared to 24% from the prior year primarily due to the decrease in gross margin, when excluding a \$40 million inventory step up to fair value as a result of the Cristal Transaction which is added back for Adjusted EBITDA purposes. On a pro forma basis, Adjusted EBITDA as a percentage of net sales was 22% for the three months ended September 30, 2020 as compared to 24% from the prior year primarily due to the decrease in gross margin as discussed above.

On both a reported and pro forma basis, interest expense for the three months ended September 30, 2020 decreased by \$3 million compared to the same period of 2019 primarily due to lower average debt outstanding balances and lower average interest rates mainly on the Term Loan Facility and Standard Bank Term Loan Facility.

On both a reported and pro forma basis, interest income for the three months ended September 30, 2020 decreased by \$3 million compared to the same period in 2019 due to the overall decrease in interest rates on our cash investments period over period.

On both a reported and pro forma basis, other income (expense), net for the three months ended September 30, 2020 primarily consisted of net realized and unrealized foreign currency gains. The foreign currency gains were primarily driven by the South African Rand and the Australian dollars used in the remeasurement of our U.S. dollar denominated working capital balances partially offset by the impact of our foreign currency derivatives.

We continue to maintain full valuation allowances related to the total net deferred tax assets in Australia, Belgium, Brazil, Saudi Arabia, and Switzerland. The provisions for income taxes associated with these jurisdictions include no tax benefits with respect to losses incurred and tax expense only to the extent of current tax payments. Additionally, we have valuation allowances against other specific tax assets.

On a reported basis, the effective tax rate was (9,922)% and N/A for the three months ended September 30, 2020 and 2019, respectively. The large negative effective tax rates for the three months ended September 30, 2020 is caused by the release of a \$895 million valuation allowance in the U.S. Refer to note 6 in notes to unaudited condensed consolidated financial statements. Additionally, the effective tax rates for the three months ended September 30, 2020 and 2019 are influenced by a variety of factors, primarily income and losses in jurisdictions with valuation allowances, disallowable expenditures, restructuring impacts, and our jurisdictional mix of income at tax rates different than the U.K. statutory rate. During the three months ended September 30, 2020, a portion of the valuation allowance was released against the deferred tax assets in the U.S. and the impact was \$895 million to the income tax provision. On a pro forma basis, the effective tax rate was (9,922)% and 35% for the three months ended September 30, 2020 and 2019, respectively.



*Nine Months Ended September 30, 2020 compared to the Nine Months Ended September 30, 2019*

|                                                                     | Reported Amounts                |          |          | Pro Forma Amounts (1)           |          |          |
|---------------------------------------------------------------------|---------------------------------|----------|----------|---------------------------------|----------|----------|
|                                                                     | Nine Months Ended September 30, |          |          | Nine Months Ended September 30, |          |          |
|                                                                     | 2020                            | 2019     | Variance | 2020                            | 2019     | Variance |
| <b>Net sales</b>                                                    | \$ 1,975                        | \$ 1,949 | \$ 26    | \$ 1,975                        | \$ 2,315 | \$ (340) |
| Cost of goods sold                                                  | 1,532                           | 1,614    | (82)     | 1,532                           | 1,822    | (290)    |
| Contract loss                                                       | —                               | 19       | (19)     | —                               | —        | —        |
| <b>Gross profit</b>                                                 | 443                             | 316      | 127      | 443                             | 493      | (50)     |
| <b>Gross Margin</b>                                                 | 22 %                            | 16 %     | 6 pts    | 22 %                            | 21 %     | 1 pts    |
| Selling, general and administrative expenses                        | 263                             | 252      | 11       | 263                             | 262      | 1        |
| Restructuring                                                       | 3                               | 13       | (10)     | 3                               | 13       | (10)     |
| <b>Income from operations</b>                                       | 177                             | 51       | 126      | 177                             | 218      | (41)     |
| Interest expense                                                    | (140)                           | (154)    | (14)     | (140)                           | (160)    | (20)     |
| Interest income                                                     | 6                               | 16       | (10)     | 6                               | 10       | (4)      |
| Loss on extinguishment of debt                                      | —                               | (2)      | (2)      | —                               | (2)      | (2)      |
| Other income, net                                                   | 19                              | 2        | 17       | 19                              | 1        | 18       |
| <b>Income (loss) from continuing operations before income taxes</b> | 62                              | (87)     | 149      | 62                              | 67       | (5)      |
| Income tax (provision) benefit                                      | 876                             | (10)     | (886)    | 876                             | (27)     | (903)    |
| <b>Net (loss) income from continuing operations</b>                 | \$ 938                          | \$ (97)  | \$ 1,035 | \$ 938                          | \$ 40    | \$ 898   |
| <b>Effective tax rate</b>                                           | (1,413)%                        | 11 %     |          | (1,413)%                        | 40 %     |          |
| <b>EBITDA (2)</b>                                                   | \$ 415                          | \$ 256   | \$ 159   | \$ 415                          | \$ 465   | \$ (50)  |
| <b>Adjusted EBITDA (2)</b>                                          | \$ 464                          | \$ 459   | \$ 5     | \$ 464                          | \$ 525   | \$ (61)  |
| <b>Adjusted EBITDA as% of Net Sales</b>                             | 23 %                            | 24 %     | (1) pts  | 23 %                            | 23 %     | 0 pts    |

- (1) The pro forma amounts have been prepared on a basis consistent with Article 11 of Regulation S-X. See “Supplemental Pro Forma Information” section of the MD&A for further detail.
- (2) EBITDA and Adjusted EBITDA are Non-U.S. GAAP financial measures. Please refer to the “Non-U.S. GAAP Financial Measures” section of this Management’s Discussion and Analysis of Financial Condition and Results of Operations for a discussion of these measures and a reconciliation of these measures to Net income (loss) from operations.



On a reported basis, net sales of \$1,975 million for the nine months ended September 30, 2020 increased by 1% compared to \$1,949 million for the same period in 2019. The nine months ended September 30, 2020 includes approximately \$352 million of revenue from Cristal operations for the first quarter of 2020 and the first nine days of April 2020 of which there were no comparable amounts in the prior year period given the acquisition closed on April 10, 2019. Excluding this Cristal revenue, revenue decreased 17% primarily due to decreases in TiO<sub>2</sub> and Zircon sales volumes as a result of the Covid-19 pandemic as well as lower Zircon average selling prices. On a pro forma basis, net sales for the nine months ended September 30, 2020 decreased \$340 million in comparison to the same period in 2019 primarily due to the decreases in sales volumes of TiO<sub>2</sub> and pig iron as well as lower average selling prices of Zircon.

Net sales by type of product for the nine months ended September 30, 2020 and 2019 were as follows:

The table below presents reported revenue by product:

|                              | Nine Months Ended September 30, |          |          |            |
|------------------------------|---------------------------------|----------|----------|------------|
|                              | 2020                            | 2019     | Variance | Percentage |
| TiO <sub>2</sub>             | \$ 1,589                        | \$ 1,505 | \$ 84    | 6 %        |
| Zircon                       | 189                             | 220      | (31)     | (14) %     |
| Feedstock and other products | 197                             | 224      | (27)     | (12) %     |
| Total net sales              | \$ 1,975                        | \$ 1,949 | \$ 26    | 1 %        |

The table below presents pro forma revenue by product:

| (Millions of dollars)        | Nine Months Ended September 30, |          |          |            |
|------------------------------|---------------------------------|----------|----------|------------|
|                              | 2020                            | 2019     | Variance | Percentage |
| TiO <sub>2</sub>             | \$ 1,589                        | \$ 1,830 | \$ (241) | (13) %     |
| Zircon                       | 189                             | 239      | (50)     | (21) %     |
| Feedstock and other products | 197                             | 246      | (49)     | (20) %     |
| Total net sales              | \$ 1,975                        | \$ 2,315 | \$ (340) | (15) %     |

On a reported basis, for the nine months ended September 30, 2020, TiO<sub>2</sub> revenue was higher by 6% or \$84 million compared to the prior year period. Given the acquisition of Cristal on April 10, 2019, there is approximately \$306 million of revenue in the first quarter of 2020 and first nine days of April 2020 of which there was no comparable amounts in the same period of the prior year. Excluding this revenue generated from the Cristal operations, TiO<sub>2</sub> revenue decreased by \$222 million due to a \$197 million decrease in sales volumes as a result of the Covid-19 pandemic and a decrease of \$25 million in average selling prices of TiO<sub>2</sub>. Zircon revenues for the Cristal operation in the first quarter of 2020 and first nine days of April 2020 were approximately \$17 million. Excluding this Cristal related revenue, Zircon revenue decreased primarily due to \$30 million reduction in average selling prices and \$18 million reduction in sales volumes as a result of the Covid-19 pandemic. Feedstock and other products revenues for the Cristal operations in the first quarter of 2020 and first nine days of April 2020 were approximately \$29 million. Excluding this Cristal related revenue, feedstock and other products decreased \$56 million primarily due to lower sales volumes of CP slag and pig iron as well as lower average selling prices of pig iron.

On a pro forma basis, for the nine months ended September 30, 2020, TiO<sub>2</sub> revenue declined 13% compared to the prior year driven primarily by a \$205 million decrease in sales volumes as a result of the Covid-19 pandemic and a \$34 million decrease in average selling prices. Foreign currency negatively impacted TiO<sub>2</sub> sales by \$2 million or 2% due to the weakening of the Euro. Zircon revenues declined \$50 million or 21% primarily due to a 13% decline in average sales prices and a 9% decline in sales volumes. Feedstock and other products revenues declined primarily due to lower sales volumes of CP slag and pig iron as well as lower average selling prices of pig iron.

On a reported basis, our gross margin of \$443 million was 22% of net sales compared to 16% of net sales in the year-ago period. The increase in gross margin is primarily due to:

- the favorable impact of 5 points due to the value of the inventory of Cristal being stepped up to fair value on the acquisition date in the prior year period, which resulted in the recognition of higher expense in the prior year period;
- the favorable impact of 4 points due to the synergies realized from the Cristal transaction;
- the net favorable impact of 3 points due to changes in foreign exchange rates, primarily due to the South African Rand, Australian Dollar and Brazilian Real;
- the favorable impact of 1 point due to the recognition of a \$19 million charge for contract losses expected to be incurred on the 8120 supply agreement with Venator in the prior year period;
- the net unfavorable impact of 1 point due to increased cost structures and idle facility charges;
- the unfavorable impact of 1 point due to the mandatory shut-down of our mining operations and slow-down of our smelters in South Africa due to the Covid-19 pandemic;
- the unfavorable impact of 2 point due to sales volume and product mix;
- the unfavorable impact of 3 points primarily caused by a decrease in Zircon selling prices; and
- the unfavorable impact of 1 point due to deferred margin recognized in the year-ago period which did not recur during the current period.

On a pro forma basis, our gross margin of \$443 million was 22% of net sales compared to 21% of net sales in the prior year period. The increase in gross margin is primarily due to:

- the favorable impact of 4 points due to the synergies realized from the Cristal transaction;
- the net favorable impact of 3 points due to changes in foreign exchange rates, primarily the South African Rand and Australian Dollar;
- the net unfavorable impact of 2 points due to increased cost structures and idle facility charges;
- the unfavorable impact of 2 points caused by a decrease in Zircon selling prices;
- the unfavorable impact of 1 point due to deferred margin recognized in the year-ago period which did not recur during the current period; and
- the unfavorable impact of 1 point due to the mandatory shut-down of our mining operations and slow-down of our smelters in South Africa due to the Covid-19 pandemic.

On a reported basis, selling, general and administrative expenses increased by \$11 million or 4% during the nine months ended September 30, 2020 compared to the same period of the prior year. Given the acquisition of Cristal on April 10, 2019, there are approximately \$23 million of expenses in the first quarter of 2020 and first nine days of April 2020 of which there was no comparable amounts in the same period of the prior year. Excluding the effect of Cristal, SG&A expenses decreased \$12 million primarily driven by \$17 million decrease in professional services, a decrease of \$9 million in travel and entertainment expenses as a result of the Covid-19 pandemic, lower research and development expenses of \$6 million and lower agent commissions of \$3 million partially offset by higher employee costs of \$15 million, higher costs of \$2 million related to the transitional service agreement associated with the Cristal acquisition, \$2 million higher IT and communication expenses, \$2 million increase in integration costs and \$1 million increase in taxes other than income. On a pro forma basis, selling, general and administrative expenses remained relatively consistent period over period.

On both a reported and pro forma basis, we recorded restructuring expenses of \$3 million for employee-related costs associated with headcount reductions during the nine months ended September 30, 2020. See Note 3 of notes to unaudited condensed consolidated financial statements.

On a reported basis, income from operations for the nine months ended September 30, 2020 was \$177 million compared to income from operations of \$51 million in the prior year period. The increase of \$126 million was primarily due to the higher gross margin and lower restructuring charges offset by higher SG&A expenses discussed above. On a pro forma basis, income from operations for the nine months ended September 30, 2020 decreased \$41 million to \$177 million from \$218 million in the prior year period primarily due to lower gross margin offset by lower restructuring charges as discussed above.

On a reported basis, Adjusted EBITDA as a percentage of net sales was 23% for the nine months ended September 30, 2020, a decrease of 1 point from 24% in the prior year. The higher SG&A expenses partially offset by the higher gross margin as discussed above were the primary drivers of the year-over-year decrease in Adjusted EBITDA percentage. On a pro forma basis, Adjusted EBITDA as a percentage of net sales was 23% for the nine months ended September 30, 2020, unchanged from the prior year.

On a reported and pro forma basis, interest expense for the nine months ended September 30, 2020 decreased by \$14 million and \$20 million, respectively, compared to the same period of 2019 primarily due to lower average debt outstanding balances and lower average interest rates mainly on the Term Loan Facility and Standard Bank Term Loan Facility.

On a reported and pro forma basis, interest income for the nine months ended September 30, 2020 decreased by \$10 million and \$4 million, respectively, compared to the same period in 2019 due to lower cash balances from the use of cash and previously restricted cash in the second quarter of 2019 for the acquisition of the Cristal Transaction as well as the overall decrease in interest rates on our cash investments period over period.

On both a reported and pro forma basis, other income, net for the nine months ended September 30, 2020 primarily consisted of net realized and unrealized foreign currency gains. The foreign currency gains were primarily driven by the South African Rand and the Australian dollars used in the remeasurement of our U.S. dollar denominated working capital balances partially offset by the impact of our foreign currency derivatives.

We continue to maintain full valuation allowances related to the total net deferred tax assets in Australia, Belgium, Brazil, Saudi Arabia, and Switzerland. The provisions for income taxes associated with these jurisdictions include no tax benefits with respect to losses incurred and tax expense only to the extent of current tax payments. Additionally, we have valuation allowances against other specific tax assets.

On a reported basis, the effective tax rate was (1,413)% and 11% for the nine months ended September 30, 2020 and 2019, respectively. The large negative effective tax rate for the nine months ended September 30, 2020 is caused by the release of a \$895 million valuation allowance in the U.S. Refer to note 6 in notes to unaudited condensed consolidated financial statements. Additionally, the effective tax rates for the nine months ended September 30, 2020 and 2019 are influenced by a variety of factors, primarily income and losses in jurisdictions with valuation allowances, disallowable expenditures, restructuring impacts, and our jurisdictional mix of income at tax rates different than the U.K. statutory rate. During the nine months ended September 30, 2020, a portion of the valuation allowance was released against the deferred tax assets in the U.S. and the impact was \$895 million to the income tax provision. On a pro forma basis, the effective tax rate was (1,413)% and 40% for the nine months ended September 30, 2020 and 2019, respectively.

### **Other Comprehensive (Loss) Income**

Other comprehensive income was \$61 million for the three months ended September 30, 2020 as compared to other comprehensive loss of \$84 million for the prior year period. The increase in income in 2020 compared to the prior year was primarily driven by favorable foreign currency translation adjustments of \$43 million for the three months ended September 30, 2020 as compared to unfavorable foreign currency translation adjustments of \$79 million in the prior year quarter as well as net gains on derivative instruments of \$17 million as compared to losses of \$5 million in the prior year quarter.

Other comprehensive loss was \$148 million in the nine months ended September 30, 2020 as compared to \$84 million in the nine months ended September 30, 2019. The increase in the loss is primarily due to the unfavorable foreign currency translation adjustments of \$129 million as compared to \$57 million in the prior year period. In addition, we recognized a net loss on derivative instruments of \$20 million in the nine months ended September 30, 2020 as compared to a net loss on derivative instruments of \$28 million in the prior year period.

## Liquidity and Capital Resources

The following table presents our liquidity as of September 30, 2020 and December 31, 2019:

|                                              | September 30, 2020         | December 31, 2019 |
|----------------------------------------------|----------------------------|-------------------|
|                                              | (Millions of U.S. dollars) |                   |
| Cash and cash equivalents                    | \$ 722                     | \$ 302            |
| Available under the Wells Fargo Revolver     | 253                        | 209               |
| Available under the Standard Credit Facility | 60                         | 72                |
| Available under the Emirates Revolver        | 50                         | 46                |
| Available under the SABB Facility            | 13                         | 19                |
| Total                                        | \$ 1,098                   | \$ 648            |

As discussed previously, on May 1, 2020, the Company increased liquidity by issuing its 6.5% senior secured notes due 2025 for an aggregate principal amount of \$500 million. A portion of the proceeds of this debt offering was utilized to repay the \$200 million of its outstanding borrowings as of March 31, 2020 under the Company's Wells Fargo, Standard Bank, and Emirates revolvers.

Historically, we have funded our operations and met our commitments through cash generated by operations, issuance of unsecured notes, bank financings and borrowings under lines of credit. In the next twelve months, we expect that our operations and available borrowings under our debt financings and revolving credit agreements (see Note 13 of notes to consolidated financial statements) will provide sufficient cash for our operating expenses, capital expenditures, interest payments and debt repayments. This is predicated on our achieving our forecast which could be negatively impacted by items outside of our control, in particular, macroeconomic conditions, including the economic impacts caused by the Covid-19 pandemic. If negatives events occur, we may need to reduce our capital expenditures and reduce operating costs and other items to maintain adequate liquidity.

Working capital (calculated as current assets less current liabilities) was \$1.8 billion at September 30, 2020 compared to \$1.4 billion at December 31, 2019.

As of September 30, 2020, the non-guarantor subsidiaries of our Senior Notes due 2025 represented approximately 14% of our total consolidated liabilities and approximately 24% of our total consolidated assets. For the three and nine months ended September 30, 2020, the non-guarantor subsidiaries of our Senior Notes due 2025 represented approximately 43% and 40%, respectively, of our total consolidated net sales and approximately 45% and 42%, respectively, of our consolidated EBITDA (as such term is defined in the 2025 Indenture). In addition, as of September 30, 2020, our non-guarantor subsidiaries had \$684 million of total consolidated liabilities (including trade payables but excluding intercompany liabilities), all of which would have been structurally senior to the 2025 Notes. See Note 13 of notes to unaudited condensed consolidated financial statements.

At September 30, 2020, we had outstanding letters of credit and bank guarantees of \$73 million. See Note 17 of notes to unaudited condensed consolidated financial statements.

Principal factors that could affect our ability to obtain cash from external sources include (i) debt covenants that limit our total borrowing capacity; (ii) increasing interest rates applicable to our floating rate debt; (iii) increasing demands from third parties for financial assurance or credit enhancement; (iv) credit rating downgrades, which could limit our access to additional debt; (v) a decrease in the market price of our common stock and debt obligations; and (vi) volatility in public debt and equity markets.

As of September 30, 2020, our credit rating with Moody's and Standard & Poor's changed from December 31, 2019 from B1 positive to B1 stable outlook and from B stable to B negative outlook, respectively. See Note 13 of notes to unaudited condensed consolidated financial statements.

### *Cash and Cash Equivalents*

We consider all investments with original maturities of three months or less to be cash equivalents. As of September 30, 2020, our cash and cash equivalents were primarily invested in money market funds. We maintain cash and cash equivalents in bank deposit and money market accounts that may exceed federally insured limits. The financial institutions where our cash and cash equivalents are held are highly rated and geographically dispersed, and we have a policy to limit the amount of credit exposure with any one institution. We have not experienced any losses in such accounts and believe we are not exposed to significant credit risk.

The use of our cash includes payment of our operating expenses, capital expenditures, servicing our interest and debt repayment obligations, making pension contributions and making quarterly dividend payments.

### *Repatriation of Cash*

At September 30, 2020, we held \$722 million in cash and cash equivalents in these respective jurisdictions: \$447 million in the United States, \$84 million in Europe, \$82 million in Australia, \$41 million in South Africa, \$35 million in Brazil, \$14 million in Saudi Arabia and \$19 million in China. Our credit facilities limit transfers of funds from subsidiaries in the United States to certain foreign subsidiaries. In addition, at September 30, 2020, we held \$27 million of restricted cash of which \$18 million is in Europe and is related to the termination fee associated with the TTI acquisition and \$9 million is in Australia related to performance bonds.

Tronox Holdings plc has foreign subsidiaries with undistributed earnings at September 30, 2020. We have made no provision for deferred taxes related to these undistributed earnings because they are considered indefinitely reinvested in the foreign jurisdictions.

### *Debt Obligations*

In March 2020, under an abundance of caution given the uncertainty associated with the Covid-19 pandemic, the Company took precautionary measures and drew down \$200 million of its outstanding borrowings under its Wells Fargo, Standard Bank, and Emirates revolvers in order to increase liquidity and preserve financial flexibility. As discussed below, the Company repaid the outstanding balances of these short-term credit facilities with a portion of the proceeds of the 6.5% senior secured notes due 2025. Additionally, during the nine months ended September 30, 2020, our KSA subsidiary drew down \$13 million on its SABB Credit Facility for local working capital purposes. During the three months ended September 30, 2020, the Company repaid \$7 million on the SABB Credit Facility. As a result, at September 30, 2020, the short-term debt balance was \$6 million based on the September 30, 2020 exchange rate. There were no short term debt balances at December 31, 2019.

At September 30, 2020 and December 31, 2019, our long-term debt, net of unamortized discount and debt issuance costs was \$3.5 billion and \$3.0 billion, respectively.

At September 30, 2020 and December 31, 2019, our net debt (the excess of our debt over cash and cash equivalents) was \$2.7 billion and \$2.7 billion, respectively. See Note 13 of notes to unaudited condensed consolidated financial statements.

On May 1, 2020, Tronox Incorporated, a wholly-owned indirect subsidiary of the Company, issued its 6.5% senior secured notes due 2025 for an aggregate principal amount of \$500 million. A portion of the proceeds of this debt offering was utilized to repay the \$200 million of the Company's outstanding borrowings under its Wells Fargo, Standard Bank, and Emirates revolvers.

### *TTI Acquisition*

In May 2020, the Company announced that it had signed a definitive agreement to acquire the Tizir Titanium and Iron ("TTI") business from Eramet S.A. for approximately \$300 million in cash, plus 3% per annum which accrues for the period from January 1, 2020 until the transaction closes. The closing of the transaction, which we anticipate to occur before May 13, 2021, is subject to certain consents and customary closing conditions, including regulatory approvals.

## Cash Flows

The following table presents cash flow from continuing operations for the periods indicated:

|                                                                                   | Nine Months Ended September 30, |            |
|-----------------------------------------------------------------------------------|---------------------------------|------------|
|                                                                                   | 2020                            | 2019       |
|                                                                                   | (Millions of U.S. dollars)      |            |
| Cash provided by operating activities - continuing operations                     | \$ 156                          | \$ 237     |
| Cash used in investing activities - continuing operations                         | (151)                           | (1,120)    |
| Cash provided by (used in) financing activities - continuing operations           | 440                             | (517)      |
| Net cash provided by discontinued operations                                      | —                               | 28         |
| Effects of exchange rate changes on cash and cash equivalents and restricted cash | (7)                             | (8)        |
| Net increase (decrease) in cash, cash equivalents and restricted cash             | \$ 438                          | \$ (1,380) |

*Cash Flows provided by Operating Activities* — Cash provided by operating activities is driven by net income from continuing operations adjusted for non-cash items and changes in working capital items. The following table provides our net cash provided by operating activities for the nine months ended September 30, 2020 and 2019:

|                                                               | Nine Months Ended September 30, |         |
|---------------------------------------------------------------|---------------------------------|---------|
|                                                               | 2020                            | 2019    |
|                                                               | (Millions of U.S. dollars)      |         |
| Net income (loss) from continuing operations                  | \$ 938                          | \$ (97) |
| Adjustments for non-cash items                                | (597)                           | 364     |
| Income related cash generation                                | 341                             | 267     |
| Net change in assets and liabilities                          | (185)                           | (30)    |
| Cash provided by operating activities - continuing operations | \$ 156                          | \$ 237  |

Net cash provided by operating activities was \$156 million as compared to net cash provided by operating activities of \$237 million in the prior year. The change period over period is primarily due to a higher use of cash for working capital in the current year period. Higher use of cash for working capital was caused primarily by a higher use of cash of \$100 million for inventories and a \$38 million higher use of cash for other current assets coupled with an increased use of cash for other assets and changes in noncurrent assets and liabilities of \$52 million.

*Cash Flows used in Investing Activities* — Net cash used in investing activities for the nine months ended September 30, 2020 was \$151 million as compared to \$1,120 million for the same period in 2019. The current year represents \$129 million of capital expenditures as compared to \$140 million in the prior year. Additionally, the decrease in cash used in investing activities is attributable to the acquisition of Cristal in the prior year period offset by the proceeds from the sale of Ashtabula. The prior year is also comprised of a loan of \$25 million to AMIC related to the Jazan Slagger, a titanium slag smelter facility (see Note 21 of notes to unaudited condensed consolidated financial statements for a discussion of the Jazan Slagger) as compared to \$24 million in the current year.

*Cash Flows provided by (used in) Financing Activities* — Net cash provided by financing activities during the nine months ended September 30, 2020 was \$440 million as compared to cash used in financing activities of \$517 million for the nine months ended September 30, 2019. The current year is primarily comprised of \$500 million from the proceeds from the issuance of the 6.5% Senior Secured Notes due 2025 (see Note 13 of notes to unaudited condensed consolidated financial statements). Partially offsetting these proceeds was a use of cash of \$30 million for the payment of dividends during the nine months ended September 30, 2020 and repayments of short-term and long-term debt of \$30 million for SABB Credit Facility and our debt in South Africa. For the nine months ended September 30, 2019, cash flows used in financing activities included repurchases of common stock of \$288 million, repayments against our Term Loan Facility of \$272 million, and a payment of \$148 million for the acquisition of Exxaro's ownership interest in Tronox Sands partially offset by proceeds of \$222 million from the Standard Bank Term Loan.

## Contractual Obligations

The following table sets forth information relating to our contractual obligations as of September 30, 2020:

|                                                                             | Contractual Obligation<br>Payments Due by Year <sup>(3)(4)</sup> |                     |              |              |                      |
|-----------------------------------------------------------------------------|------------------------------------------------------------------|---------------------|--------------|--------------|----------------------|
|                                                                             | Total                                                            | Less than<br>1 year | 1-3<br>years | 3-5<br>years | More than<br>5 years |
| (Millions of U.S. dollars)                                                  |                                                                  |                     |              |              |                      |
| Long-term debt, net and lease financing (including interest) <sup>(1)</sup> | \$ 4,347                                                         | 236                 | 419          | 2,590        | 1,102                |
| Purchase obligations <sup>(2)</sup>                                         | 532                                                              | 147                 | 140          | 97           | 148                  |
| Operating leases                                                            | 207                                                              | 43                  | 47           | 24           | 93                   |
| Asset retirement obligations and environmental liabilities <sup>(5)</sup>   | 414                                                              | 8                   | 32           | 29           | 345                  |
| <b>Total</b>                                                                | <b>\$ 5,500</b>                                                  | <b>434</b>          | <b>638</b>   | <b>2,740</b> | <b>1,688</b>         |

- (1) We calculated the Term Loan interest at a LIBOR plus a margin of 3.0%. See Note 13 of notes to our unaudited condensed consolidated financial statements.
- (2) Includes obligations for purchase requirements of process chemicals, supplies, utilities and services. We have various purchase commitments for materials, supplies, and services entered into in the ordinary course of business. Included in the purchase commitments table above are contracts, which require minimum volume purchases that extend beyond one year or are renewable annually and have been renewed for 2020. Certain contracts allow for changes in minimum required purchase volumes in the event of a temporary or permanent shutdown of a facility. We believe that all of our purchase obligations will be utilized in our normal operations.
- (3) The table excludes contingent obligations, as well as any possible payments for uncertain tax positions given the inability to estimate the possible amounts and timing of any such payments.
- (4) The table excludes commitments pertaining to our pension and other postretirement obligations.
- (5) Asset retirement obligations and environmental liabilities are shown at the undiscounted and uninflated values.

## Non-U.S. GAAP Financial Measures

EBITDA and Adjusted EBITDA, which are used by management to measure performance, are not presented in accordance with U.S. GAAP. We define EBITDA as net income (loss) excluding the impact of income taxes, interest expense, interest income and depreciation, depletion and amortization. We define Adjusted EBITDA as EBITDA excluding the impact of nonrecurring items such as restructuring charges, gain or loss on debt extinguishments, impairment charges, gains or losses on sale of assets, acquisition-related transaction costs, integration costs, purchase accounting adjustments and pension settlements and curtailment gains or losses. Adjusted EBITDA also excludes non-cash items such as share-based compensation costs and pension and postretirement costs. Additionally, we exclude from Adjusted EBITDA, realized and unrealized foreign currency remeasurement gains and losses.

Management believes that EBITDA is useful to investors, as it is commonly used in the industry as a means of evaluating operating performance. We do not intend for these non-U.S. GAAP financial measures to be a substitute for any U.S. GAAP financial information. Readers of these statements should use these non-U.S. GAAP financial measures only in conjunction with the comparable U.S. GAAP financial measures. Since other companies may calculate EBITDA and Adjusted EBITDA differently than we do, EBITDA and Adjusted EBITDA, as presented herein, may not be comparable to similarly titled measures reported by other companies. Management believes these non-U.S. GAAP financial measures:

- reflect our ongoing business in a manner that allows for meaningful period-to-period comparison and analysis of trends in our business, as they exclude income and expense that are not reflective of ongoing operating results;
- provide useful information in understanding and evaluating our operating results and comparing financial results across periods; and
- provide a normalized view of our operating performance by excluding items that are either noncash or infrequently occurring.

Adjusted EBITDA is one of the primary measures management uses for planning and budgeting processes, and to monitor and evaluate financial and operating results. In addition, Adjusted EBITDA is a factor in evaluating management's performance when determining incentive compensation.



The following table reconciles net loss to EBITDA and Adjusted EBITDA for the periods presented:

|                                                                        | Three Months Ended September 30, |        | Nine Months Ended September 30, |         |
|------------------------------------------------------------------------|----------------------------------|--------|---------------------------------|---------|
|                                                                        | 2020                             | 2019   | 2020                            | 2019    |
|                                                                        | (Millions of U.S. dollars)       |        |                                 |         |
| Net income (loss) (U.S. GAAP)                                          | \$ 902                           | \$ (6) | \$ 938                          | \$ (92) |
| Loss from discontinued operations, net of tax (see Note 2) (U.S. GAAP) | —                                | 6      | —                               | 5       |
| Net income (loss) from continuing operations (U.S. GAAP)               | 902                              | (12)   | 938                             | (97)    |
| Interest expense                                                       | 48                               | 51     | 140                             | 154     |
| Interest income                                                        | (1)                              | (4)    | (6)                             | (16)    |
| Income tax provision (benefit)                                         | (893)                            | 12     | (876)                           | 10      |
| Depreciation, depletion and amortization expense                       | 76                               | 74     | 219                             | 205     |
| EBITDA (non-U.S. GAAP)                                                 | 132                              | 121    | 415                             | 256     |
| Inventory step-up (a)                                                  | —                                | 40     | —                               | 95      |
| Contract loss (b)                                                      | —                                | —      | —                               | 19      |
| Share-based compensation (c)                                           | 8                                | 9      | 19                              | 24      |
| Transaction costs (d)                                                  | 6                                | —      | 10                              | 29      |
| Restructuring (e)                                                      | 1                                | 3      | 3                               | 13      |
| Integration costs (f)                                                  | 1                                | 4      | 10                              | 8       |
| Loss on extinguishment of debt (g)                                     | —                                | —      | —                               | 2       |
| Foreign currency remeasurement (h)                                     | (2)                              | (1)    | (10)                            | (5)     |
| Charge for capital gains tax payment to Exxaro (i)                     | —                                | 4      | —                               | 6       |
| Other items (j)                                                        | 2                                | 4      | 17                              | 12      |
| Adjusted EBITDA (non-U.S. GAAP)                                        | \$ 148                           | \$ 184 | \$ 464                          | \$ 459  |

(a) 2019 amount represents a pre-tax charge related to the recognition of a step-up in value of inventories as a result of purchase accounting.

(b) 2019 amount represents a pre-tax charge for the estimated losses we expect to incur under the supply agreement with Venator. See Note 2 of notes to unaudited condensed consolidated financial statements.

(c) Represents non-cash share-based compensation. See Note 19 of notes to unaudited condensed consolidated financial statements.

(d) 2020 and 2019 amounts represent transaction costs associated with the TTI Transaction and Cristal Transaction, respectively, which were recorded in “Selling, general and administrative expenses” in the unaudited Condensed Consolidated Statements of Operations.

(e) Represents amounts for employee-related costs, including severance. See Note 3 of notes to unaudited condensed consolidated financial statements.

(f) Represents integration costs associated with the Cristal acquisition after the acquisition which were recorded in “Selling, general and administrative expenses” in the unaudited Condensed Consolidated Statements of Operations.

(g) 2019 amount represents the loss in connection with the modification of the Wells Fargo Revolver and termination of the ABSA Revolver.

(h) Represents realized and unrealized gains and losses associated with foreign currency remeasurement related to third-party and intercompany receivables and liabilities denominated in a currency other than the functional currency of the entity holding them, which are included in “Other income (expense), net” in the unaudited Condensed Consolidated Statements of Operations.

(i) Represents the payment owed to Exxaro for capital gains tax on the disposal of its ordinary shares in Tronox Holdings plc included in and “Other income (expense), net” in the unaudited Condensed Consolidated Statements of Operations.

(j) Includes noncash pension and postretirement costs, asset write-offs, accretion expense and other items included in “Selling general and administrative expenses”, “Cost of goods sold” and “Other income (expense), net” in the unaudited Condensed Consolidated Statements of Operations.

The following table reconciles net loss to EBITDA and Adjusted EBITDA on a pro forma basis for the periods presented:

|                                                   | <b>Pro Forma<br/>Three Months Ended September<br/>30,</b> |               | <b>Pro Forma<br/>Nine Months Ended<br/>September 30,</b> |               |
|---------------------------------------------------|-----------------------------------------------------------|---------------|----------------------------------------------------------|---------------|
|                                                   | <b>2020</b>                                               | <b>2019</b>   | <b>2020</b>                                              | <b>2019</b>   |
|                                                   | (Millions of U.S. dollars)                                |               |                                                          |               |
| Net income from continuing operations (U.S. GAAP) | \$ 902                                                    | \$ 26         | \$ 938                                                   | \$ 40         |
| Interest expense                                  | 48                                                        | 51            | 140                                                      | 160           |
| Interest income                                   | (1)                                                       | (4)           | (6)                                                      | (10)          |
| Income tax provision (benefit)                    | (893)                                                     | 14            | (876)                                                    | 27            |
| Depreciation, depletion and amortization expense  | 76                                                        | 74            | 219                                                      | 248           |
| EBITDA (non-U.S. GAAP)                            | 132                                                       | 161           | 415                                                      | 465           |
| Share-based compensation                          | 8                                                         | 9             | 19                                                       | 24            |
| Transaction costs                                 | 6                                                         | —             | 10                                                       | —             |
| Restructuring                                     | 1                                                         | 3             | 3                                                        | 13            |
| Integration costs                                 | 1                                                         | 4             | 10                                                       | 8             |
| Loss on extinguishment of debt                    | —                                                         | —             | —                                                        | 2             |
| Foreign currency remeasurement                    | (2)                                                       | (1)           | (10)                                                     | (5)           |
| Charge for capital gains tax payment to Exxaro    | —                                                         | 4             | —                                                        | 6             |
| Other items                                       | 2                                                         | 4             | 17                                                       | 12            |
| Adjusted EBITDA (non-U.S. GAAP)                   | <u>\$ 148</u>                                             | <u>\$ 184</u> | <u>\$ 464</u>                                            | <u>\$ 525</u> |

## Recent Accounting Pronouncements

See Note 1 of notes to unaudited condensed consolidated financial statements for recently issued accounting pronouncements.

## Environmental Matters

We are subject to a broad array of international, federal, state, and local laws and regulations relating to safety, pollution, protection of the environment, and the generation, storage, handling, transportation, treatment, disposal, and remediation of hazardous substances and waste materials. In the ordinary course of business, we are subject to frequent environmental inspections and monitoring, and occasional investigations by governmental enforcement authorities. Under these laws, we are or may be required to obtain or maintain permits or licenses in connection with our operations. In addition, under these laws, we are or may be required to remove or mitigate the effects on the environment of the disposal or release of chemical, petroleum, low-level radioactive and other substances at our facilities. We may incur future costs for capital improvements and general compliance under environmental, health, and safety laws, including costs to acquire, maintain, and repair pollution control equipment. Environmental laws and regulations are becoming increasingly stringent, and compliance costs are significant and will continue to be significant in the foreseeable future. There can be no assurance that such laws and regulations or any environmental law or regulation enacted in the future is not likely to have a material effect on our business. We believe we are in compliance with applicable environmental rules and regulations in all material respects.

## Supplemental Pro Forma Information

To assist in the discussion of the 2020 and 2019 results on a comparable basis, certain supplemental unaudited pro forma income statement and Adjusted EBITDA information is provided on a consolidated basis. The pro forma information has been prepared on a basis consistent with Article 11 of Regulation S-X, assuming the merger and merger-related divestitures of Cristal's North American TiO<sub>2</sub> business and the 8120 paper laminate grade had been consummated on January 1, 2018. The unaudited pro forma financial information reflects certain adjustments related to the acquisition, such as:

- (1) conforming the accounting policies of Cristal to those applied by Tronox;
- (2) conversion to U.S. GAAP from IFRS for Cristal;
- (3) the elimination of transactions between Tronox and Cristal;
- (4) recording certain incremental expenses resulting from purchase accounting adjustments, such as inventory step-up amortization, depreciation, depletion and amortization expense in connection with fair value adjustments to property, plant and equipment, mineral leases and intangible assets;
- (5) recording the contract loss on the sale of the 8120 product line as a charge in the first quarter of 2018;
- (6) recording the effect on interest expense related to borrowings in connection with the Cristal Transaction; and
- (7) recording the related tax effects and impacts to EPS for the shares issued in conjunction with the transaction.

In preparing this pro forma information, the historical financial information has been adjusted to give effect to pro forma adjustments that are (i) directly attributable to the business combination and other transactions presented herein, such as the merger-related divestitures, (ii) factually supportable, and (iii) expected to have a continuing impact on the combined entity's consolidated results. The pro forma information is based on management's assumptions and is presented for illustrative purposes and does not purport to represent what the results of operations would actually have been if the business combination and merger-related divestitures had occurred as of the dates indicated or what the results would be for any future periods. Also, the pro forma information does not include the impact of any revenue, cost or other operating synergies that may result from the business combination or any related restructuring costs.

Events that are not expected to have a continuing impact on the combined results (nonrecurring income/charges) are excluded from the unaudited pro forma information.

The unaudited pro forma statement of operations and Adjusted EBITDA have been presented for informational purposes only and is not necessarily indicative of what Tronox's results actually would have been had the merger been completed on January 1, 2018. In addition, the unaudited pro forma information does not purport to project the future operating results of the company.

The following unaudited pro forma information includes:

- Pro forma statement of operations for the three and nine months ended September 30, 2020 and 2019
- Pro forma Adjusted EBITDA for the three and nine months ended September 30, 2020 and 2019

### *Pro forma Information for the three and nine months ended September 30, 2020:*

For the three and nine months ended September 30, 2020, the pro forma statement of operations and pro forma Adjusted EBITDA information were the same as the as reported statement of operations and as reported Adjusted EBITDA information.

### *Pro forma Information for the three and nine months ended September 30, 2019:*

For the three and nine months ended September 30, 2019, the pro forma statement of operations and pro forma Adjusted EBITDA information were updated in subsequent periods to reflect final purchase price allocation adjustments.

**TRONOX HOLDINGS PLC**  
**Pro Forma Statement of Operations Information**  
**For The Three months ended September 30, 2019**  
**(Unaudited)**  
**(Millions of U.S. dollars, except share and per share data)**

|                                                                                         | Tronox Holdings plc | Pro Forma Adjustments |          |       | Pro Forma |
|-----------------------------------------------------------------------------------------|---------------------|-----------------------|----------|-------|-----------|
|                                                                                         |                     | Cristal               | Other    | Total |           |
| <b>Net sales</b>                                                                        | \$ 768              | \$ —                  | \$ —     | \$ —  | \$ 768    |
| Cost of goods sold                                                                      | 635                 | —                     | (40) (a) | (40)  | 595       |
| Contract loss                                                                           | —                   | —                     | —        | —     | —         |
| <b>Gross profit</b>                                                                     | 133                 | —                     | 40       | 40    | 173       |
| Selling, general and administrative expenses                                            | 82                  | —                     | —        | —     | 82        |
| Restructuring                                                                           | 3                   | —                     | —        | —     | 3         |
| <b>Income from operations</b>                                                           | 48                  | —                     | 40       | 40    | 88        |
| Interest expense                                                                        | (51)                | —                     | —        | —     | (51)      |
| Interest income                                                                         | 4                   | —                     | —        | —     | 4         |
| Loss on extinguishment of debt                                                          | —                   | —                     | —        | —     | —         |
| Other income (expense), net                                                             | (1)                 | —                     | —        | —     | (1)       |
| <b>Income (loss) from continuing operations before income taxes</b>                     | —                   | —                     | 40       | 40    | 40        |
| Income tax (provision) benefit                                                          | (12)                | —                     | (2)      | (2)   | (14)      |
| <b>Net income (loss) from continuing operations</b>                                     | (12)                | —                     | 38       | 38    | 26        |
| Net income attributable to noncontrolling interest                                      | 7                   | —                     | —        | —     | 7         |
| <b>Net income (loss) from continuing operations attributable to Tronox Holdings plc</b> | \$ (19)             | \$ —                  | \$ 38    | \$ 38 | \$ 19     |
| <b>Net income (loss) from continuing operations per share, basic</b>                    | \$ (0.13)           |                       |          |       | \$ 0.13   |
| <b>Net income (loss) from continuing operations per share, diluted</b>                  | \$ (0.13)           |                       |          |       | \$ 0.13   |
| <b>Weighted average shares outstanding, basic (in thousands)</b>                        | 142,278             |                       |          |       | 142,278   |
| <b>Weighted average shares outstanding, diluted (in thousands)</b>                      | 142,278             |                       |          |       | 142,984   |

Pro Forma Adjustments

(a) The adjustment to cost of goods sold is for the reversal of \$40 million related to the amortizing of the step-up in value of inventory. For pro forma purposes this item is pushed back to the first quarter of 2018.

**TRONOX HOLDINGS PLC**  
**Pro Forma Statement of Operations Information**  
**For The Nine Months Ended September 30, 2019**  
**(Unaudited)**  
(Millions of U.S. dollars, except share and per share data)

|                                                                                         | Tronox Holdings plc | Pro Forma Adjustments |             |        | Pro Forma |
|-----------------------------------------------------------------------------------------|---------------------|-----------------------|-------------|--------|-----------|
|                                                                                         |                     | Cristal (a)           | Other       | Total  |           |
| <b>Net sales</b>                                                                        | \$ 1,949            | \$ 379                | \$ (13) (b) | \$ 366 | \$ 2,315  |
| Cost of goods sold                                                                      | 1,614               | 294                   | (86) (c)    | 208    | 1,822     |
| Contract loss                                                                           | 19                  | —                     | (19) (d)    | (19)   | —         |
| <b>Gross profit</b>                                                                     | 316                 | 85                    | 92          | 177    | 493       |
| Selling, general and administrative expenses                                            | 252                 | 59                    | (49) (e)    | 10     | 262       |
| Restructuring                                                                           | 13                  | —                     | —           | —      | 13        |
| <b>Income from operations</b>                                                           | 51                  | 26                    | 141         | 167    | 218       |
| Interest expense                                                                        | (154)               | (5)                   | (1) (f)     | (6)    | (160)     |
| Interest income                                                                         | 16                  | —                     | (6) (g)     | (6)    | 10        |
| Loss on extinguishment of debt                                                          | (2)                 | —                     | —           | —      | (2)       |
| Other income (expense), net                                                             | 2                   | (1)                   | —           | (1)    | 1         |
| <b>Income (loss) from continuing operations before income taxes</b>                     | (87)                | 20                    | 134         | 154    | 67        |
| Income tax (provision) benefit                                                          | (10)                | (4)                   | (13)        | (17)   | (27)      |
| <b>Net income (loss) from continuing operations</b>                                     | (97)                | 16                    | 121         | 137    | 40        |
| Net income attributable to noncontrolling interest                                      | 17                  | 1                     | —           | 1      | 18        |
| <b>Net income (loss) from continuing operations attributable to Tronox Holdings plc</b> | \$ (114)            | \$ 15                 | \$ 121      | \$ 136 | \$ 22     |
| <b>Net income (loss) from continuing operations per share, basic</b>                    | \$ (0.82)           |                       |             |        | \$ 0.14   |
| <b>Net income (loss) from continuing operations per share, diluted</b>                  | \$ (0.82)           |                       |             |        | \$ 0.14   |
| <b>Weighted average shares outstanding, basic (in thousands)</b>                        | 139,158             |                       |             |        | 152,786   |
| <b>Weighted average shares outstanding, diluted (in thousands)</b>                      | 139,158             |                       |             |        | 153,916   |

Pro Forma Adjustments

(a) Includes results from continuing operations for Cristal for period of January 1, 2019 through April 9, 2019. The Cristal Transaction closed on April 10, 2019.

(b) The adjustment to net sales includes \$11 million to eliminate sales between Tronox and Cristal and \$2 million to eliminate revenue associated with the divestiture of the 8120 paper laminate product grade.

(c) The adjustment to cost of goods sold includes (i) a credit of \$11 million for the elimination of sales between Tronox and Cristal, (ii) a decrease of \$1 million for the decrease in DD&A expense as a result of fair value adjustments to property, plant and equipment and mineral leases, (iii) a credit of \$95 million related to the amortizing of the step-up in value of inventory. For pro forma purposes, this item was pushed back to the first quarter of 2018. Cost of goods sold also includes a reclassification of expenses of \$21 million from SG&A to cost of goods sold for distribution costs as part of our accounting policy alignment.

(d) The adjustment is for the elimination of \$19 million in non-recurring contract losses incurred on the 8120 supply agreement with Venator.

(e) The adjustment to SG&A includes (i) the elimination of \$30 million in non-recurring acquisition-related transaction costs incurred, (2) the reclassification of \$21 million in expenses from SG&A to cost of goods sold, and (3) a \$2 million increase in amortization expense as a result of fair value adjustments to intangible assets.

(f) The adjustment to interest expense of \$1 million reflects interest incurred on incremental borrowings under the Wells Fargo Revolver used to close the Cristal acquisition.

(g) The adjustment to interest income of \$6 million reflects the elimination of interest earned on cash balances that were used to acquire Cristal.

**TRONOX HOLDINGS PLC**  
**Pro Forma Adjusted EBITDA Information**  
**For The Three months ended September 30, 2019**  
**(Millions of U.S. dollars)**

|                                                          | Tronox Holdings plc | Pro Forma Adjustments |       |       | Pro Forma |
|----------------------------------------------------------|---------------------|-----------------------|-------|-------|-----------|
|                                                          |                     | Cristal               | Other | Total |           |
| Net income (loss) from continuing operations (U.S. GAAP) | \$ (12)             | \$ —                  | \$ 38 | \$ 38 | \$ 26     |
| Interest expense                                         | 51                  | —                     | —     | —     | 51        |
| Interest income                                          | (4)                 | —                     | —     | —     | (4)       |
| Income tax provision (benefit)                           | 12                  | —                     | 2     | 2     | 14        |
| Depreciation, depletion and amortization expense         | 74                  | —                     | —     | —     | 74        |
| EBITDA (non-U.S. GAAP)                                   | 121                 | —                     | 40    | 40    | 161       |
| Inventory step-up                                        | 40                  | —                     | (40)  | (40)  | —         |
| Contract loss                                            | —                   | —                     | —     | —     | —         |
| Share-based compensation                                 | 9                   | —                     | —     | —     | 9         |
| Transaction costs                                        | —                   | —                     | —     | —     | —         |
| Restructuring                                            | 3                   | —                     | —     | —     | 3         |
| Integration costs                                        | 4                   | —                     | —     | —     | 4         |
| Loss on extinguishment of debt                           | —                   | —                     | —     | —     | —         |
| Foreign currency remeasurement                           | (1)                 | —                     | —     | —     | (1)       |
| Charge for potential capital gains tax payment to Exxaro | 4                   | —                     | —     | —     | 4         |
| Other items                                              | 4                   | —                     | —     | —     | 4         |
| Adjusted EBITDA (non-U.S. GAAP)                          | \$ 184              | \$ —                  | \$ —  | \$ —  | \$ 184    |

**TRONOX HOLDINGS PLC**  
**Pro Forma Adjusted EBITDA Information**  
**For The Nine Months Ended September 30, 2019**  
**(Millions of U.S. dollars)**

|                                                          | Tronox Holdings plc | Pro Forma Adjustments |        |        | Pro Forma |
|----------------------------------------------------------|---------------------|-----------------------|--------|--------|-----------|
|                                                          |                     | Cristal (1)           | Other  | Total  |           |
| Net income (loss) from continuing operations (U.S. GAAP) | \$ (97)             | \$ 18                 | \$ 119 | \$ 137 | \$ 40     |
| Interest expense                                         | 154                 | 5                     | 1      | 6      | 160       |
| Interest income                                          | (16)                | —                     | 6      | 6      | (10)      |
| Income tax provision (benefit)                           | 10                  | 4                     | 13     | 17     | 27        |
| Depreciation, depletion and amortization expense         | 205                 | 42                    | 1      | 43     | 248       |
| EBITDA (non-U.S. GAAP)                                   | 256                 | 69                    | 140    | 209    | 465       |
| Inventory step-up                                        | 95                  | —                     | (95)   | (95)   | —         |
| Contract loss                                            | 19                  | —                     | (19)   | (19)   | —         |
| Share-based compensation                                 | 24                  | —                     | —      | —      | 24        |
| Transaction costs                                        | 29                  | 1                     | (30)   | (29)   | —         |
| Restructuring                                            | 13                  | —                     | —      | —      | 13        |
| Integration costs                                        | 8                   | —                     | —      | —      | 8         |
| Loss on extinguishment of debt                           | 2                   | —                     | —      | —      | 2         |
| Foreign currency remeasurement                           | (5)                 | —                     | —      | —      | (5)       |
| Charge for potential capital gains tax payment to Exxaro | 6                   | —                     | —      | —      | 6         |
| Other items                                              | 12                  | —                     | —      | —      | 12        |
| Adjusted EBITDA (non-U.S. GAAP)                          | \$ 459              | \$ 70                 | \$ (4) | \$ 66  | \$ 525    |

(1) Includes results from continuing operations for Cristal for the period of January 1, 2019 through April 9, 2019. The Cristal Transaction closed on April 10, 2019.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

We are exposed to various market, credit, operational, and liquidity risks in the normal course of business, which are discussed below. We manage these risks through normal operating and financing activities and, when appropriate, with derivative instruments. We do not invest in derivative instruments for speculative purposes, but historically have entered into, and may enter into, derivative instruments for hedging purposes in order to reduce the exposure to fluctuations in interest rates, natural gas prices and exchange rates.

#### **Market Risk**

A substantial portion of our products and raw materials are commodities that reprice as market supply and demand fundamentals change. Accordingly, product margins and the level of our profitability tend to vary with changes in the business cycle. Our TiO<sub>2</sub> prices may do so in the near term as ore prices and pigment prices are expected to fluctuate over the next few years. We try to protect against such instability through various business strategies. These include provisions in sales contracts allowing us to pass on higher raw material costs through timely price increases and formula price contracts to transfer or share commodity price risk, as well as using varying contract term lengths and selling to a diverse mix of customers by geography and industry to reap the benefits of a diverse portfolio.

#### **Credit Risk**

Credit risk is the risk that a borrower or a counterparty will fail to meet their obligations. A significant portion of our liquidity is concentrated in trade accounts receivable that arise from sales of our products to customers. In the case of TiO<sub>2</sub>, the high level of industry concentration has the potential to impact our overall exposure to credit risk, either positively or negatively, in that our customers may be similarly affected by changes in economic, industry or other conditions (e.g., the Covid-19 pandemic may increase our credit risk as a result of the difficult economic environment). We have significant exposure to credit risk in industries that are affected by cyclical economic fluctuations. We perform ongoing credit evaluations of our customers from time to time, as deemed appropriate, to mitigate credit risk but generally do not require collateral. Our contracts typically enable us to tighten credit terms if we perceive additional credit risk; however, historic losses due to write offs of bad debt have been relatively low. In addition, due to our international operations, we are subject to potential trade restrictions and sovereign risk in certain countries in which we operate. We maintain allowances for potential credit losses based on specific customer review and current financial conditions. During the nine months ended September 30, 2020 and 2019, our ten largest third-party TiO<sub>2</sub> customers represented 33% and 32%, respectively, of our consolidated net sales. During the nine months ended September 30, 2020 and 2019, no single customer accounted for 10% of our consolidated net sales.

#### **Interest Rate Risk**

Interest rate risk arises from the possibility that changes in interest rates will impact our financial results. We are exposed to interest rate risk on our floating rate debt, the Term Loan Facility, Standard Bank Term Loan Facility, Tikon Loan and Wells Fargo, Standard Bank Revolver, Emirates Revolver and SABB Credit Facility balances. Using a sensitivity analysis as of September 30, 2020, a hypothetical 1% increase in interest rates would result in a net decrease to pre-tax income of approximately \$4 million on an annualized basis. This is due to the fact that earnings on our floating rate financial assets of \$749 million at September 30, 2020 would increase by the full 1%, offsetting the impact of a 1% increase in interest expense on our floating rate debt of \$1.2 billion.

During 2019, we entered into interest-rate swap agreements for a portion of our Term Loan Facility, which effectively converts the variable rate to a fixed rate for a portion of the loan. The agreements expire in September 2024. The Company's objectives in using the interest-rate swap agreements are to add stability to interest expense and to manage its exposure to interest rate movements.



## Currency Risk

Currency risk arises from the possibility that fluctuations in foreign exchange rates will impact our balance sheets due to the translation of our assets and liabilities denominated in foreign currencies, as well as our earnings due to the translation of certain of our subsidiaries' statements of operations from local currencies to U.S. dollars, as well as due to remeasurement of assets and liabilities denominated in currencies other than a subsidiary's functional currency. We manufacture and market our products in a number of countries throughout the world and, as a result, are exposed to changes in foreign currency exchange rates, particularly in Australia, Brazil, China, South Africa, the Netherlands and the United Kingdom. The exposure is more prevalent in South Africa and Australia as the majority of revenues are earned in U.S. dollars while expenses are primarily incurred in local currencies. Since we are exposed to movements in the South African Rand and the Australian Dollar versus the U.S. dollar, we may enter into forward contracts to buy and sell foreign currencies as "economic hedges" for these foreign currency transactions.

During 2019 and first quarter of 2020, we entered into foreign currency contracts used to hedge non-functional currency sales for our South African subsidiaries and forecasted non-functional currency cost of goods sold for our Australian subsidiaries. These foreign currency contracts are designated as cash flow hedges. Changes to the fair value of these foreign currency contracts are recorded as a component of other comprehensive (loss) income to the extent such contracts are effective, and are recognized in net sales or costs of goods sold in the period in which the forecasted transaction affects earnings or the transactions are no longer probable of occurring.

As of September 30, 2020, we had notional amounts of (i) 635 million South African Rand (or approximately \$38 million at September 30, 2020 exchange rate) that expire between December 30, 2020 and February 25, 2021 to reduce the exposure of our South African subsidiaries' third party sales to fluctuations in currency rates, and (ii) \$410 million Australian dollars (or approximately \$294 million at September 30, 2020 exchange rate) that expire between December 30, 2020 and December 30, 2021 to reduce the exposure of our Australian subsidiaries' cost of sales to fluctuations in currency rates. At September 30, 2020, there was an unrealized net gain of \$42 million recorded in "Accumulated other comprehensive loss" on the unaudited Condensed Consolidated Balance Sheet

We enter into foreign currency contracts for the South African Rand and Australian dollar to reduce exposure of our foreign affiliates' balance sheet to fluctuations in foreign currency rates. At September 30, 2020, the fair value of the foreign currency contracts was a fair value of a net gain of \$1 million.

## Item 4. Controls and Procedures

### *Evaluation of Disclosure Controls and Procedures*

Under the supervision of and with the participation of Tronox's management, including our CEO and CFO, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) (the "Exchange Act"), as of September 30, 2020, the end of the period covered by this report. Based on that evaluation, we have concluded that the Company's disclosure controls and procedures were effective as of that date. Tronox's disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by Tronox in the reports that it files or submits under the Exchange Act is accumulated and communicated to Tronox's management, including Tronox's principal executive and principal financial officers, or other persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Based on that evaluation, we have concluded that the Company's disclosure controls and procedures were effective as of that date.

An evaluation of our internal control over financial reporting was also performed to determine whether any changes have occurred during the period covered by this Quarterly Report on Form 10-Q that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

### *Changes in Internal Control over Financial Reporting*

During the quarter ended September 30, 2020, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## **PART II – OTHER INFORMATION**

### **Item 1. Legal Proceedings**

Information required by this item is incorporated herein by reference to the section captioned “Notes to Consolidated Financial Statements, Note 17- Commitments and Contingencies” of this Form 10-Q.

### **Item 1A. Risk Factors**

In addition to the other information set forth in this Quarterly Report on Form 10-Q, you should carefully consider the factors discussed under “Risk Factors” included in our Annual Report on Form 10-K and any subsequent filings thereto with the SEC. The risks described herein or in the Form 10-K and any subsequent filings thereto with the SEC are not the only risks facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results. Other than the COVID related risk factor filed on Form 8-K with the SEC on April 23, 2020, there have been no material changes from the risk factors disclosed under the heading “Risk Factors” in our Form 10-K.

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

None.

**Item 3. Defaults Upon Senior Securities**

None.

**Item 4. Mine Safety Disclosures**

Not applicable.

**Item 5. Other Information**

None.

**Item 6. Exhibits**

| Exhibit No. |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|-------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 31.1        | <a href="#">Rule 13a-14(a) Certification of Jeffrey N. Quinn. (furnished herewith)</a>                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| 31.2        | <a href="#">Rule 13a-14(a) Certification of Timothy Carlson. (furnished herewith)</a>                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| 32.1        | <a href="#">Section 1350 Certification for Jeffrey N. Quinn. (furnished herewith)</a>                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| 32.2        | <a href="#">Section 1350 Certification for Timothy Carlson. (furnished herewith)</a>                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| 101         | The following financial statements from Tronox Holdings plc. Quarterly Report on Form 10-Q for the quarter ended September 30, 2020, formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) Condensed Consolidated Statements of Operations, (ii) Condensed Consolidated Balance Sheets, (iii) Condensed Consolidated Statements of Comprehensive Loss, (iv) Condensed Consolidated Statements of Changes in Equity, (v) Condensed Consolidated Statements of Cash Flows, and (vi) the Notes to Condensed Consolidated Financial Statements. |
| 101.INS     | Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document. (furnished herewith)                                                                                                                                                                                                                                                                                                                                                                   |
| 101.SCH     | Inline XBRL Taxonomy Extension Schema Document. (furnished herewith)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| 101.CAL     | Inline XBRL Taxonomy Extension Calculation Linkbase Document. (furnished herewith)                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| 101.DEF     | Inline XBRL Taxonomy Extension Definition Linkbase Document. (furnished herewith)                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| 101.LAB     | Inline XBRL Taxonomy Extension Label Linkbase Document. (furnished herewith)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| 101.PRE     | Inline XBRL Taxonomy Extension Presentation Linkbase Document. (furnished herewith)                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| 104         | The cover page from the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2020, which has been formatted in Inline XBRL and contained in Exhibit 101.                                                                                                                                                                                                                                                                                                                                                                                |

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date:  
October 29, 2020

TRONOX HOLDINGS PLC (Registrant)

|        |                                                                                 |
|--------|---------------------------------------------------------------------------------|
| By:    | <u>/s/ Timothy Carlson</u>                                                      |
| Name:  | Timothy Carlson                                                                 |
| Title: | Senior Vice President, Chief Financial Officer and Principal Accounting Officer |

## SECTION 302 CERTIFICATION

I, Jeffry N. Quinn, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended September 30, 2020 of Tronox Holdings plc (the “Registrant”);
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: October 29, 2020

/s/ Jeffry N. Quinn

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Jeffry N. Quinn

Chairman and Chief Executive Officer

## SECTION 302 CERTIFICATION

I, Timothy Carlson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended September 30, 2020 of Tronox Holdings plc (the “Registrant”);
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: October 29, 2020

/s/ Timothy Carlson

Timothy Carlson

Senior Vice President and Chief Financial Officer

**WRITTEN STATEMENT OF CHIEF EXECUTIVE OFFICER  
FURNISHED PURSUANT TO SECTION 906  
OF THE SARBANES-OXLEY ACT OF 2002 (18 USC. SECTION 1350)  
AND FOR THE PURPOSE OF COMPLYING WITH RULE 13a-14(b)  
OF THE SECURITIES EXCHANGE ACT OF 1934.**

October 29, 2020

Pursuant to 18 U.S.C. § 1350, the undersigned officer of Tronox Holdings plc (the “Registrant”) hereby certifies that the Registrant’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2020 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/s/ Jeffry N. Quinn

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Jeffry N. Quinn

Chairman and Chief Executive Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350 and is not being filed as part of the Report or as a separate disclosure document.

**WRITTEN STATEMENT OF PRINCIPAL FINANCIAL OFFICER  
FURNISHED PURSUANT TO SECTION 906  
OF THE SARBANES-OXLEY ACT OF 2002 (18 USC. SECTION 1350)  
AND FOR THE PURPOSE OF COMPLYING WITH RULE 13a-14(b)  
OF THE SECURITIES EXCHANGE ACT OF 1934.**

October 29, 2020

Pursuant to 18 U.S.C. § 1350, the undersigned officer of Tronox Holdings plc (the “Registrant”) hereby certifies that the Registrant’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2020 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/s/ Timothy Carlson

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Timothy Carlson

Senior Vice President and Chief Financial Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350 and is not being filed as part of the Report or as a separate disclosure document.