

Tata Chemicals North America Inc. and Subsidiaries

**Consolidated Financial Statements and
Independent Auditors' Report
March 31, 2019 and 2018**

Tata Chemicals North America Inc. and Subsidiaries
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March 31, 2019 and 2018

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KPMG LLP
Suite 1500
15 W. South Temple
Salt Lake City, UT 84101

Independent Auditors' Report

To the Board of Directors and Shareholder of
Tata Chemicals North America Inc.:

We have audited the accompanying consolidated financial statements of Tata Chemicals North America Inc. and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of March 31, 2019 and 2018, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Tata Chemicals North America Inc. and its subsidiaries as of March 31, 2019 and 2018, and the results of their operations and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG LLP

Salt Lake City, Utah
May 30, 2019

Tata Chemicals North America Inc. and Subsidiaries
Consolidated Statements of Income
Years Ended March 31, 2019 and 2018

<i>(in thousands)</i>	2019	2018
Net revenues	\$ 475,819	\$ 497,599
Less		
Cost of revenues - excluding depreciation	356,749	367,254
Cost of revenues - depreciation	<u>20,227</u>	<u>19,450</u>
Total cost of revenues	376,976	386,704
Selling, general and administrative expense	21,241	24,613
Loss on disposition of long-lived assets	<u>1,811</u>	<u>159</u>
Operating profit	75,791	86,123
Interest expense, net	11,194	11,237
Unrealized loss (gain) on interest rate swaps	663	(1,724)
Unrealized (gain) loss on natural gas futures	(1,980)	1,932
Unrealized loss (gain) on foreign currency hedge	709	(74)
Release of GCCL liability (Note 10)	(16,433)	-
Other (income) expense, net	<u>(631)</u>	<u>1,033</u>
Income before tax provision	82,269	73,719
Provision (benefit) for income taxes	<u>1,382</u>	<u>(25,035)</u>
Net income	80,887	98,754
Net income attributable to noncontrolling interest	<u>26,325</u>	<u>28,249</u>
Net income attributable to Tata Chemicals North America Inc.	<u>\$ 54,562</u>	<u>\$ 70,505</u>

See notes to consolidated financial statements.

Tata Chemicals North America Inc. and Subsidiaries
Consolidated Statements of Comprehensive Income
Years Ended March 31, 2019 and 2018

	2019	2018
<i>(in thousands)</i>		
Net income	\$ 80,887	\$98,754
Other comprehensive income, net of tax expense		
Defined benefit plan and other adjustments, net of tax of \$787 and \$(2,473)	<u>291</u>	<u>11,947</u>
	81,178	110,701
Comprehensive income		
Less: Comprehensive income attributable to the noncontrolling interest	<u>26,739</u>	<u>31,540</u>
Comprehensive income attributable to Tata Chemicals North America Inc.	<u>\$ 54,439</u>	<u>\$79,161</u>

See notes to consolidated financial statements.

Tata Chemicals North America Inc. and Subsidiaries
Consolidated Balance Sheets
March 31, 2019 and 2018

	2019	2018
<i>(in thousands, except share data)</i>		
Assets		
Current assets		
Cash and cash equivalents	\$ 99,518	\$ 78,282
Receivables, net of allowance for doubtful accounts of \$200 and \$308 (Note 7 & 15)	79,756	85,005
Inventories (Note 7)	18,132	23,291
Prepaid expenses and other current assets	<u>3,999</u>	<u>14,624</u>
Total current assets	201,405	201,202
Property, plant, and equipment, net (Note 5)	213,686	202,151
Goodwill (Note 4)	122,658	122,658
Income tax receivable (Note 9)	31,450	27,438
Intangible assets—net (Note 4)	292	718
Deferred tax assets, net	7,256	12,865
Other assets	<u>13,585</u>	<u>13,170</u>
Total assets	<u>\$ 590,332</u>	<u>\$ 580,202</u>
Liabilities		
Current liabilities		
Accounts payable	\$ 30,020	\$ 36,498
Due to related parties	146	396
Accrued liabilities (Note 7)	<u>24,304</u>	<u>29,712</u>
Total current liabilities	54,470	66,606
Other liabilities	111,331	115,458
Net investment in deconsolidated subsidiary (Note 10)	-	16,433
Long-term debt (Note 8)	<u>223,290</u>	<u>221,867</u>
Total liabilities	<u>389,091</u>	<u>420,364</u>
Commitments and contingencies (Note 16)		
Equity		
Tata Chemicals North America Inc. equity:		
Common stock, \$0.01 par value; 1,000 shares authorized 100 shares issued and outstanding at March 31, 2019 and 2018	-	-
Additional paid-in capital	228,847	228,845
Accumulated other comprehensive loss	(24,733)	(24,608)
Accumulated deficit	<u>(64,984)</u>	<u>(99,546)</u>
Total Tata Chemicals North America Inc. equity	139,130	104,691
Noncontrolling interest	<u>62,111</u>	<u>55,147</u>
Total equity	<u>201,241</u>	<u>159,838</u>
Total liabilities and equity	<u>\$ 590,332</u>	<u>\$ 580,202</u>

See notes to consolidated financial statements.

Tata Chemicals North America Inc. and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended March 31, 2019 and 2018

<i>(in thousands)</i>	2019	2018
Cash flows from operating activities		
Net income	\$ 80,887	\$ 98,754
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	20,227	19,450
Provision of bad debt	(108)	(159)
Amortization of intangible assets	426	426
Amortization of financing fees	1,586	1,582
Other expense - joint venture	50	296
Release of GCCL Liability	(16,433)	-
Deferred tax provision	2,385	(28,273)
Accretion of asset retirement obligation	710	1,010
Equity in income taxes of affiliate	2	6
Unrealized hedge (losses) gains	(3,552)	134
Loss on disposal of assets	1,811	159
Changes in assets and liabilities		
(Increase) decrease in receivables and income tax receivables	1,346	(2,911)
(Increase) decrease in inventories	5,159	(1,876)
Increase (decrease) in accounts payable	(2,310)	2,649
Increase (decrease) in accrued liabilities	(2,936)	5,005
Increase (decrease) in other liabilities	(4,547)	3,697
Decrease in prepaid expenses and other current and non-current assets	<u>14,283</u>	<u>3,333</u>
Net cash provided by operating activities	<u>98,986</u>	<u>103,282</u>
Cash flows used in investing activities		
Capital expenditures	(37,742)	(37,301)
(Purchase) of short-term investments	-	(23,000)
Sale of short-term investments	-	53,000
Additional contributions to joint venture	<u>(50)</u>	<u>(386)</u>
Net cash used in investing activities	<u>(37,792)</u>	<u>(7,687)</u>
Cash flows used in financing activities		
Repayment of debt and capital lease obligations	(183)	(20,503)
Dividends	(20,000)	(12,341)
Cash distributions to noncontrolling interest	<u>(19,775)</u>	<u>(22,428)</u>
Net cash used in financing activities	<u>(39,958)</u>	<u>(55,272)</u>
Increase (decrease) in cash and cash equivalents	21,236	40,323
Cash and cash equivalents		
Beginning of year	<u>78,282</u>	<u>37,959</u>
End of year	<u>\$ 99,518</u>	<u>\$ 78,282</u>
Supplemental information		
Cash paid for income taxes	\$ -	\$ 5,742
Cash paid for interest	11,372	10,453
Non-cash investing activities		
Accounts payable and accrued liabilities incurred to acquire property and equipment	\$ 3,549	\$ 7,717
Accrued liability related to Natronx railcar leases	\$ -	\$ (52)

See notes to consolidated financial statements.

Tata Chemicals North America Inc. and Subsidiaries
Consolidated Statements of Changes in Equity (deficit)
Years Ended March 31, 2019 and 2018

<i>(in thousands, except share data)</i>	Shares	Common Stock	Paid-in Capital	Accumulated Other Comprehensive Income (loss)	Accumulated Deficit	Total Equity	Noncontrolling Interest	Total
Balance—April 1, 2017	100	\$ -	\$ 228,839	\$ (33,258)	\$ (168,135)	\$ 27,446	\$ 46,035	\$ 73,481
Net income	-	-	-	-	70,505	70,505	28,249	98,754
Dividends	-	-	-	-	(12,341)	(12,341)	-	(12,341)
Distribution to noncontrolling shareholder	-	-	-	-	-	-	(22,428)	(22,428)
Adoption of ASU 2016 -09	-	-	-	-	10,425	10,425	-	10,425
Other comprehensive income	-	-	6	8,650	-	8,656	3,291	11,947
Balance—March 31, 2018	100	-	228,845	(24,608)	(99,546)	104,691	55,147	159,838
Net income	-	-	-	-	54,562	54,562	26,325	80,887
Dividends	-	-	-	-	(20,000)	(20,000)	-	(20,000)
Distribution to noncontrolling shareholder	-	-	-	-	-	-	(19,775)	(19,775)
Other comprehensive income	-	-	2	(125)	-	(123)	414	291
Balance—March 31, 2019	<u>100</u>	<u>\$ -</u>	<u>\$ 228,847</u>	<u>\$ (24,733)</u>	<u>\$ (64,984)</u>	<u>\$ 139,130</u>	<u>\$ 62,111</u>	<u>\$ 201,241</u>

See notes to consolidated financial statements.

Tata Chemicals North America Inc. and Subsidiaries

Notes to Consolidated Financial Statements

March 31, 2019 and 2018

(in thousands)

1. Basis of Presentation

Description of Business

Tata Chemicals North America Inc. and subsidiaries, ("TCNA" or the "Company") is a leading North American manufacturer and supplier of soda ash to a broad range of industrial and municipal customers. The primary end markets for soda ash include glass production, sodium-based chemicals, powdered detergents, water treatment, and other industrial end uses.

On March 27, 2008, TCNA was acquired by a subsidiary of Tata Chemicals Limited ("TCL"). Subsequent to the acquisition agreement and plan of merger with TCL, TCNA became a wholly-owned subsidiary of Valley Holdings, Inc. ("VHI"), a United States subsidiary of TCL. The consolidated financial statements of TCNA are prepared on a historical cost basis and do not reflect the pushdown of the acquisition of TCNA by TCL.

On August 23, 2011, the Partnership, together with Tronox Corporation and Church and Dwight Co. Inc., partnered to create Natronx Technologies, LLC ("Natronx"). As of March 31, 2019, this entity has been terminated with no significant remaining assets or liabilities.

For the purposes of these consolidated financial statements, fiscal 2019 is defined as the year ended March 31, 2019 and fiscal 2018 is defined as the year ended March 31, 2018.

2. Summary of Significant Accounting Policies

Basis of Consolidation

The accompanying consolidated financial statements reflect the results of operations, financial position and cash flows of the Company, including wholly-owned subsidiaries and Tata Chemicals (Soda Ash) Partners Holdings and subsidiaries ("TCSAP Holdings") of which the Company owns 75%. The Andover Group, Inc. ("Andover"), an indirect wholly owned subsidiary of Owens-Illinois, Inc. owns the remaining 25% interest in TCSAP Holdings. Intercompany balances and transactions are eliminated in consolidation.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include useful lives of assets, valuation of deferred tax assets, valuation of goodwill, assumptions related to pension and postretirement obligations, cash flow estimates used to test recoverability of assets and the estimated asset retirement obligation. Actual results could differ from those estimates.

Receivables and Allowance for Doubtful Accounts

Accounts receivable are recorded at the invoiced amount and do not bear interest. Management periodically reviews customer's credit history and extends credit accordingly. The Company records a provision for estimated losses based upon historical experience. Additionally, the Company will establish a specific allowance for doubtful accounts when it becomes aware of a specific customer's inability or unwillingness to meet its financial obligations.

Tata Chemicals North America Inc. and Subsidiaries

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(in thousands)

Income Taxes

The Company recognizes Income taxes using the separate return method for the amount of taxes payable for the current year and deferred tax assets and liabilities for the future tax consequence of events that have been recognized differently in the consolidated financial statements than for tax purposes. Deferred tax assets and liabilities are established using statutory tax rates expected to apply when differences are expected to be settled or realized and are adjusted for tax rate changes. Deferred tax assets are valued at the amount that is more likely than not to be realized.

The Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. The Company records estimated interest and penalties related to unrecognized tax benefits, if any, as a component of income tax provision.

Inventories

Inventories are stated at the lower of cost or net realizable value, with cost being determined using the average cost method. Product inventory costs include depreciation, maintenance, labor, energy, material and factory overhead.

Property, Plant and Equipment

Certain property, plant and equipment are carried at cost and are depreciated using the straight-line method, using estimated lives which range from 2 to 50 years. The majority of mines, machinery and equipment are depreciated using the units-of-production method. Leasehold improvements are amortized over the lesser of the useful life of the asset or term of the lease. Major additions and improvements are capitalized, while costs for minor replacements, maintenance and repairs that do not increase the useful life of an asset are expensed as incurred. Upon sale or retirement, the cost and related accumulated depreciation are eliminated from the respective accounts and any resulting gain or loss is recorded.

Property, Plant, and Equipment useful lives

Land improvements	5 to 20 years
Buildings	10 to 30 years
Furniture & fixtures	7 to 10 years
Office equipment	5 to 10 years
Computers & software	3 to 5 years
Machinery & equipment	5 to 20 years
Mineral leases	Units of production over group's life
Panel belting	2 to 4 years
Mainline belting	5 years
Mines & quarries	10 to 50 years

Impairment of Long-Lived Assets

Long-lived assets are evaluated for recoverability whenever events or changes in circumstances indicate that an asset may have been impaired. In evaluating an asset for recoverability, we estimate the future undiscounted cash flows expected to result from the use of the asset and eventual disposition. If the sum of the expected future cash flows is less than the carrying amount of the asset,

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(in thousands)

management would write the asset down to fair value and record impairment charges, accordingly. The estimation of fair value is measured by discounting expected future cash flows. The recoverability assessment related to long-lived assets requires judgments and estimates of future revenues, gross margin rates and operating expenses. The Company bases these estimates upon its past and expected future performance. The Company believes its estimates are appropriate in light of current market conditions. However, future impairment charges could be required for certain long-lived assets if the Company does not achieve its current revenue or cash flow projections.

Goodwill and Intangible Assets

Goodwill is not amortized into results of operations, but instead is reviewed for impairment. The Company records impairment losses on goodwill and other intangible assets based upon an annual review of the value of the assets or when events and circumstances indicate that the asset might be impaired and when the carrying value of the asset is more than its fair value. The Company's estimates of fair value are based upon its current operating forecast, which the Company believes to be reasonable. Significant assumptions that underlie the fair value estimates include future growth rates and weighted average cost of capital rates. Different assumptions regarding the current operating forecast could materially affect the estimate. Intangible assets, other than goodwill, are attributable to long-term customer relationships and patents and are being amortized on a straight-line basis over periods ranging from 12.75 to 15 years, which estimates the economic useful lives of these assets.

Deferred Financing Costs

Deferred financing costs associated with debt issues are offset against long-term debt and are amortized over the terms of the related debt using the effective interest and the straight-line method, which approximates the effective interest method.

Asset Retirement Obligations

The Company provides for the expected costs to be incurred for the eventual reclamation of properties pursuant to local laws. The Company accounts for its land reclamation liability as an asset retirement obligation, which requires that obligations associated with the retirement of a tangible long-lived asset be recorded as a liability when those obligations are incurred, with the amount of the liability initially measured at fair value. Upon initially recognizing a liability for an asset retirement obligation, an entity must capitalize the cost by recognizing an increase in the carrying amount of the related long-lived asset. Over time, the liability is accreted to its future value each period, and the capitalized costs of the related long-lived assets are depreciated over their estimated useful lives. An entity ultimately either settles the obligation for its recorded amount or incurs a gain or loss upon settlement.

Royalties

Trona reserves are mined pursuant to lease arrangements with various land owners. Such arrangements generally provide for royalty or severance tax payments based on the selling price of soda ash. Royalties and severance taxes are included as a component of cost of revenues.

Cash and Cash Equivalents

The Company's cash and cash equivalents include cash and short-term highly liquid investments with an original maturity of three months or less. The Company maintains cash and cash equivalents in bank deposit and money market accounts that may exceed federally insured limits. The financial institutions where the Company's cash and cash equivalents are held are generally highly rated. The Company has not experienced any losses in such accounts and believes it is not exposed to significant credit risk.

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(in thousands)

Derivative Financial Instruments

Derivative financial instruments are used to mitigate natural gas purchase price, interest rate, and foreign exchange exposures. All contracts are marked-to-market with unrealized gains and losses being recognized immediately as non-operating income and expense. All realized gains and losses are recognized within cost of revenues, interest expense, and other income, respectively, in the period incurred. The Company does not hold or issue derivative instruments for trading purposes.

Foreign Currency Translation

Cumulative translation adjustments, arising primarily from consolidating the assets and liabilities of the Company's foreign operations at current rates of exchange as of the respective balance sheet date, are applied directly to shareholder's equity and are included as part of accumulated other comprehensive income or loss. Income and expense items for the Company's foreign operations are translated using monthly average exchange rates. Upon complete sale or liquidation of an investment, cumulative translation adjustments are removed from equity and reported in the consolidated statement of income as part of the gain or loss on the sale or liquidation.

Revenue Recognition

The Company recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred, the price is fixed or determinable, and collectability is reasonably assured. Delivery has occurred when title and risk of loss has passed to the customer consistent with the related shipping terms, generally at the time products are shipped. Included in gross revenues and cost of revenues are related shipping and handling costs.

Employee Medical Benefits

The Company is self-insured for expenses relating to employee medical benefits. All employees have an option to participate in the Company's self-funded comprehensive medical care benefits program. The cost of medical care is paid out of employee and employer contributions. The Company has purchased stop-loss coverage in order to limit its exposure to any significant individual medical claims. Self-insured medical costs are accrued based upon actuarial assumptions and the Company's historical experience.

Environmental Matters

The Company is subject to extensive federal, state, and local environmental laws and regulations. These laws, which change frequently, regulate or propose to regulate the discharge of materials into the environment and may require the Company to remove or mitigate the environmental effects of the disposal or release of such substances. Environmental expenditures, which can include fines, penalties and certain corrective actions, are expensed or capitalized depending on their future economic benefit. Expenditures that relate to an existing condition caused by past operations and that have no future economic benefits are expensed. Liabilities for expenditures are recorded when environmental assessment and/or remediation is probable, and the costs can be reasonably estimated.

Non-controlling Interest

The Company accounts for non-controlling interests as a component of equity in the consolidated financial statements.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation. Reclassified amounts were not material to the financial statements. Reclassifications have been made on the statement of income to separately present the amounts of depreciation that are a component of cost of revenues and on the balance sheet to separately present deferred tax assets,

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(in thousands)

net from other assets and due to related parties from accrued liabilities. (Gain) loss on disposition of long-lived assets was also reclassified out of other (income) expense to a separate line under operating income. Reclassification of realized (gain) loss on FX forward contracts was separately reported on the statement of income in the prior year but has now been combined in other expense, net.

Recent Accounting Pronouncements

In May 2014, Accounting Standards Update (ASU) No. 2014-09 was issued which, together with subsequent amendments, is included in ASC 606, *Revenue from Contracts with Customers*. This ASU provides a five-step approach for customer contract revenue recognition that focuses on transfer of control, as opposed to transfer of risk and rewards. The ASU also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenues and cash flows from contracts with customers. The provisions of ASU 2014-09 are effective for annual periods beginning after December 15, 2018. This ASU will be adopted by the Company using the modified retrospective method on April 1, 2019.

In February 2016, the FASB issued ASU 2016-02, *Leases* (“ASU 2016-02”) which, together with subsequent amendments, is included in ASC 842, *Leases*. The ASU includes a lessee accounting model that recognizes two types of leases – finance leases and operating leases. The standard requires all operating leases with an initial term greater than one year to be recorded on the balance sheet as a right-of-use (ROU) asset with a related lease liability. Certain qualitative and quantitative disclosures are also required. The update is effective in fiscal years, including interim periods, beginning after December 15, 2018. The Company will adopt ASU 2016-02 on April 1, 2019 using the modified retrospective approach with a cumulative-effect adjustment recorded at the beginning of the period of adoption and using certain, allowed, optional practical expedients. Therefore the Company will recognize and measure leases without revising comparative period information or disclosure. For certain leases with similar characteristics, the Company may apply a portfolio approach when measuring ROU assets and lease liabilities.

In March 2017, the FASB issued ASU 2017-07, *Compensation — Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. The new guidance requires companies with sponsored defined benefit pension and/or other postretirement benefit plans to present the service cost component of net periodic benefit cost in the same income statement line item as other compensation costs. The other components of net periodic benefit cost will be presented separately and not included in operating income. In addition, only service costs are eligible to be capitalized as an asset. The standard will be effective for fiscal years beginning after December 15, 2018, and for interim periods within fiscal years beginning after December 15, 2019; and the guidance will generally be applied retroactively, whereas the capitalization of the service cost component will be applied prospectively. The Company will adopt this standard on April 1, 2019. The Company is still completing its assessment of the impact of the adoption of this ASU on the consolidated financial statements.

In January 2016, ASU No. 2016-01, *Financial Instruments – Overall* was issued related to financial instruments. This ASU was amended in February 2018 by ASU No. 2018-03, *Technical Corrections and Improvements to Financial Instruments – Overall*. The new guidance requires entities to measure equity investments that do not result in consolidation and are not accounted for under the equity method at fair value and recognize any changes in fair value in net income. This new guidance also updates certain disclosure requirements for these investments. This update is effective in fiscal years, including interim period, beginning after December 15, 2017, and upon adoption, the cumulative effect of applying the guidance is to be recognized. The Company adopted this standard on April 1, 2018 with no impact.

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(in thousands)

In August 2017, ASU No. 2017-12, *Derivatives and Hedging*, was issued related to hedge accounting. The new guidance expands the ability to hedge non-financial risk components, eliminates the current requirement to separately measure and report hedge ineffectiveness, and requires the entire change in fair value of a hedging instrument to be presented in the same income statement line as the hedged item, when reclassified from partners' capital. The guidance also eases certain hedge effectiveness documentation and assessment requirements. This update is effective in fiscal years, including interim periods, beginning after December 15, 2019. Historically, the Company has marked all hedges to market and has not employed hedge accounting. The Company anticipates adopting this ASU on April 1, 2019.

In February 2018, the FASB issued ASU 2018-02, *Income Statement – Reporting Comprehensive Income: Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*. The guidance permits a reclassification from Accumulated other comprehensive income (loss) to Retained earnings from stranded tax effects resulting from the 2017 Tax Act. ASU 2018-02 is effective for annual reporting periods beginning after December 15, 2018. The Company is evaluating the impact that adopting this guidance will have on the consolidated financial statements.

In August 2018, ASU No. 2018-14, *Compensation – Retirement Benefits – Defined Benefit Plan – General*, was issued to modify and enhance disclosure requirements for defined benefit plans. This update is effective in fiscal years, including interim periods, beginning after December 15, 2021, and early adoption is permitted. The Company is still completing its assessment of the impact and anticipated adoption date of this update.

3. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in a principal or most advantageous market. The Company makes certain assumptions it believes that market participants would use in pricing assets or liabilities, including assumptions about risk, and the risks inherent in the inputs to valuation techniques. The credit risk of the Company and its counterparties is incorporated in the valuation of assets and liabilities through the use of credit reserves, the impact of which is immaterial for the years ended March 31, 2019 and 2018. The Company believes it uses valuation techniques that maximize the use of observable market-based inputs and minimize the use of unobservable inputs.

The Company uses a three-tier fair value hierarchy to classify and disclose all assets and liabilities measured at fair value on a recurring basis, as well as assets and liabilities measured at fair value on a non-recurring basis, in periods subsequent to their initial measurement. These tiers include: Level 1, defined as quoted market prices in active markets for identical assets or liabilities; Level 2, defined as inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, model-based valuation techniques for which all significant assumptions are observable in the market, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and Level 3, defined as unobservable inputs that are not corroborated by market data.

The Company's financial assets and liabilities recorded at fair value on a recurring basis include derivative instruments. The Company's derivative liabilities consist of interest rate swaps and commodity futures contracts.

Tata Chemicals North America Inc. and Subsidiaries
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March 31, 2019 and 2018

(in thousands)

The following table presents the fair values for those assets and liabilities measured on a recurring basis as of March 31, 2019:

	Fair Value Measurements		
	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Assets:			
Cash equivalents	\$ 99,518	\$ -	\$ 99,518
Interest rate swaps	-	\$ 14	14
Non-qualified pension asset	<u>1,443</u>	<u>-</u>	<u>1,443</u>
Total	<u>\$ 100,961</u>	<u>\$ 14</u>	<u>\$ 100,975</u>
Liabilities:			
Commodity futures contracts	<u>-</u>	<u>343</u>	<u>343</u>
Total	<u>\$ -</u>	<u>\$ 343</u>	<u>\$ 343</u>

The following table presents the fair values for those assets and liabilities measured on a recurring basis as of March 31, 2018:

	Fair Value Measurements		
	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Assets:			
Cash equivalents	\$ 78,282	\$ -	\$ 78,282
Short-term investments		677	677
Non-qualified pension asset	<u>1,598</u>	<u>-</u>	<u>1,598</u>
Total	<u>\$ 79,880</u>	<u>\$ 677</u>	<u>\$ 80,557</u>
Liabilities:			
Foreign currency forward contracts	-	723	723
Commodity future contracts	<u>-</u>	<u>2,323</u>	<u>2,323</u>
Total	<u>\$ -</u>	<u>\$ 3,046</u>	<u>\$ 3,046</u>

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Cash Equivalents, Short-Term Investments and Non-Qualified Pension Assets

Cash equivalents include investments with maturities of three months or less when purchased. The cash equivalents shown in the fair value table are comprised of investments in money market funds. Short-term investments include investment with maturities of more than three months and less than twelve months when purchased. Short-term investments in the fair value table are comprised of investments in money market funds. Non-qualified pension assets include investments in listed equity securities. The fair values of the shares of these funds are based on observable market prices and, therefore, have been categorized as Level 1 in the fair value hierarchy.

Interest Rate Swaps, Commodity Futures Contracts and Foreign Currency Forward Contracts

The inputs used in valuing interest rate swaps and foreign currency forward contracts include quoted prices for similar assets in active markets and inputs that are observable for the asset, and accordingly, the Company classifies these derivative liabilities as Level 2 in hierarchy. The natural gas contracts are based on a regional basis forward price quoted by a third-party service, and accordingly, the Company classifies these derivative liabilities as Level 2 in hierarchy. All foreign currency forward contracts expired by March 31, 2019.

4. Goodwill and Intangible Assets

A summary of intangible assets subject to amortization as of March 31, 2019 and 2018 is as follows:

	2019	2018	Useful Life
Customer relationships	\$ 6,390	\$ 6,390	15 years
Patents	<u>24</u>	<u>24</u>	12.75 years
	6,414	6,414	
Accumulated amortization	<u>6,122</u>	<u>5,696</u>	
Intangible assets—net	<u>\$ 292</u>	<u>\$ 718</u>	

For the years ended March 31, 2019 and 2018, the Company recognized \$426 and \$426 of amortization expense, respectively. The estimated amortization expenses for years subsequent to March 31, 2019, are:

Years ending March 31,

2020	206
2021	<u>86</u>
Total	<u>\$ 292</u>

The Company has \$122,658 in goodwill at March 31, 2019 and 2018 that is not subject to amortization. The Company evaluates this goodwill for impairment on an annual basis. There was no impairment of goodwill for the years ending March 31, 2019 and 2018.

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5. Property, Plant and Equipment

Property, plant and equipment as of March 31, 2019 and 2018 are comprised of the following:

	2019	2018
Land and improvements	\$ 37,348	\$ 37,348
Buildings and leasehold improvements	46,181	43,696
Machinery and equipment	285,872	260,989
Construction-in-progress	11,579	10,704
Mines and quarries	<u>28,503</u>	<u>25,683</u>
	409,483	378,420
Less: Accumulated depreciation	<u>195,797</u>	<u>176,269</u>
	<u>\$ 213,686</u>	<u>\$ 202,151</u>

For the years ended March 31, 2018 and 2017, the Company recognized \$20,227 and \$19,450 of depreciation expense, respectively.

6. Accumulated Other Comprehensive Loss

The following table sets forth the components of accumulated other comprehensive loss as of March 31, 2019 and 2018:

	2019	2018
Pension and post retirement plan benefits, net of taxes of \$20,221 and \$19,434	\$ (24,716)	\$ (24,591)
Cumulative foreign currency translation adjustment	<u>(17)</u>	<u>(17)</u>
Total accumulated other comprehensive loss	<u>\$ (24,733)</u>	<u>\$ (24,608)</u>

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7. Additional Financial Information

The summaries of selected balance sheet items as of March 31, 2019 and 2018 are as follows:

	2019	2018
Receivables		
Trade	\$ 74,635	\$ 78,868
Other	5,321	6,445
Allowance for doubtful accounts	<u>(200)</u>	<u>(308)</u>
	<u>\$ 79,756</u>	<u>\$ 85,005</u>
Inventories		
Raw materials	\$ 11,376	\$ 9,889
Work-in-process	100	100
Finished products	<u>6,656</u>	<u>13,302</u>
	<u>\$ 18,132</u>	<u>\$ 23,291</u>
Other Assets		
Pension asset	\$ 1,443	\$ 1,599
Inventory - stores	11,453	10,870
Long-term deposit	<u>689</u>	<u>701</u>
	<u>\$ 13,585</u>	<u>\$ 13,170</u>
Accrued Liabilities		
Wages, salaries, and benefits	\$ 8,229	\$ 8,889
Property, production and other taxes	9,643	9,195
Unrealized loss for interest rate swaps and natural gas futures	343	3,046
Other	6,089	8,572
Current portion of capital lease obligation	<u>-</u>	<u>10</u>
	<u>\$ 24,304</u>	<u>\$ 29,712</u>
Other Liabilities		
Accrued pension obligations	\$ 63,520	\$ 66,239
Accrued other post-retirement benefits	16,664	19,071
Asset retirement obligation	23,508	22,798
Accrued other	<u>7,639</u>	<u>7,350</u>
	<u>\$ 111,331</u>	<u>\$ 115,458</u>

8. Debt

On August 9, 2013, the Company entered into a credit agreement with several lenders led by J.P. Morgan Chase Bank, N.A. ("JPM"), as administrative agent. The credit agreement provided for a \$340,000 credit facility, composed of a \$315,000 term loan ("Term loan") with a 7 year term and a \$25,000 revolving line of credit ("Revolver") with a 5 year term. The borrowing under this facility bears interest at either London Interbank Offered Rate ("LIBOR") plus applicable margin or an alternate

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base rate based upon the greatest of (a) the Prime Rate in effect on such day, (b) the Federal Funds Effective Rate in effect on such day plus ½ of 1% and (c) the Adjusted LIBOR for a one month Interest Period on such day plus 1%. The term loan effective rate as of March 31, 2019 was 5.56%. The applicable margin on the Term loan and Revolver is 2.75% per annum on LIBOR borrowings and 1.75% per annum on alternate base rate loans. The Term loan and the Revolver, after being extended in June of 2018, now both mature on August 9, 2020.

The Term loan is secured by a first-priority interest in the Company's 75% interest in TCSAP Holdings, the Company's assets, and equity interest in foreign subsidiaries (TCNA (UK) Limited). The Term loan is subject to certain covenants including, but not limited to, maintaining a Net Debt to EBITDA ratio of under 3.25 and a EBITDA to net cash interest expense ratio of over 3.5. If the Net Debt to EBITDA ratio rises above 2.25 at fiscal year-end, excess cash sweeps to repay portions of the term loan are required. As of March 31, 2019 and 2018, the Company had \$225,300 and \$225,300 of total debt remaining outstanding under the Term loan; offset by \$2,010 and \$3,433 of deferred finance fees, respectively. The Company has not drawn upon its Revolver.

The aggregate maturities of debt for each of the two years until maturity subsequent to March 31, 2019, are as follows:

Years ending March 31,

2020	\$ -
2021	<u>225,300</u>

9. Income Taxes

Income tax expense (benefit) for the years ended March 31, 2019 and 2018 is summarized below:

	2019	2018
Current		
Federal	\$ (1,045)	\$ 3,062
State	28	153
Foreign	<u>15</u>	<u>23</u>
Total current	<u>(1,002)</u>	<u>3,238</u>
Deferred		
Federal	2,242	(28,148)
State	<u>142</u>	<u>(125)</u>
Total deferred	<u>2,384</u>	<u>(28,273)</u>
Total	<u>\$ 1,382</u>	<u>\$ (25,035)</u>

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A summary of the components of deferred tax assets and liabilities is as follows:

	2019	2018
Pension and post retirement benefits	\$ 13,230	\$ 14,890
Alternative Minimum Tax ("AMT")	9,267	16,741
Nondeductible accruals	1,574	1,367
Other	<u>15</u>	<u>-</u>
Deferred tax assets	24,086	32,998
Valuation allowance	<u>-</u>	<u>1,814</u>
Net deferred tax assets	<u>24,086</u>	<u>31,184</u>
Depreciation	2,159	2,370
Partnership basis cancelation of debt loss	3,173	3,083
Intangible assets	64	157
Partnership basis	11,434	12,582
Other	<u>-</u>	<u>127</u>
Deferred tax liabilities	<u>16,830</u>	<u>18,319</u>
Net deferred tax assets	<u>\$ 7,256</u>	<u>\$ 12,865</u>

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the "Tax Act"). The Tax Act reduced the U.S. federal corporate tax rate to 21 percent, effective January 1, 2018. Due to the reduction of the corporate tax rate, the Company re-evaluated the deferred tax balance on March 31, 2018 at the 21% rate and recorded a provisional decrease of our net deferred tax assets of \$559 with a corresponding reduction of the deferred income tax benefit of \$559. In accordance with Staff Accounting Bulletin (SAB) No 118, the Company completed the analysis of the impacts of the 2017 Tax Act, and recorded an income tax expense true-up of \$135 in the year ended March 31, 2019.

The Company assessed whether its valuation allowance analysis was affected by the Tax Act. As Tax Act eliminated the corporate alternative minimum tax (AMT) and carry-forward AMT credits become realizable in the future, the Company released the valuation allowance of \$31.6 million previously recorded on the AMT tax credit deferred tax asset as of March 31, 2018. In 2019, the Company released an additional valuation allowance on AMT tax credits of \$1.8 million pursuant to the U.S. Office of Management and Budget's reported conclusion in January 2019 that federal sequestration rules do not apply to the AMT tax credits / refunds. The AMT credits that will be realized in the future resulted in a non-current income tax receivable of \$31,450 as of March 31, 2018.

For the year ended March 31, 2019, the Company's effective income tax rate is lower than the statutory Federal income tax rate principally due to mineral depletion, release of a valuation allowance on AMT tax credits, and to the recognition of book income (without tax effect) in connection with the release of a negative investment in its Canadian subsidiary, GCCL (See Note 11).

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Effective Tax Rate Reconciliation, 2019

Income tax provision	\$ 1,382	2.5%
Pretax book income	55,945	
Federal statutory rate		21.0%
Pretax book income	11,748	21.0%
Permanent difference, depletion allowance	(5,559)	-9.9%
Permanent difference, GCCL release	(3,451)	-6.2%
Other permanent differences	49	0.1%
Change in valuation allowance	(1,814)	-3.2%
2017 return true-up	135	0.2%
State and local tax impact	137	0.2%
Other temporary differences & adjustments	137	0.2%
Total tax expense	<u>1,382</u>	<u>2.5%</u>

For the year ended March 31, 2018, the Company's negative effective income tax rate of (55.1%) was principally driven by the release of valuation allowances due to the passage of the Tax Act, depletion, and a permanent difference on the allocated losses from joint venture investments.

The Company files a consolidated U.S. federal income tax return with its parent VHI. Additionally, as required by state and local tax law, the Company files various state and local tax returns in these jurisdictions on a consolidated or combined basis with VHI. Other state and local income tax returns are filed on a standalone basis.

The Company files income tax returns in the US federal jurisdictions, various state jurisdictions and various foreign jurisdictions (UK and Canada). With few exceptions, the Company is not subject to audit by taxing authorities for the calendar years ended prior to December 31, 2015. The Company does not expect its unrecognized positions to change significantly over the next year.

10. GCCL Liquidation and Deconsolidation

General Chemical Canada Ltd. ("GCCL") was a Canadian corporation that owned and operated a chemical manufacturing facility located in Ontario, Canada. Chemical production was terminated in April of 2001. On January 19, 2005, GCCL applied for relief under the Canada's Companies' Creditors Arrangement Act ("CCAA") and, on that date, the court granted GCCL's request for CCAA protection. On November 18, 2005, GCCL was assigned into bankruptcy in accordance with Canada's Bankruptcy and Insolvency Act. As a result of the CCAA filing, TCNA had a loss of control over the financial and operating decisions of GCCL that were exercised by the court-appointed trustee. Therefore, GCCL was deconsolidated as of January 19, 2005, and the investment was accounted for under the cost method. TCNA had an overall negative net investment in GCCL due to accumulated losses. The Company was carrying the net negative investment in the amount of \$16,433 in the deconsolidated subsidiary on its consolidated balance sheets until March 31, 2019.

During the year ended March 31, 2019, the case was concluded under the Canadian bankruptcy and insolvency Act, and the trustee was dismissed by the court and TCNA was released from all potential

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obligations. Accordingly, TCNA reversed the liability and recognized other (non-operating) income of \$ 16,433 in 2019. This gain recognition had no tax effect.

11. Commodity Futures Contracts, Interest Rate Swaps and Foreign Currency Forward Contracts

The Company enters into commodity futures contracts related to forecasted natural gas requirements that are used in the manufacturing process of its products, the objectives of which are to secure supply and limit the effects of fluctuations in the future market price paid for natural gas and in the related volatility in cash flows. The maturities of the contracts are timed to coincide with the expected usage of the gas.

For the years ended March 31, 2019 and 2018, the Company reported an unrealized gain of \$1,980 and an unrealized loss of \$1,932, respectively, in the consolidated statements of income for natural gas contracts. Liabilities associated with the commodity futures contracts of \$343 and \$2,323 are included within the accrued liabilities in the balance sheets at March 31, 2019 and 2018, respectively. As of March 31, 2019, the notional amounts of the natural gas futures are \$14,708 expiring in December 2020.

The Company enters into interest rate swaps to manage its exposure to interest rate variations on its floating-rate borrowings. The objective is to reduce its exposure to variability attributable to changes in the 3-month LIBOR rate underlying its LIBOR-indexed floating-rate debt (See Note 9). These interest rate swaps are not designated as hedges and are marked to fair value with the resulting unrealized gains or losses recorded in other income – net in the accompanying consolidated statements of income. Realized gains and losses are included with interest expense.

At March 31, 2019, the Company has one remaining interest rate swap that began on November 1, 2013 and ends on August 7, 2020:

Maturity Date	Interest Rate	Notional Amount
8/7/2020	2.4220%	<u>40,000,000</u>
Total		<u>\$ 40,000,000</u>

For the years ended March 31, 2019 and 2018, the Company reported an unrealized loss of \$663 and an unrealized gain of \$1,724, respectively, in the consolidated statements of income for interest rate swaps. As of March 31, 2019 and 2018, the Company included unrealized gains of \$14 and \$677, respectively in other current assets for the fair value of interest rate swaps.

The Company entered into foreign currency forward contracts to manage its exposure to foreign exchange rate variations related to its sales denominated in foreign currencies. The objective was to reduce variability in earnings and cash flows caused by changes in foreign exchange rates related to foreign-currency-denominated sales, principally the pound sterling. These foreign currency forward contracts were marked to fair value with the resulting gains or losses recorded in other expense, net in the accompanying consolidated statements of income.

At March 31, 2019, the Company has no outstanding foreign currency forward contracts. For the years ended March 31, 2019 and 2018, the Company reported an unrealized loss of \$709 and an unrealized gain of \$74 in the consolidated statements of income, respectively. As of March 31, 2019

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and 2018, the Company reported accrued liabilities at fair value for the open foreign exchange contracts of \$0 and \$723 on the balance sheets, respectively.

12. Pension Plans and Other Postretirement Benefits

The Company maintains several defined benefit pension plans covering substantially all employees hired prior to February 1, 2017. Salaried defined benefit plans were frozen to new entrants effective February 1, 2017 and hourly defined benefit plans were frozen to new entrants effective July 1, 2017. A participating employee's annual postretirement pension benefit is determined by the employee's credited service and, in most plans, final average annual earnings with the Company. Vesting requirements are two years. The Company's funding policy is to annually contribute the statutorily required minimum amount as actuarially determined. The Company also maintains several plans providing other postretirement benefits covering substantially all hourly and certain salaried employees hired prior to July 1, 2017 and February 1, 2017, respectively, these plans also not being available to new entrants after these dates. The Company recognizes actuarially determined liabilities for these benefits, but funds these benefits on a pay-as-you-go basis. The accumulated benefit obligation for all defined benefit plans was \$248,932 and \$246,509 as of March 31, 2019 and 2018, respectively.

The Company reduced the benefit obligation and recorded a past service credit due to a plan amendment of \$12,847 during 2018 to reflect a benefit change to its other post-retirement benefits plan. Beginning on January 2, 2018, all current and future hourly retirees, hired prior to July 1, 2017, receive a fixed employer-paid contribution to a Health Reimbursement Account ("HRA") upon reaching Medicare eligibility in lieu of the prior group medical plan. HRA contributions will be approximately \$2 per participant per year or \$4 per participant per year if a spouse is covered.

The Company recorded adjustments to other comprehensive income of \$291 and \$11,947, net of tax of \$787 and \$(2,473), with corresponding increases in noncontrolling interest of \$414 and \$3,291 and a decrease of \$125 and an increase of \$8,650 in accumulated other comprehensive income (loss) for the years ended March 31, 2019 and 2018, respectively.

As noted in the table below, pension expenses for the years ended March 31, 2019 and 2018 were \$5,837 and \$7,178, respectively; and other postretirement benefit expenses were \$0 and \$627, respectively. TCSAP's Net periodic benefit cost is included in cost of sales. TCNA's Net periodic benefit cost is included in selling, general, and administrative expense.

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	Pension Benefits		Other Postretirement Benefits	
	2019	2018	2019	2018
Components of net periodic benefit cost				
Service cost	\$ 5,188	\$ 5,372	\$ 269	\$ 359
Interest cost	10,341	10,539	750	1,073
Expected return on plan assets	(11,996)	(11,931)	-	-
Amortization of unrecognized:				
Prior service cost	174	174	(910)	(719)
Actuarial loss (gain)	<u>2,130</u>	<u>3,024</u>	<u>(109)</u>	<u>(86)</u>
Net periodic benefit cost	<u>\$ 5,837</u>	<u>\$ 7,178</u>	<u>\$ -</u>	<u>\$ 627</u>
Change in benefit obligation				
Benefit obligation - beginning of year	\$ 260,472	\$ 250,685	\$ 20,550	\$ 31,854
Service cost	5,188	5,372	269	359
Interest cost	10,341	10,539	750	1,073
Plan amendments	-	-	-	(12,847)
Actuarial (gain)/loss	(775)	4,886	(2,656)	1,310
Benefits paid	(11,749)	(11,010)	(1,215)	(1,422)
Retiree Drug Subsidy			185	223
Liab (gain)/loss due to curtailment	<u>(2,603)</u>	<u>-</u>	<u>42</u>	<u>-</u>
Projected Benefit obligation - end of year	<u>\$ 260,874</u>	<u>\$ 260,472</u>	<u>\$ 17,925</u>	<u>\$ 20,550</u>
Change in plan assets				
Fair value of assets - beginning of year	\$ 193,956	\$ 184,727	\$ -	\$ -
Actual return on plan assets	5,873	17,302	-	-
Employer contributions	8,998	2,937	1,215	1,422
Benefits paid	<u>(11,749)</u>	<u>(11,010)</u>	<u>(1,215)</u>	<u>(1,422)</u>
Fair value of assets - end of year	<u>\$ 197,078</u>	<u>\$ 193,956</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of funded status				
Funded status	<u>\$ (63,796)</u>	<u>\$ (66,516)</u>	<u>\$ (17,925)</u>	<u>\$ (20,550)</u>
Net amount accrued	<u>\$ (63,796)</u>	<u>\$ (66,516)</u>	<u>\$ (17,925)</u>	<u>\$ (20,550)</u>
Net amount accrued in current liabilities	(277)	(277)	(1,263)	(1,479)
Net amount accrued in other liabilities	(63,520)	(66,239)	(16,664)	(19,071)

The estimated net actuarial loss and prior service cost for the pension plans that will be amortized from accumulated other comprehensive income into net periodic benefit cost for the year ending March 31, 2020 are \$2,214 and \$174, respectively.

The estimated net actuarial loss and prior service credit for the postretirement plans that will be amortized from accumulated other comprehensive income into net periodic benefit cost for the year ending March 31, 2020 are \$(115) and \$(798), respectively.

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The amounts recognized in accumulated other comprehensive loss as of March 31, 2019 and 2018, before accumulated tax, are summarized below:

	Pension Benefits		Other Postretirement Benefits	
	2019	2018	2019	2018
Prior service cost/(credit)	\$ 1,039	\$ 1,211	\$ (10,612)	\$ (13,167)
Net actuarial loss/(gain)	<u>55,905</u>	<u>55,291</u>	<u>(1,377)</u>	<u>1,127</u>
Total	<u>\$ 56,944</u>	<u>\$ 56,502</u>	<u>\$ (11,989)</u>	<u>\$ (12,040)</u>

The amounts recognized in other comprehensive income during the years ended March 31, 2019 and 2018, before tax, are summarized below:

	Pension Benefits		Other Postretirement Benefits	
	2019	2018	2019	2018
Net actuarial loss/(gain)	\$ 2,745	\$ (485)	\$ (2,613)	\$ 1,310
Prior service cost	-	-	-	(12,847)
Reversal of amortization item:				
Net actuarial (gain)/loss	(2,130)	(3,024)	109	86
Prior service (cost)/credit	<u>(174)</u>	<u>(174)</u>	<u>2,555</u>	<u>719</u>
Total recognized in comprehensive income (loss)	<u>\$ 441</u>	<u>\$ (3,683)</u>	<u>\$ 51</u>	<u>\$ (10,732)</u>

Assumptions

The weighted-average assumptions used to determine net periodic benefit cost were as follows:

	Pension Benefits		Other Postretirement Benefits	
	2019	2018	2019	2018
Discount rate	4.11 %	4.29 %	4.05 %	4.23 %
Expected long-term return on plan assets	6.25 %	6.50 %	N/A	N/A
Rate of compensation increase	4.5–9.0%	4.5–9.0%	N/A	N/A

The weighted-average assumptions used to determine the benefit obligation were as follows:

	Pension Benefits		Other Postretirement Benefits	
	2019	2018	2019	2018
Discount rate	4.09 %	4.11 %	4.00 %	4.05 %
Rate of compensation increase	5.3–8.4%	4.5–9.0%	N/A	N/A

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The discount rate for each plan is determined by discounting the plan's expected future benefit payments using a yield curve developed from high quality bonds as of the measurement date. The yield curve calculation matches the notional cash inflows or hypothetical bond portfolio with the expected benefit payments to arrive at an effective rate.

To determine the expected long-term rate of return on plan assets, the Company considers the current and expected asset allocation, as well as historical and expected returns on each plan asset class.

Assumed health care cost trend rates as of March 31, 2019 and 2018 were as follows:

	2019	2018
Health care cost trend rate assumed for next year	7.25 %	7.50 %
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	5.0 %	5.0 %
Year that the rate reaches the ultimate trend rate	2027	2027

Assumed health care cost trend rates may have a significant effect on the amounts reported for the health care plans. A one-percentage point change in assumed health care cost trend rates would have the following annual effects:

	Percentage Point Increase	Percentage Point Decrease
Effect on total of service and interest cost	\$ 1	\$ (1)
Effect on postretirement benefit obligation	28	(28)

The dates used to measure plan assets and liabilities were March 31, 2019 and 2018 for all plans.

For healthy lives, the Company measured benefit obligations using the 2006 base rates from the RP-2014 mortality study for employees and healthy annuitants, projected generationally with MP-2018 Projection Scale with blue and white collar adjustments by individual in selecting mortality assumptions as of March 31, 2019.

For disabled lives, the Company measured benefit obligations using the 2006 base rates from the RP-2014 mortality study for disabled retirement mortality, projected generationally with MP-2018 Projection Scale in selecting mortality assumptions as of March 31, 2019.

Plan Assets

Pension plan assets are invested primarily in stocks, bonds, short-term securities and cash equivalents. The assets of the Company's defined benefit plans are managed on a commingled basis in a Master Trust. The investment policy and allocation of the assets in the Master Trust were approved by the Company's Investment Committee, which has oversight responsibility for the Company's retirement plans.

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The following details the asset categories including target allocations for the pension plan as of March 31, 2019 and 2018:

Asset Category	2019		2018	
	Actual Allocation	Target Allocation	Actual Allocation	Target Allocation
Equity Securities	51 %	51 %	50 %	51 %
Debt Securities	45 %	45 %	45 %	45 %
Other	5 %	4 %	5 %	4 %

The pension fund assets are invested in accordance with the statement of Investment Policies and Procedures adopted by the Company, which are reviewed annually. Pension fund assets are invested on a going-concern basis with the primary objective of providing reasonable rates of return consistent with available market opportunities, a quality standard of investment, and moderate levels of risk. The expected rate of return is expected to be 6.25% over rolling ten-year periods. This expected rate of return is estimated upon an analysis of historical returns with consideration for the current economic environment.

Contributions

The Company expects to contribute \$7,879 to its pension plan and \$1,263 to its other postretirement benefit plans for the year ending March 31, 2020.

Estimated Future Benefit Payments

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

Years ending March 31,	Pension Benefits	Other Benefits
2020	\$ 12,477	\$ 1,263
2021	13,042	1,259
2022	13,478	1,262
2023	13,977	1,300
2024	14,483	1,240
2025–2029	77,015	5,406

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Fair Values

The fair values of the Company's plan assets as of March 31, 2019, by asset category are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Asset Category:				
Cash and cash equivalents	\$ -	\$ 774	\$ -	\$ 774
Fixed income securities	14,740	73,113	-	87,853
Preferred securities	-	205	-	205
Equity securities	8,087	91,763	-	99,849
Futures contracts	242	-	-	242
Real estate investments trusts	-	8,085	-	8,085
Private equity	-	-	70	70
Total	<u>\$ 23,069</u>	<u>\$ 173,940</u>	<u>\$ 70</u>	<u>\$ 197,078</u>

The following table provides further details of Level 3 fair value measurements:

	<u>Private Equity</u>
Beginning balance - April 1, 2018	\$ 91
Total realized/unrealized (losses) gains	(69)
Purchases, sales and settlements	48
Ending balance - March 31, 2019	<u>\$ 70</u>

The fair values of the Company's plan assets as of March 31, 2018, by asset category are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Asset Category:				
Cash and cash equivalents	\$ -	\$ 1,926	\$ -	\$ 1,926
Fixed income securities	15,466	71,980	-	87,446
Equity securities	-	96,601	-	96,601
Futures contracts	122	-	-	122
Real estate investment trusts	-	7,770	-	7,770
Private equity	-	-	91	91
Total	<u>\$ 15,588</u>	<u>\$ 178,277</u>	<u>\$ 91</u>	<u>\$ 193,956</u>

The following table provides further details of Level 3 fair value measurements:

	<u>Private Equity</u>
Beginning balance - April 1, 2017	\$ 491
Total realized/unrealized (losses) gains	25
Purchases, sales and settlements	(425)
Ending balance - March 31, 2018	<u>\$ 91</u>

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Valuation

Cash and cash equivalents are held in a commingled fund utilizing various underlying pricing sources.

Fixed income securities are primarily valued using a market approach utilizing various underlying pricing sources and methodologies.

Equity securities, exchange traded equity funds and real estate investment trusts are valued using a market approach based on quoted market prices for similar instruments.

Private equity investments for which readily determinable prices do not exist are valued using either the market or income approach by the General Partner. In establishing the estimated fair value the following are taken into consideration: a reasonable time for liquidation of the investment, the financial condition and operating results of the underlying portfolio company, the nature of the investment, restriction on marketability, market conditions and other factors the General Partner deems appropriate.

Other Defined Contribution Plans

The Company also sponsors defined contribution retirement savings plans. Participation in one of these plans is available to substantially all represented and non-represented employees. The Company matches employee contributions up to certain predefined limits for non-represented employees based upon eligible compensation and the employee's contribution rate. The Company's contribution to these plans was \$796 and \$627 for the years ended March 31, 2019 and 2018, respectively.

13. Asset Retirement Obligation

The Company provides for the expected costs to be incurred for the eventual reclamation of mining properties pursuant to local law. Included in long-term liabilities as of March 31, 2019 and 2018 were \$23,508 and \$22,798, respectively, related to these asset retirement obligations. Changes in the carrying amounts of the asset retirement obligation were as follows:

	2019	2018
Balance - beginning of year	\$ 22,798	\$ 21,788
Additions	\$ 72	-
Accretion expense	638	1,010
Balance - end of year	<u>\$ 23,508</u>	<u>\$ 22,798</u>

14. Variable Interest Entity (VIE)

The consolidated financial statements include a variable interest entity ("VIE"), ALCAD, for which the Company is the primary beneficiary.

ALCAD is an equally-owned joint venture between Tata Chemicals (Soda Ash) Partners (the "Partnership") and Church & Dwight, Inc. ("C&D") (collectively, the "Partners"). The significant activities of ALCAD include (a) managing trona reserves dedicated to it by the Partners, (b) extraction of trona for conversion into soda ash (which ALCAD has outsourced to the Partnership) and (c) distribution of soda ash exclusively to C&D. The Partnership was determined to be the primary beneficiary of ALCAD as it has control over the all significant activities of ALCAD. The Partnership

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has the obligation to absorb losses and the right to receive benefits from ALCAD that could be significant to ALCAD.

During the years ended March 31, 2019 and 2018, this VIE earned income of \$17,053 and \$17,856, respectively, under the contractual arrangements between the Partners, 50% of which was recorded as net income attributable to noncontrolling interests in the consolidated statements of operations.

The liabilities recognized as a result of consolidating the VIE's do not necessarily represent additional claims on the general assets of the Partnership outside of the VIE's; rather, they represent claims against the specific assets of the consolidated VIE. Conversely, assets recognized as a result of consolidating the VIE do not necessarily represent additional assets that could be used to satisfy claims against the Partnership's general assets. There are no restrictions on the VIE's assets that are reported in the Partnership's general assets. The total consolidated VIE assets and liabilities reflected in the Company's consolidated balance sheets are as follows:

	2019	2018
Accounts receivable	<u>\$ 5,524</u>	<u>\$ 6,123</u>
Total assets	<u>\$ 5,524</u>	<u>\$ 6,123</u>
Accrued expenses	\$ 602	\$ 682
Intercompany payable	<u>\$ 4,922</u>	<u>\$ 5,441</u>
Total liabilities	<u>\$ 5,524</u>	<u>\$ 6,123</u>
Payables eliminated through consolidation	<u>\$ (4,922)</u>	<u>\$ (5,441)</u>
Total Consolidated liabilities	<u>\$ 602</u>	<u>\$ 682</u>

The total accounts receivable of \$5,524 and \$6,123 are recorded in receivables as of March 31, 2019 and 2018. The minority interest payable of \$602 and \$682 are recorded in accrued liabilities as of March 31, 2019 and 2018.

There is no exposure of losses related to Company's involvement with the VIE as there are only receivables, payables, and there were no other assets contributed.

15. Related Party Transactions

Soda Ash Supply Agreement

The Company has soda ash supply agreements with Owens-Illinois Inc. and its affiliates ("O-I"). These agreements set forth the terms and conditions for the Company to supply O-I with soda ash, at established market rates, over the life of the partnership agreement. These agreements include no specific volume requirements. For the years ended March 31, 2019 and 2018, sales related to these agreements amounted to \$89,367 and \$105,293, respectively. As of March 31, 2019 and 2018, amounts due under these agreements totaled \$16,063 and \$16,196, respectively, and are included in receivables. Included in these amounts are sales under the trade finance agreement with Tata Chemicals International Pte Limited ("TCIPL"). Beginning April 2015, TCIPL provides financing for the sale of soda ash by TCSAP to Owens Illinois subsidiary companies in Latin America and Asia Pacific ("O-I LATAM"). TCSAP remains responsible for servicing the O-I LATAM accounts including

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negotiating pricing, logistical support and quality. TC IPL directly incorporates a finance charge into the final invoice to O-I LATAM. For the years ended March 31, 2019 and 2018, sales under these agreements amounted to \$13,760 and \$24,965, respectively. As of March 31, 2019 and 2018, amounts due under these agreements totaled \$5,311 and \$6,649, respectively.

Other

In the ordinary course of business, the Company purchases from, reimburses costs of, and sells soda ash to subsidiaries of TCL. During the years ended March 31, 2019 and 2018, the purchases from and reimbursement of costs of these subsidiaries of TCL amounted to \$1,442 and \$1,350, respectively; and accounts payable amounted to \$206 and \$169 at March 31, 2019 and 2018, respectively. During the years ended March 31, 2019 and 2018, the sales to these subsidiaries of TCL, excluding sales to TC IPL amounted to \$36,300 and \$56,341, respectively and accounts receivable at March 31, 2019 and 2018 amounted to \$10,259 and \$13,383, respectively.

As of March 31, 2019 and 2018, the Company has a related party payable with VHI included in accrued liabilities of \$295 and \$396, respectively, which relates to federal, state and local taxes payable. The Company also has a related party receivable with VHI related to audit fees of \$149 and \$0 as of March 31, 2019 and 2018, respectively.

16. Commitments and Contingencies

Future minimum rental payments for leases (primarily for transportation equipment, mining equipment, offices and warehouses) having initial or remaining non-cancelable lease terms in excess of one year as of March 31, 2019 are as follows:

Years ending March 31,	Operating Leases
2020	\$ 9,533
2021	7,430
2022	5,004
2023	3,007
2024	412
Thereafter	<u>5,189</u>
Total minimum payments	<u>\$ 30,575</u>

Rental expense for the years ended March 31, 2019 and 2018 was \$13,727 and \$13,896, respectively.

The Company is involved in certain claims, litigation, administrative proceedings and investigations relative to environmental and other matters. Although the amount of any ultimate liability which could arise with respect to these matters cannot be accurately predicted, it is the opinion of management, based upon currently available information and the accruals established that any such liability will not have a material adverse effect on the Company's financial condition, results of operations or cash flows.

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17. Subsequent Events

The Company has evaluated all events or transactions that occurred after March 31, 2019 through May 30, 2019, the date the consolidated financial statements were issued. There are no subsequent events that require adjustment to or disclosure in the consolidated financial statement.
