

KRONOS INTERNATIONAL INC

Form 10-Q

August 03, 2011

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarter ended June 30, 2011

Commission file number 333-100047

KRONOS INTERNATIONAL, INC.

(Exact name of Registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of
incorporation or organization)

5430 LBJ Freeway, Suite 1700

22-2949593
(IRS Employer
Identification No.)

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Dallas, Texas 75240-2697

(Address of principal executive offices)

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company (as defined in Rule 12b-2 of the Securities Exchange Act of 1934).

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

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

Number of shares of the Registrant's common stock outstanding on July 29, 2011: 2,968.

The Registrant is a wholly owned subsidiary of Kronos Worldwide, Inc. (File No. 1-31763) and meets the conditions set forth in General Instructions H(1)(a) and H(1)(b) of Form 10-Q for reduced disclosure format.

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KRONOS INTERNATIONAL, INC. AND SUBSIDIARIES

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	December 31, 2010	June 30, 2011 (Unaudited)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 49.8	\$ 17.8
Restricted cash	1.9	1.8
Accounts and other receivables	161.5	260.6
Inventories	202.9	228.6
Prepaid expenses and other	4.0	3.2
Deferred income taxes	.4	.4
Total current assets	420.5	512.4
Other assets:		
Deferred financing costs, net	4.3	3.1
Deferred income taxes	191.6	178.7
Other	5.4	9.3
Total other assets	201.3	191.1
Property and equipment:		
Land	42.4	45.3
Buildings	170.9	183.1
Equipment	828.5	888.4
Mining properties	115.9	124.2
Construction in progress	10.2	22.3
	1,167.9	1,263.3
Less accumulated depreciation and amortization	766.0	835.7
Net property and equipment	401.9	427.6
Total assets	\$ 1,023.7	\$ 1,131.1

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

(In millions)

	December 31, 2010	June 30, 2011 (Unaudited)
LIABILITIES AND STOCKHOLDER S EQUITY		
Current liabilities:		
Current maturities of long-term debt	\$ 2.2	\$ 2.3
Accounts payable and accrued liabilities	152.4	154.0
Income taxes	6.8	13.8
Deferred income taxes	4.7	5.0
Total current liabilities	166.1	175.1
Noncurrent liabilities:		
Long-term debt	537.4	509.4
Deferred income taxes	14.9	16.1
Accrued pension cost	100.7	104.0
Other	24.2	26.7
Total noncurrent liabilities	677.2	656.2
Stockholder s equity:		
Common stock	.3	.3
Additional paid-in capital	1,976.0	1,983.2
Retained deficit	(1,385.1)	(1,276.2)
Notes receivable from affiliates	(255.6)	(266.2)
Accumulated other comprehensive loss	(155.2)	(141.3)
Total stockholder s equity	180.4	299.8
Total liabilities and stockholder s equity	\$ 1,023.7	\$ 1,131.1

Commitments and contingencies (Notes 6 and 9)

See accompanying Notes to Condensed Consolidated Financial Statements.

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KRONOS INTERNATIONAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(In millions)

	Three months ended June 30,		Six months ended June 30,	
	2010	2011 (Unaudited)	2010	2011
Net sales	\$ 256.6	\$ 404.0	\$ 485.4	\$ 702.7
Cost of sales	201.6	255.9	389.2	450.3
Gross margin	55.0	148.1	96.2	252.4
Selling, general and administrative expense	30.7	40.4	60.8	73.8
Currency transaction gains (losses), net	(1.7)	.2	.3	.2
Other operating income, net	3.1	2.5	5.0	4.9
Income from operations	25.7	110.4	40.7	183.7
Other income (expense):				
Interest income				.1
Loss on prepayment of debt				(3.3)
Interest expense	(9.5)	(8.5)	(19.5)	(17.8)
Income before income taxes	16.2	101.9	21.2	162.7
Income tax expense (benefit)	7.2	34.1	(28.1)	53.8
Net income	\$ 9.0	\$ 67.8	\$ 49.3	\$ 108.9

See accompanying Notes to Condensed Consolidated Financial Statements.

Table of Contents**KRONOS INTERNATIONAL, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDER S EQUITY AND COMPREHENSIVE INCOME**

Six months ended June 30, 2011

(In millions)

	Common stock	Additional paid-in capital	Retained deficit	Notes receivable from affiliates (Unaudited)	Accumulated other comprehensive loss	Total stockholder equity	Comprehensive income
Balance at December 31, 2010	\$.3	\$ 1,976.0	\$ (1,385.1)	\$ (255.6)	\$ (155.2)	\$ 180.4	
Net income			108.9			108.9	\$ 108.9
Other comprehensive income, net					13.9	13.9	13.9
Intercompany interest Kronos Worldwide, Inc.		7.2		(10.6)		(3.4)	
Balance at June 30, 2011	\$.3	\$ 1,983.2	\$ (1,276.2)	\$ (266.2)	\$ (141.3)	\$ 299.8	
Comprehensive income							\$ 122.8

See accompanying Notes to Condensed Consolidated Financial Statements.

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KRONOS INTERNATIONAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)

**Six months
ended
June 30,
2010 2011**